

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE: TRIAD GUARANTY)	
INSURANCE CORPORATION)	DOCKET NO. 13-004-I
(NAIC NO. 24350))	

STIPULATION AND CONSENT ORDER

The Insurance Division of the Vermont Department of Financial Regulation (“Department”) and Triad Guaranty Insurance Corporation (“Respondent”) stipulate and agree:

1. Pursuant to the authority contained in 8 V.S.A. §§ 10, 11, 12, 13, 15, Chapter 101, and Chapter 145, the Commissioner of the Department (“Commissioner”) is charged with enforcing the insurance laws of the State of Vermont.
2. Section 3 of Regulation 93-2, titled *Defining Standards and Commissioner’s Authority for Companies Deemed to be in Hazardous Financial Condition* (“Regulation 93-2”), promulgated pursuant to the authority granted by Title 8, Chapters 101 and 145, authorizes the Commissioner to consider several standards, singly or in combination, to determine whether the continued operation of any insurer transacting an insurance business in this state might be deemed to be hazardous to the policyholders, creditors, or the general public.
3. Pursuant to Section 4(B) of Regulation 93-2, if the Commissioner determines that the continued operation of the insurer licensed to transact business in this state may be hazardous to the policyholders or the general public, then the Commissioner may, upon her determination, issue an order requiring the insurer to, among other actions, reduce, suspend, or limit the volume of business being accepted or renewed in Vermont.
4. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of the Stipulation and Consent Order set forth herein.

5. Respondent is an Illinois domiciled insurance company with its main administrative offices located at P.O. Box 2300, Winston Salem, NC, 27199-2000.
6. On June 14, 1996, Respondent obtained a Certificate of Authority (“COA”) to conduct the business of insurance in the State of Vermont.
7. On December 11, 2012, the Circuit Court of Cook County, Illinois issued an Order of Rehabilitation (the “Illinois Order”) stating that sufficient cause exists for the entry of an order for rehabilitation of Respondent based on the facts that it is insolvent and its further transaction of business would be hazardous to its policyholders, or to its creditors, or to the public. Respondent consented to the entry of the Illinois Order. See Exhibit 1, attached.
8. Based on the Illinois Order, the Department concludes that Respondent has engaged in multiple violations of Regulation 93-2, Section 3, and that these violations render the continued operation of Respondent’s insurance business in this state hazardous to the policyholders, creditors or the general public such that the Commissioner may issue an order requiring the insurer to, among other actions, reduce, suspend or limit the volume of business being accepted or renewed.
9. Respondent consents to the suspension of its COA with respect to business being accepted or renewed in the State of Vermont.
10. Respondent is aware that the Department may elect to proceed with an administrative action against it for violations of Regulation 93-2, and seek appropriate relief pursuant to the Department’s statutory authority.
11. Respondent wishes to resolve this matter without a hearing by entering into this Stipulation and Consent Order with the Department on the terms and conditions set forth herein.

12. Respondent waives its right to a hearing before the Commissioner or the Commissioner's designee, and all other procedures otherwise available under Vermont law, the rules of the Department, the provisions of Chapter 25 of Title 3 regarding contested cases, or any right it may have to judicial review by any court by way of suit, appeal, or extraordinary remedy with respect to the terms of the Stipulation and Consent Order set forth herein.

13. Respondent acknowledges its understanding of all terms, conditions, undertakings, and obligations contained in this Stipulation and Consent Order.

14. Respondent acknowledges that the Stipulation and Consent Order constitutes a valid order duly rendered by the Commissioner and agrees to be fully bound by it. Respondent acknowledges that noncompliance with any of the terms of this Stipulation and Consent Order shall constitute a violation of a lawful order of the Commissioner and shall be a separate violation of the laws of the State of Vermont and shall subject Respondent to administrative action or sanctions as the Commissioner deems appropriate. Respondent further acknowledges that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Stipulation and Consent Order.

15. The Department retains any rights it has to respond to and address any consumer complaint that may be made with regard to Respondent and a transaction in insurance, as defined in 8 V.S.A. § 3301, including the right to pursue any remedy authorized by law in response to such a consumer complaint.

