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Case No. 2844



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

STATE OF DELAWARE ex rel.)
THE HONORABLE MATTHEW DENN,)
Insurance Commissioner of the)
State of Delaware,)
)
Petitioner)
)
v.)
)
MANHATTAN RE-INSURANCE COMPANY,)
a Delaware Domestic Insurance)
Company,)
)
Respondent.)

C.A. No. 2844-VEP

REHABILITATION AND INJUNCTION ORDER

WHEREAS, the Honorable Matthew Denn, Insurance Commissioner of the State of Delaware (the "Commissioner"), has filed a petition (the "Petition") seeking the entry of a Rehabilitation and Injunction Order concerning Manhattan Re-Insurance Company ("MANHATTAN RE") pursuant to 18 Del. C. § 5901, et seq.;

WHEREAS, the Receiver has provided the Court with evidence sufficient to support the conclusion that MANHATTAN RE is impaired, in unsound condition, or in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders; has failed to make good an impairment of capital or surplus or both; and has consented to the entry of a Rehabilitation and Injunction Order through a majority of the directors of the corporation;

WHEREAS, this Court finds that sufficient cause exists for the rehabilitation of the respondent, MANHATTAN RE, pursuant to 18

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Del. C. § 5905 and for the entry of a Rehabilitation and Injunction Order concerning MANHATTAN RE; and

WHEREAS, a formal hearing on the Commissioner's Petition is not necessary due to MANHATTAN RE's consent to the relief requested by the Commissioner and MANHATTAN RE's waiver of formal service of process and a formal hearing on the Petition;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE COURT as follows:

1. MANHATTAN RE is hereby declared impaired, in unsound condition, or in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders.

2. Pursuant to 18 Del. C. § 5910(a), the Commissioner and his successors in office are hereby appointed as the receiver (hereinafter the "Receiver") of MANHATTAN RE.

3. Pursuant to 18 Del. C. § 5910(a), the Receiver shall forthwith conduct the business of MANHATTAN RE pursuant to the terms of this Order and immediately take exclusive possession and control of and be vested with all right, title and interest in, of and to the property of MANHATTAN RE including, without limitation, all of MANHATTAN RE's assets, contracts, rights of action, books, records, bank accounts, certificates of deposits, collateral securing obligations to, or for the benefit of, MANHATTAN RE or any trustee, bailee or any agent acting for or on behalf of MANHATTAN RE (collectively, the "Trustees"), securities or other funds, and all real or personal property of any nature of MANHATTAN RE including, without limitation, furniture, equipment,

fixtures and office supplies, wherever located, and including such property of MANHATTAN RE or collateral securing obligations to, or for the benefit of, MANHATTAN RE or any Trustee thereof that may be discovered hereafter, and all proceeds of or accessions to any of the foregoing, wherever located, in the possession, custody or control of MANHATTAN RE or any Trustee therefore (collectively, the "Assets").

4. The Receiver may change to his own name as Receiver, the name of any of MANHATTAN RE's accounts, funds or other Assets held with any bank, savings and loan association or other financial institution, and may withdraw such funds, accounts and other Assets from such institutions or take any lesser action necessary for the proper conduct of this rehabilitation.

5. The Receiver is hereby directed to continue in his examination of the Assets, business and affairs of MANHATTAN RE and to take such steps to remove the causes of MANHATTAN RE's impairment, unsound condition, or hazardous condition pursuant to the provisions of Chapter 59 of Title 18 of the Delaware Code as he deems necessary. The Receiver is further authorized to take such actions as the nature of this cause and interests of the policyholders, creditors and stockholder of MANHATTAN RE and the public may require, subject to Court approval as required by 18 Del. C. ch. 59.

6. The Receiver's right, title and interest in and to the Assets shall continue until further order of the Court and he is

hereby authorized to deal with the Assets, business and affairs of MANHATTAN RE including, without limitation, the right to sue, defend, and continue to prosecute suits or actions already commenced by or for MANHATTAN RE, or for the benefit of MANHATTAN RE's policyholders, cedants, creditors and stockholders in the courts and tribunals, agencies or arbitration panels for this State and other states and jurisdictions in his name as the Insurance Commissioner of the State of Delaware, or in the name of MANHATTAN RE.

