

Scott H. Richardson, as Director of the SC)
Department of Insurance)

CIVIL ACTION COVERSHEET

Plaintiff(s))

09- CP -40 - 1908

vs.)

Transportation Liability Insurance Company)

Defendant(s))

(Please Print)

Submitted By: Geoffrey R. Bonham
Address: SC Department of Insurance
P.O. Box 100105
Columbia SC 29202-3105

SC Bar #: 13058
Telephone #: 803-737-6219
Fax #: 803-737-6229
Other:
E-mail: gbonham@doi.sc.gov

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for the use of the Clerk of Court for the purpose of docketing. It must be filled out completely, signed, and dated. A copy of this cover sheet must be served on the defendant(s) along with the Summons and Complaint.

DOCKETING INFORMATION (Check all that apply)

*If Action is Judgment/Settlement do not complete

- JURY TRIAL demanded in complaint. NON-JURY TRIAL demanded in complaint.
- This case is subject to ARBITRATION pursuant to the Court Annexed Alternative Dispute Resolution Rules.
- This case is subject to MEDIATION pursuant to the Court Annexed Alternative Dispute Resolution Rules.
- This case is exempt from ADR (certificate attached).

NATURE OF ACTION (Check One Box Below)

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Contracts | <input type="checkbox"/> Torts - Professional Malpractice | <input type="checkbox"/> Torts - Personal Injury | <input type="checkbox"/> Real Property |
| <input type="checkbox"/> Constructions (100) | <input type="checkbox"/> Dental Malpractice (200) | <input type="checkbox"/> Assault/Slander/Libel (300) | <input type="checkbox"/> Claim & Delivery (400) |
| <input type="checkbox"/> Debt Collection (110) | <input type="checkbox"/> Legal Malpractice (210) | <input type="checkbox"/> Conversion (310) | <input type="checkbox"/> Condemnation (410) |
| <input type="checkbox"/> Employment (120) | <input type="checkbox"/> Medical Malpractice (220) | <input type="checkbox"/> Motor Vehicle Accident (320) | <input type="checkbox"/> Foreclosure (420) |
| <input type="checkbox"/> General (130) | <input type="checkbox"/> Notice/ File Med Mal (230) | <input type="checkbox"/> Premises Liability (330) | <input type="checkbox"/> Mechanic's Lien (430) |
| <input type="checkbox"/> Breach of Contract (140) | <input type="checkbox"/> Other (299) | <input type="checkbox"/> Products Liability (340) | <input type="checkbox"/> Partition (440) |
| <input type="checkbox"/> Other (199) | | <input type="checkbox"/> Personal Injury (350) | <input type="checkbox"/> Possession (450) |
| | | <input type="checkbox"/> Wrongful Death (360) | <input type="checkbox"/> Building Code Violation (460) |
| | | <input type="checkbox"/> Other (399) | <input type="checkbox"/> Other (499) |

- | | | | |
|--|---|---|--|
| <input type="checkbox"/> Inmate Petitions | <input type="checkbox"/> Judgments/Settlements | <input type="checkbox"/> Administrative Law/Relief | <input type="checkbox"/> Appeals |
| <input type="checkbox"/> PCR (500) | <input type="checkbox"/> Death Settlement (700) | <input type="checkbox"/> Reinstate Driver's License (800) | <input type="checkbox"/> Arbitration (900) |
| <input type="checkbox"/> Sexual Predator (510) | <input type="checkbox"/> Foreign Judgment (710) | <input type="checkbox"/> Judicial Review (810) | <input type="checkbox"/> Magistrate-Civil (910) |
| <input type="checkbox"/> Mandamus (520) | <input type="checkbox"/> Magistrate's Judgment (720) | <input type="checkbox"/> Relief (820) | <input type="checkbox"/> Magistrate-Criminal (920) |
| <input type="checkbox"/> Habeas Corpus (530) | <input type="checkbox"/> Minor Settlement (730) | <input type="checkbox"/> Permanent Injunction (830) | <input type="checkbox"/> Municipal (930) |
| <input type="checkbox"/> Other (599) | <input type="checkbox"/> Transcript Judgment (740) | <input type="checkbox"/> Forfeiture (840) | <input type="checkbox"/> Probate Court (940) |
| | <input type="checkbox"/> Lis Pendens (750) | <input type="checkbox"/> Other (899) | <input type="checkbox"/> SCDOT (950) |
| | <input type="checkbox"/> Other (799) | | <input type="checkbox"/> Worker's Comp (960) |
| | | | <input type="checkbox"/> Zoning Board (970) |
| | | | <input type="checkbox"/> Administrative Law Judge (980) |
| | | | <input type="checkbox"/> Public Service Commission (990) |
| | | | <input type="checkbox"/> Employment Security Comm (991) |
| | | | <input type="checkbox"/> Other (999) |