16. Nothing herein shall be construed as a waiver of any private right of action any person may have.

THE DEPARTMENT AND RESPONDENT FURTHER STIPULATE AND AGREE:

17. Respondent shall not (1) solicit, issue, or otherwise write new policies or contracts of insurance; (2) renew any business; or (3) assume any new risk in the State of Vermont after the date of this Stipulation and Consent Order.

18. Respondent shall continue to file its required financial statements, and pay all applicable premium taxes that are required to be paid in order to otherwise maintain its COA. All other regulatory fees shall be subject to the provisions of the Order of Rehabilitation and any Plan of Rehabilitation that is approved by the Circuit Court of Cook County, Illinois.

19. Respondent shall continue to service and collect premium on any existing policies or contracts of insurance issued to persons residing in Vermont, and it shall to continue to adjust, administer, and pay claims in Vermont.

20. Respondent waives its statutory right to notice and a hearing before the Commissioner of the Department, or her designated appointee.

21. Respondent acknowledges and agrees that this Stipulation and Consent Order is entered into freely and voluntarily, and that except as set forth herein, no promise was made to induce Respondent to enter into it. Respondent acknowledges that it understands all terms and obligations contained in this Stipulation and Consent Order. Respondent acknowledges that it has consulted with its attorney in this matter and that it has reviewed this Stipulation and Consent Order and understands all terms and obligations contained herein.

22. Respondent consents to the entry of this Order and agree to be fully bound by its terms and conditions. Respondent acknowledges that noncompliance with any of the terms of this Order may constitute a separate violation of the insurance laws of the State of Vermont and may subject it to sanctions.

23. The terms set forth in this Stipulation and Consent Order represent the complete agreement between the parties as to its subject matter.

24. The undersigned representative of Respondent affirms that he or she has taken all necessary steps to obtain the authority to bind Respondent to the obligations stated herein and has the authority to bind Respondent to the obligations stated herein.

TRIAD GUARANTY INSURANCE CORPORATION, IN REHABILITATION

By Their Duly Authorized Agent:

J. Kevin Baldwin (General Counsel) April 15, 2013
(Insert Name and Title) Date

STATE OF Illinois
COUNTY OF Cook

On this 15th day of April, 2013 J. Kevin Baldwin personally appeared before me and pursuant to a sworn oath subscribed to this Stipulation and Consent Order and represented that he has full authority to execute, deliver and legally bind Respondent to this Stipulation and Consent Order.

Venesha D Lee
NOTARY PUBLIC

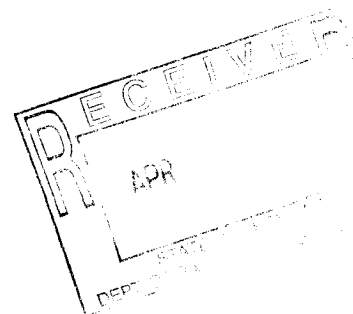


My Commission Expires: 4-15-17

ACCEPTED BY:

David J Martini
David Martini, Acting Deputy Commissioner,
Insurance Division, Vermont Department
of Financial Regulation

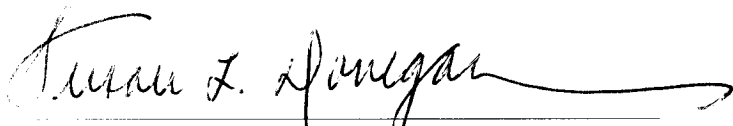
Date: 4/19/13, 2013



CONSENT ORDER

1. The stipulated facts, terms and provisions of the Stipulation are incorporated by reference herein.
2. Jurisdiction in this matter is established pursuant to 8 V.S.A. Chapters 101 and 145 and Regulation 93-2.
3. Pursuant to the Stipulation, Respondent consents to the entry of this Consent Order.
4. Respondent shall comply with all agreements, stipulations, and undertakings as recited above.
5. Nothing contained in this Order shall restrain or limit the Department in responding and addressing any consumer complaint about Respondent filed with the Department or shall preclude the Department from pursuing any other violation of law.

Entered at Montpelier, Vermont, this 19th day of April, 2013.