7. The Receiver is hereby vested with the right, title and interest in and to all funds recoverable under treaties and agreements of reinsurance heretofore entered into by MANHATTAN RE as the ceding insurer or as the assuming insurer, and all reinsurance companies involved with MANHATTAN RE are enjoined and restrained from making any settlements with any claimant or policyholder of MANHATTAN RE other than with the express written consent of the Commissioner as Receiver, except as permitted by cut-through agreements or endorsements which were issued to the policyholder, which were properly executed before the date of this Petition, which comply in all respects with 18 Del. C. § 914, as amended by 72 Del. Laws C. 405, and which were approved by the Delaware Insurance Department if such approval was required. The amounts recoverable by the Receiver from any reinsurer of MANHATTAN RE shall not be reduced or diminished as a result of this receivership proceeding or by reason of any partial payment or distribution on a reinsured policy, contract or claim, and each

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such reinsurer of MANHATTAN RE is hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy, reinsurance contract or letter of credit. The Receiver may terminate or rescind any reinsurance policy or contract that is contrary to the best interests of the receivership.

8. MANHATTAN RE, its officers, directors, agents, servants and employees and all other persons or entities, including but not limited to banks, brokerage houses, reinsurers and cedants, having in their possession Assets or possible Assets and/or having notice of these proceedings or of this Order are hereby enjoined and restrained from transacting any business of, or on behalf of, MANHATTAN RE or selling, transferring, destroying, wasting, encumbering or disposing of any of the Assets, without the prior written permission of the Commissioner or until further Order of this Court. This prohibition includes, without limitation, Assets or possible Assets pertaining to any business transaction between MANHATTAN RE and any of said parties. No actions concerning, involving, or relating to such Assets or possible Assets may be taken by any of the aforesaid persons or entities enumerated herein, without the express written consent of the Receiver, or until further Order of this Court.

9. Except as otherwise indicated elsewhere in this Order or except as excluded by express written notice provided by the

Receiver, all agents, brokers and all other persons or entities holding Assets of, or on behalf of, MANHATTAN RE shall forthwith file an accounting of those Assets with the Receiver, regardless of whether such persons or entities dispute the Receiver's entitlement to such Assets, and shall within ten (10) days of the entry of this Order, turn those Assets over to the Receiver.

10. All officers, directors, agents, servants and employees of MANHATTAN RE, and all other persons and entities having notice of these proceedings or of this Order, are hereby prohibited from instituting or further prosecuting any action at law or in equity or in other proceedings against MANHATTAN RE, the Commissioner as Receiver, the Deputy Receiver(s) or the Designees in connection with their duties as such, or from obtaining preferences, judgments, attachments or other like liens or encumbrances, or foreclosing upon or making any levy against MANHATTAN RE or the Assets, or exercising any right adverse to the right of MANHATTAN RE to or in the Assets, or in any way interfering with the Receiver, the Deputy Receiver(s) or the Designees either in their possession and control of the Assets or in the discharge of their duties hereunder.

11. All officers, directors, agents, servants and employees of MANHATTAN RE, and all other persons or entities having notice of these proceedings or of this Order, are hereby enjoined and restrained from instituting or further prosecuting any action at law or in equity, or proceeding with any pretrial conference, trial, application for judgment or proceedings on judgment or

settlements and such action at law, in equity, special or other proceedings in which MANHATTAN RE is obligated to defend a party insured or any other person it is legally obligated to defend by virtue of its insurance contract for a period of 180 days from the date hereof.

12. All persons and entities are hereby enjoined and restrained from asserting any claim against the Commissioner as Receiver of MANHATTAN RE, the Deputy Receiver(s) or the Designees in connection with their duties as such, or against the Assets, except insofar as such claims are brought in the rehabilitation proceedings of MANHATTAN RE.

