

THE STATE OF TEXAS,
Plaintiff

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IN THE DISTRICT COURT OF

VS.

TRAVIS COUNTY, TEXAS

LEGION INSURANCE COMPANY and
VILLANOVA INSURANCE COMPANY,
Defendants

200TH JUDICIAL DISTRICT

**TEMPORARY INJUNCTION AND ORDER CONTINUING
APPOINTMENT OF TEMPORARY ANCILLARY RECEIVER**

On this day came to be heard the Application for a Temporary Injunction and Order Continuing Appointment of Temporary Ancillary Receiver filed by the State of Texas. The Application requests that a Temporary Injunction be issued against Legion Insurance Company and Villanova Insurance Company (hereinafter referred to as the "Defendants"), and that the appointment of the Commissioner of Insurance for the State of Texas (hereinafter referred to as the "Commissioner of Insurance") as Temporary Ancillary Receiver of Defendants in the State of Texas (hereinafter referred to as the "Temporary Ancillary Receiver") be continued. The State of Texas appeared by and through its Attorney General, John Cornyn.

I. FINDINGS

1. The Court finds that it has jurisdiction of the parties and of the subject matter herein, and the Court, after considering the Plaintiff's verified claim, is of the opinion and finds that this Court has jurisdiction over Defendants, that the law and the facts are what the Plaintiff has alleged in its duly verified claim, and that Plaintiff is entitled to a Temporary Injunction Order and Order Continuing Appointment of Temporary Ancillary Receiver as granted herein.

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DISTRICT CLERK
TRAVIS COUNTY, TEXAS

2. The Court further finds that Defendants are insolvent as defined in TEX. INS. CODE ANN. art. 21.28-A, § 2(b), and the continued operation of Defendants will be hazardous to their claimants and creditors.
3. The Court further finds that without the issuance of this order, the State of Texas will probably suffer irreparable injury as set forth herein. There is no adequate remedy at law.
4. The Court further finds that there exists an imperative and immediate necessity to continue the appointment of the Commissioner of Insurance as Temporary Ancillary Receiver for Defendants in the State of Texas.
5. The Court further finds that the Insurance Commissioner for the Commonwealth of Pennsylvania has been named as Rehabilitator for Defendants (hereinafter referred to as the "Rehabilitator") in *M. Diane Koken, Insurance Commissioner, Commonwealth of Pennsylvania, Plaintiff vs. Legion Insurance Company, Defendant*, Docket No. 183 M.D. 2002, in the Commonwealth Court of Pennsylvania, and *M. Diane Koken, Insurance Commissioner, Commonwealth of Pennsylvania, Plaintiff vs. Villanova Insurance Company, Defendant*, Docket No. 182 M.D. 2002, in the Commonwealth Court of Pennsylvania, and that the Rehabilitator has filed a petition to liquidate Defendants.
6. The Court further finds that the Rehabilitator has waived service of the *Temporary Restraining Order and Order Appointing Ancillary Receiver* entered in this cause, and has not opposed the entry of a Temporary Injunction against Defendants.
7. The Court further finds that Defendants have been designated as "impaired insurers" under TEX. INS. CODE ANN. arts. 21.28-C and 21.28-D pursuant to Commissioner Order Numbers 02-1111 and 02-1112 entered on October 25, 2002.

8. The Court further finds that, as a consequence of Defendants' designation as "impaired insurers" under TEX. INS. CODE ANN. art. 21.28-C, a six-month stay has been imposed effective October 25, 2002 pursuant to TEX. INS. CODE ANN. art. 21.28-C, §17, and that such stay shall remain in effect until April 25, 2003, unless extended by this Court.
9. The Court further finds that it has jurisdiction to enforce or extend the stay imposed pursuant to TEX. INS. CODE ANN. art. 21.28-C, §17.

II. TEMPORARY INJUNCTION

It is ORDERED that the Clerk of this Court shall issue a Temporary Injunction against the Defendants, and those acting in concert with them, or on their behalf, with the following force and effect:

EACH OF YOU are hereby RESTRAINED and ENJOINED from:

10. Doing, operating, and conducting the insurance business of Defendants in the State of Texas under any charter, certificate of authority, license, permit, power or privilege, belonging to or heretofore issued to Defendants in the State of Texas, except through the authority of the Temporary Ancillary Receiver or his designees;
11. Doing anything, directly or indirectly, to prevent the Temporary Ancillary Receiver or his designees from investigating, gaining access to, examining or acquiring any of the property, records or other materials concerning Defendants located in the State of Texas;
12. Interfering, in any way, or with these proceedings, or with the lawful acts of the Temporary Ancillary Receiver or his designees, or with the lawful acts of the Texas Property and Casualty Insurance Guaranty Association or the Texas Life, Accident, Health, & Hospital Service Insurance Guaranty Association in fulfilling their statutory duties under TEX. INS. CODE ANN. arts. 21.28-C and 21.28-D; and

13. Making any claim or commencing or prosecuting any action against the Temporary Ancillary Receiver, except in this receivership proceeding as permitted by TEX. INS. CODE ANN. art. 21.28.