SUSAN L. DONEGAN, Commissioner
Vermont Department of Financial Regulation

EXHIBIT 1

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION**

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*,)
ANDREW BORON, DIRECTOR OF)
INSURANCE OF THE STATE OF ILLINOIS,)

Plaintiffs,)

v.)

NO. 12 CH 43895

TRIAD GUARANTY INSURANCE CORPORATION,)
an Illinois domestic stock insurance company, and)
TRIAD GUARANTY ASSURANCE CORPORATION,)
an Illinois domestic stock insurance company,)

Defendants.)

ORDER OF REHABILITATION

THIS CAUSE COMING TO BE HEARD upon the Verified Complaint for Rehabilitation filed herein by THE PEOPLE OF THE STATE OF ILLINOIS, upon the relation of ANDREW BORON, Director of Insurance of the State of Illinois (the "Director"), seeking an Order of Rehabilitation as to and against Triad Guaranty Insurance Corporation ("Triad") and Triad Guaranty Assurance Corporation ("TGAC") pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187 *et seq.* ("Article XIII"); the Court having jurisdiction over the parties hereto and the subject matter hereof the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

The Court Hereby Finds That:

A. Sufficient cause exists for the entry of an order for rehabilitation of the Defendant, Triad, including the facts that it is insolvent and that its further transaction of business would be hazardous to its policyholders, or to its creditors, or to the public.

B. Sufficient cause exists for the entry of an order for rehabilitation of the Defendant, TGAC, including the consent of its Board of Directors.

C. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of this Order of Rehabilitation creates an estate comprising of all of the liabilities and assets of Triad.

D. Pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of this Order of Rehabilitation creates an estate comprising of all of the liabilities and assets of TGAC.

E. Upon the entry of this Order of Rehabilitation, the Rehabilitator's statutory authority includes, without limitation, the following:

- (i) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is vested by operation of law with the title to all property, contracts, and rights of action of Triad and TGAC; and
- (ii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is entitled to immediate possession and control of all property, contracts, and rights of action of Triad and TGAC; and
- (iii) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is authorized to remove any and all records and property of Triad and TGAC to his possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of the rehabilitation of Triad and TGAC; and

- (iv) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator is authorized to deal with the property, business and affairs of Triad and TGAC in his name, as Director, and that the Rehabilitator is authorized to deal with the property, business and affairs of Triad and TGAC in the name of Triad and TGAC, as applicable; and
- (v) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of Triad and TGAC, or any part thereof, and to sell or compromise all debts or claims owing to Triad and TGAC having a value in the amount of Twenty-Five Thousand (\$25,000.00) Dollars, or less. Any such sale by the Rehabilitator of the real or personal property of Triad and TGAC having a value in excess of Twenty-Five Thousand (\$25,000.00) Dollars, and sale or compromise of debts owing to Triad by the Rehabilitator where the debt owing to Triad and TGAC exceeds Twenty-Five Thousand (\$25,000.00) Dollars shall be made subject to the approval of the Court; and
- (vi) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator may solicit contracts whereby a solvent company agrees to assume, in whole or in part, or upon a modified basis, the liabilities of a company in rehabilitation in a manner consistent with subsection (4) of Section 193 of the Code, 215 ILCS 5/193(4); and
- (vii) Pursuant to Section 192(3) of the Code, 215 ILCS 5/192(3), the Rehabilitator is authorized to bring any action, claim, suit or proceeding against any person with respect to that person's dealings with Triad and TGAC including, but not limited