13. The filing or recording of this Order or a certified copy hereof with the Register in Chancery and with the recorder of deeds of the jurisdiction in which MANHATTAN RE's corporate and administrative offices are located or, in the case of real estate or other recorded property interests, with the recorder of deeds of the jurisdictions where the property is located, shall impart the same notice as would be imparted by a deed, bill of sale or other evidence of title duly filed or recorded with that recorder of deeds. Without limiting the foregoing, the filing of this Order with the Register in Chancery also constitutes notice to all sureties and fidelity bondholders of MANHATTAN RE of all potential claims against MANHATTAN RE under such policies and shall constitute the perfection of a lien in favor of MANHATTAN RE under the Uniform Commercial Code or any like Federal or state law, regulation or order dealing with the priority of claims.

14. The Receiver is hereby authorized to transfer some or all of MANHATTAN RE's Assets and liabilities to a separate affiliate or subsidiary for the overall benefit of MANHATTAN RE's policyholders, creditors, and stockholder, subject to approval by this Court.

15. The Receiver may, in his discretion, reject any executory contract to which MANHATTAN RE is a party.

16. The Receiver may, in his discretion, appoint one or more consultants or other persons to serve as Deputy Receiver to assist the Receiver in accomplishing the directives of this Order. The Deputy Receiver(s) shall serve at the pleasure of the Receiver and, subject to the approval of the Receiver, shall be entitled to exercise all of the powers and authorities vested in the Receiver pursuant to this Order and applicable law.

17. The Receiver may employ or continue to employ and fix the compensation of such deputies, counsel, clerks, employees, accountants, actuaries, consultants, assistants and other personnel (collectively, the "Designees") as considered necessary, and all compensation and expenses of the Receiver, the Deputy Receiver(s) and the Designees and of taking possession of MANHATTAN RE and conducting this proceeding shall be paid out of the funds and assets of MANHATTAN RE as administrative expenses under 18 Del. C. § 5913(f). The Receiver may also retain those of MANHATTAN RE's current management personnel and other employees as Designees as he in his discretion determines would facilitate the rehabilitation of MANHATTAN RE. All such Designees shall be

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deemed to have agreed to submit disputes concerning their rights, obligations and compensation in their capacity as Designees to this Court.

18. The Receiver, the Deputy Receiver(s) and the Designees (collectively, the "Indemnitees") shall have no personal liability for their acts or omissions in connection with their duties, provided that such acts or omissions are or were undertaken in good faith and without willful misconduct, gross negligence or criminal intent. All expenses, costs and attorneys' fees incurred by the Indemnitees in connection with any lawsuit brought against them in their representative capacities shall be subject to the approval of the Receiver, except that in the event that the Receiver is the Indemnatee this Court's approval shall be required, and such expenses, costs and attorneys' fees shall be exclusively paid out of the funds and assets of MANHATTAN RE. The Indemnitees in their capacities as such shall not be deemed to be employees of the State of Delaware.

19. Within a reasonable time after receipt of a claim in the rehabilitation proceedings of MANHATTAN RE, the Receiver shall give notice by mail to any and all persons interested in such claim of the Receiver's proposed report and recommendation to the Court regarding the allowance or denial (in whole or in part) of such claim.

20. Within sixty (60) days of the mailing of the proposed report and recommendation, the interested person being given

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notice of such proposed report and recommendation may file a written objection thereto with this Court at 500 North King Street, Wilmington, Delaware, 19801, and the Receiver.

21. Within a reasonable time after such sixty (60) days, there being no objection to the proposed report and recommendation, the Receiver shall file with the Court such report and recommendation.

22. No hearing will be held regarding the proposed report and recommendation in the absence of a written objection thereto by a person interested therein.

23. Hereafter the caption of this cause and all pleadings in this matter shall read as:

"IN THE MATTER OF THE REHABILITATION
OF MANHATTAN RE-INSURANCE COMPANY"

24. This Court shall retain jurisdiction in this cause for the purpose of granting such other and further relief as this cause, the interests of the policyholders, creditors, stockholders of MANHATTAN RE, and the public may require. The Receiver, or any interested party upon notice to the Receiver, may at any time make application for such other and further relief as either sees fit.

SO ORDERED this 22 day of April, 2007.