- Special/Complex /Other**
- Environmental (600)
 - Automobile Arb. (610)
 - Medical (620)
 - Other (699)
 - Pharmaceuticals (630)
 - Unfair Trade Practices (640)
 - Out-of State Depositions (650)

Submitting Party Signature:

Date:

03/16/2009

Note: Frivolous civil proceedings may be subject to sanctions pursuant to SCRPC, Rule 11, and the South Carolina Frivolous Civil Proceedings Sanctions Act, S.C. Code Ann. §15-36-10 et. seq.

STATE OF SOUTH CAROLINA)
)
RICHLAND COUNTY)
)
SCOTT H. RICHARDSON, ETC.)
)
Plaintiff)
)
vs.)
)
TRANSPORTATION LIABILITY INSURANCE)
)
CO. A RRG)
)
Defendant.)

IN THE CIRCUIT COURT FOR THE
FIFTH JUDICIAL CIRCUIT

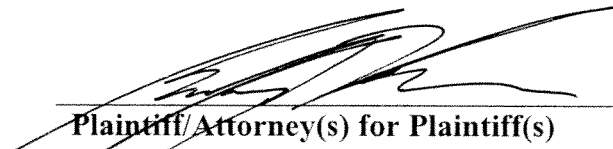
CERTIFICATE OF EXEMPTION
FROM ADR

DOCKET NO. 09-CP-40

FILED
2009 APR 16 PM 4:05
CLERK OF COURT
C.P. & G.S.

I certify that this action is exempt from ADR because:

- this is a special proceeding or action seeking extraordinary relief such as mandamus, habeas corpus of prohibition; *Consent Order of Rehabilitation*
- this action is appellate in nature;
- this is a post-conviction relief matter;
- this is a contempt of court proceeding;
- this is forfeiture proceeding brought by the State;
- this is a case involving a mortgage foreclosure; or
- the parties submitted the case to voluntary mediation with a certified mediator prior to the filing of this action.



Plaintiff/Attorney(s) for Plaintiff(s)

N/A

Defendant/Attorney(s) for Defendant(s)

Date: *03/09/2009*

FOR MANDATED ADR COUNTIES ONLY
Florence, Horry, Lexington, Richland, Greenville and Anderson

SUPREME COURT RULES REQUIRE THE SUBMISSION OF ALL CIVIL CASES TO AN ALTERNATIVE DISPUTE RESOLUTION PROCESS, UNLESS OTHERWISE EXEMPT.