- to, prosecuting any action, claim, suit, or proceeding on behalf of the policyholders, claimants, beneficiaries or creditors of Triad and TGAC; and
- (viii) Pursuant to Section 192(4) of the Code, 215 ILCS 5/192(4), if at any time the Rehabilitator finds that it is in the best interests of the policyholders, claimants, beneficiaries, and creditors to effect a plan of rehabilitation, the Rehabilitator may submit such a plan to the Court for its approval; and
 - (ix) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Rehabilitator may, within two (2) years after the entry of this Agreed Order of Rehabilitation or within such further time as applicable law permits, institute an action, claim, suit, or proceeding upon any cause of action against which the period of limitation fixed by applicable law had not expired as of the filing of the complaint upon which the rehabilitation order was entered; and
 - (x) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Rehabilitator is authorized to appoint and retain those persons specified in Section 202(a) of the Code, 215 ILCS 5/202(a), and to pay, without the further order of this Court, from the assets of Triad and TGAC, all administrative expenses incurred during the course of the rehabilitation of Triad and TGAC; and
 - (xi) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Rehabilitator shall not be required to pay any fee to any public officer for filing, recording or in any manner authenticating any paper or instrument relating to any proceeding under Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, nor for services rendered by any public officer for serving any process; and

- (xii) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Rehabilitator may seek to avoid preferential transfers of the property of Triad and TGAC and to recover such property or its value, if it has been converted, except for payments made in the ordinary course of business or payments made pursuant to 215 ILCS 5/204(m)(C).

It Is Hereby Ordered That:

1. This Order of Rehabilitation is entered as, to and against Triad with a finding of insolvency
2. This Order of Rehabilitation is entered as, to and against TGAC without a finding of insolvency.
3. Andrew Boron, Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the statutory Rehabilitator (the "Rehabilitator") of Triad and TGAC, with all of the powers appurtenant thereto.
4. This Order of Rehabilitation is an interlocutory order appealable as of right pursuant to Illinois Supreme Court Rule 307(a)(5).
5. Subject to the further orders of the Court, the Rehabilitator is authorized to take such actions as the nature of the cause and the interests of Triad and TGAC, their policyholders, creditors, or the public may require including, but not limited to, the following:
 - i. The Rehabilitator is directed and authorized to take immediate possession and control of the property, books, records, accounts, business and affairs, and all other assets of Triad and TGAC, and of the premises occupied by Triad and

TGAC for the transaction of their business, and to take such action as the nature of this cause and the interests of Triad's and TGAC's policyholders, creditors or the public may require, subject to further orders of the Court, pursuant to the provisions of Article XIII of the Code, *supra*;

- ii. The Rehabilitator is directed and authorized to rehabilitate, wind down, or terminate Triad's and TGAC's business and affairs, and to make the continued expenditure of such wages, rents and expenses as he may deem necessary and proper for the administration of the rehabilitation of Triad and TAGC; and
- iii. The Rehabilitator is authorized to sue, defend, and settle or pay claims on behalf of Triad and TGAC, or for the benefit of Triad's and TGAC's policyholders and creditors in the courts either in his name as the Rehabilitator of Triad and TGAC, or in the name of Triad and TGAC.

6. The Director is vested with the right, title and interest in all funds recoverable under treaties and agreements of excess insurance or reinsurance heretofore entered into by or on behalf of Triad and TGAC, and that all excess insurance or reinsurance companies involved with Triad and TGAC be restrained and enjoined from making any settlements with any claimant or policyholder of Triad and TGAC, or any other person, other than the Director as Rehabilitator, except with the written consent of the Director.

7. Any acts or omissions of the Rehabilitator in connection with the rehabilitation shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, third party or creditor to receive a greater percentage of debt owed to or by Triad and TGAC than any other policyholder, third party or creditor in the same class.

8. The caption in this cause and all pleadings filed in this matter shall hereafter read:

**"IN THE MATTER OF THE REHABILITATION
OF TRIAD GUARANTY INSURANCE CORPORATION
and TRIAD GUARANTY ASSURANCE CORPORATION"**

9. All costs of the proceedings prayed for herein shall be taxed and assessed against the Defendants, Triad and TGAC.

10. Pursuant to its authority under Section 189 of the Code, 215 ILCS 5/189, the Court issues the following mandatory and prohibitive injunctions:

i. In accordance with Section 191 of the Code, *supra*, all persons, companies, and entities shall immediately release their possession and control of any and all property, contracts, and rights of action of Triad and TGAC to the Director including, but not limited to, bank accounts and bank records, premium and related records, and claim, underwriting, accounting and litigation files, as follows:

a. All accountants, auditors, actuaries, and attorneys of Triad and TGAC having knowledge of the order of rehabilitation be ordered to deliver to the Rehabilitator, at his request, copies of all documents in their possession or under their control concerning or related to Triad and TGAC, and to provide the Rehabilitator with such information as he may require concerning any and all business and/or professional relationships between them and Triad and TGAC, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of Triad and TGAC, or their respective agents, servants, officers, trustees, directors and/or employees, or which Triad and TGAC may be, or is,