IT IS FURTHER ORDERED that the Clerk of this Court shall issue a Temporary Injunction against all persons asserting claims in the State of Texas against Legion Insurance Company or Villanova Insurance Company, and against all persons asserting claims in the State of Texas which Legion Insurance Company or Villanova Insurance Company was obligated to defend, and their attorneys, legal representatives, and others acting in concert with them, or on their behalf, with the following force and effect:

EACH OF YOU are hereby RESTRAINED and ENJOINED from:

14. Interfering, in any way, with these proceedings, or with the lawful acts of the Temporary Ancillary Receiver or his designees, or with the lawful acts of the Texas Property and Casualty Insurance Guaranty Association or the Texas Life, Accident, Health, & Hospital Service Insurance Guaranty Association in fulfilling their statutory duties under TEX. INS. CODE ANN. arts. 21.28-C and 21.28-D;

15. Making any claim or commencing or prosecuting any action against the Temporary Ancillary Receiver, except in this receivership proceeding as permitted by TEX. INS. CODE ANN. art. 21.28; and

16. Prosecuting any action or appeal in the State of Texas to which Legion Insurance Company or Villanova Insurance Company is a party, or is obligated to defend a party, for the duration of the six month stay ending April 25, 2003, or for any additional time as determined by this Court under TEX. INS. CODE ANN. art. 21.28-C, §17, or taking any other action against such parties in derogation of TEX. INS. CODE ANN. art. 21.28-C.

III. APPOINTMENT OF TEMPORARY ANCILLARY RECEIVER

It is ORDERED, ADJUDGED, and DECREED that the appointment of the Commissioner of Insurance as Temporary Ancillary Receiver of Legion Insurance Company and Villanova Insurance Company is hereby continued, and the Temporary Ancillary Receiver is granted the following duties and powers:

17. The Temporary Ancillary Receiver is hereby granted and given all powers and authority under any and all statutes and under the common law of this State authorizing the appointment of a receiver, and particularly all of the powers and authority granted in TEX. INS. CODE ANN. arts. 21.28, 21.28-C, 21.28-D and TEX. CIV. PRAC. & REM. CODE ANN. § 64.001 *et seq*;
18. The Temporary Ancillary Receiver is authorized to enter into any contracts necessary to perform his duties; and
19. The Temporary Ancillary Receiver is authorized to retain and compensate employees and agents necessary to perform his duties, including but not limited to legal counsel.

IV. OTHER ORDERS

IT IS FURTHER ORDERED that the Commissioner of Insurance is not required to file a bond as permitted by TEX. INS. CODE ANN. art. 21.28 § 2(d).

IT IS FURTHER ORDERED that anyone over the age of 18 whom is not a party to nor interested in the outcome of this suit may serve all citations, writs and notices in this cause.

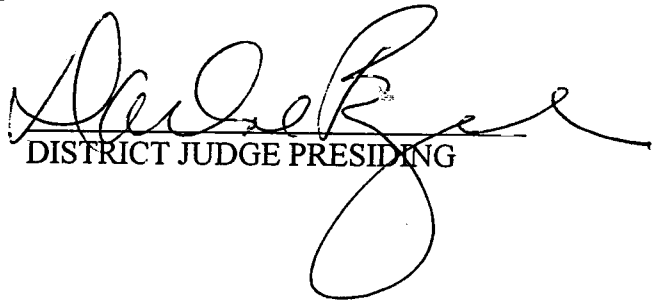
IT IS FURTHER ORDERED that the Temporary Ancillary Receiver is authorized to take any action, at his discretion, to enforce the provisions of this Temporary Injunction and Order Continuing Appointment of Temporary Ancillary Receiver.

IT IS FURTHER ORDERED that the Texas Property and Casualty Insurance Guaranty Association is authorized to enforce the stay imposed by TEX. INS. CODE ANN. art. 21.28-C, §17 in this proceeding.

IT IS FURTHER ORDERED that this Temporary Injunction and Order Continuing Appointment of Temporary Ancillary Receiver shall continue in effect by Order of this Court until the hearing on the Permanent Injunction, subject to further orders of this Court. The Permanent Injunction is hereby set for hearing before this Court on February 19, 2003, at 9:00 o'clock A.m.

No bond being required by the State of Texas, this Temporary Injunction and Order Continuing Appointment of Temporary Ancillary Receiver shall issue and become effective immediately, and the Temporary Ancillary Receiver shall carry out his duties in accordance with its terms.

SIGNED at Austin, Travis County, Texas, on this the 20 day of Nov., 2002, at 8:20 o'clock a.m.


DISTRICT JUDGE PRESIDING

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