- entitled to as the result of their relationship with such accountants, auditors, actuaries, and attorneys; and
- b. Triad and TGAC and their respective, directors, officers, agents, third party administrators, servants, representatives, employees, and affiliated companies, and all other persons and entities having knowledge of the order of rehabilitation be ordered to give immediate possession and control to the Rehabilitator of all property, business, books, records and accounts of Triad and TGAC, and all premises occupied by Triad and TGAC for the transaction of their business; and
 - c. All banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of the order of rehabilitation be ordered to immediately deliver any and all such assets and/or records to the Rehabilitator; and
 - d. Triad's and TGAC's agents, representatives, employees and servants having knowledge of the order of rehabilitation be ordered to immediately turn over all such funds in their possession or under their control, or to which they may hereafter acquire possession or control, to the Rehabilitator in gross and not net of any commissions which may be due thereon; and
- ii. Triad and TGAC and their respective, directors, officers, agents, servants, representatives and employees, and all other persons and entities having knowledge of this order are enjoined and restrained from transacting any business of Triad and TGAC, or disposing of any company property or assets, without the

express written consent of the Rehabilitator, or doing or permitting to be done any action which might waste the property or assets of Triad and TGAC, until the further order of the Court; and

- iii. The directors, officers, agents, third party administrators, servants, representatives and employees of Triad and TGAC, and all other persons and entities, including Triad's and TGAC's policyholders and creditors, having knowledge of this order are enjoined and restrained from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against Triad and TGAC, or their property or assets, or the Director as their Rehabilitator, except insofar as those claims, actions or proceedings arise in or are brought in these rehabilitation proceedings; or from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against Triad and TGAC, or their property or assets while in the possession and control of the Rehabilitator, or from interfering in any way with the Rehabilitator in his possession or control of the property, business, books, records, accounts, premises and all other assets of Triad and TGAC, until the further order of the Court; and
- iv. Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this order, having in its possession accounts and any other assets which are, or may be, the property of Triad and TGAC, are enjoined and restrained from disbursing or disposing of said accounts and assets and are further restrained from disposing of or destroying any records pertaining to any business transaction between Triad and TGAC, and such

banks, brokerage houses, financial institutions, companies, persons or entities having done business, or doing business, with Triad and TGAC, or having in its possession assets which are, or may be, the property of Triad and TGAC; and

- v. All agents and brokers of Triad and TGAC, and their respective agents, servants, representatives and employees, and all other persons, are enjoined and restrained from returning any unearned premiums or any money in its possession, or under its control, collected from premiums, contributions or assessments upon policies, contracts or certificates of insurance or reinsurance previously issued by Triad and TGAC, to policyholders, beneficiaries, members or others; and
- vi. All insurance and reinsurance companies and entities that assumed liabilities from Triad and TGAC arising under either contracts, policies of insurance, certificates of insurance, or contracts of reinsurance issued by Triad and TGAC, are enjoined and restrained from making any settlements with any claimant or policyholder of Triad and TGAC, or any other person other than the Rehabilitator, except with the written consent of the Rehabilitator, except when the reinsurance agreement, certificate, contract or treaty lawfully provides for payment to or on the behalf of Triad's and TGAC's insured by the reinsurer.

11. That the rights and liabilities of Triad and TGAC, and of their creditors, policyholders, stockholder, and all other persons interested in their assets are not fixed by the entry of the order of rehabilitation.

12. This Court retains jurisdiction in this cause for the purpose of granting further relief as the nature of this cause and the interests of Triad and TGAC, their policyholders, creditors, or of the public may require and/or as the Court may deem proper in the premises.

ENTERED:

ENTERED

DEC 11 2012

Judge Presiding

Judge Richard J. Billik, Jr.
Circuit Court-1585

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