You are required to take the following action(s):

1. The parties shall select a neutral and file a "Proof of ADR" form on or by the 210th day of the filing of this action. If the parties have not selected a neutral within 210 days, the Clerk of Court shall then appoint a primary and secondary mediator from the current roster on a rotating basis from among those mediators agreeing to accept cases in the county in which the action has been filed.
2. The initial ADR conference must be held within 300 days after the filing of the action.
3. Pre-suit medical malpractice mediations required by S.C. Code §15-79-125 shall be held not later than 120 days after all defendants are served with the "Notice of Intent to File Suit" or as the court directs. (Medical malpractice mediation is mandatory statewide.)
4. Cases are exempt from ADR only upon the following grounds:
 - a. Special proceeding, or actions seeking extraordinary relief such as mandamus, habeas corpus, or prohibition;
 - b. Requests for temporary relief;
 - c. Appeals
 - d. Post Conviction relief matters;
 - e. Contempt of Court proceedings;
 - f. Forfeiture proceedings brought by governmental entities;
 - g. Mortgage foreclosures; and
 - h. Cases that have been previously subjected to an ADR conference, unless otherwise required by Rule 3 or by statute.
5. In cases not subject to ADR, the Chief Judge for Administrative Purposes, upon the motion of the court or of any party, may order a case to mediation.
6. Motion of a party to be exempt from payment of neutral fees due to indigency should be filed with the Court within ten (10) days after the ADR conference has been concluded.

Please Note: You must comply with the Supreme Court Rules regarding ADR. Failure to do so may affect your case or may result in sanctions.

**STATE OF SOUTH CAROLINA
RICHLAND COUNTY**

**IN THE COURT OF COMMON PLEAS
FIFTH JUDICIAL CIRCUIT**

Scott H. Richardson, as Director of the South
Carolina Department of Insurance,

Petitioner,

vs.

Transportation Liability Insurance Company,
A RRG,

Respondent.

Civil Action Number 09-CP-40

**CONSENT ORDER
COMMENCING
REHABILITATION
PROCEEDINGS & GRANTING
AN INJUNCTION &
AUTOMATIC STAY OF
PROCEEDINGS**

SEARCHED
SERIALIZED
INDEXED
FILED
MAR 16 PM 09
JESSE H. HARRIS
CLERK OF COURT

This matter comes before me pursuant to the South Carolina Insurer's Rehabilitation and Liquidation Act, S.C. Code Ann. §§ 38-27-10 *et seq.* Petitioner seeks an order appointing him as Receiver of Transportation Liability Insurance Company, A RRG (Respondent) for purposes of rehabilitation. Respondent consents to this action as indicated by the signature of its duly-authorized representative affixed below and has reasonable notice of this action pursuant to Section 38-27-60 of the South Carolina Code.

The Court, having reviewed the filings of record and otherwise being fully informed in the premises, finds:

1. This Court is the proper venue for this proceeding pursuant to S.C. Code Ann. § 38-27-60(f) & -310 (2002).
2. Petitioner is the duly appointed Director for the State of South Carolina Department of Insurance with such powers, duties and responsibilities as are prescribed under the insurance laws of this State to the Director for company licensing, delinquency and receivership matters, and is specifically authorized to file a petition for an order authorizing him to rehabilitate a domestic insurer domiciled in this State pursuant to S.C. Code Ann § 38-27-310 (2002).

3. The Department has regulatory jurisdiction over the Respondent pursuant to, *inter alia*, Chapters 3, 87 and 90 of Title 38 of the South Carolina Code of Laws 1976, as amended.

4. Respondent is a South Carolina industrial insured captive (stock) insurance company formed as a Risk Retention Group and organized and licensed under the provisions of S.C. Code Ann. §§ 38-90-10 *et seq.* It is not publicly traded.

5. The Department provisionally granted to Respondent a license to transact business on May 6, 2004 upon the meeting of and continued compliance with certain specified conditions.

6. At the time it was licensed and continuously until March 21, 2008, Respondent was required to maintain a minimum capital and surplus of not less than \$2,000,000, as stipulated in a letter from the Department dated May 6, 2004. *See* S.C. Code Ann. §§ 38-90-40(D) & -50(D) (2002) (Director may prescribe additional capital and surplus).

7. Respondent provides commercial trucking insurance for its member insureds. Respondent writes commercial automobile liability and limited general liability insurance with limits of \$1,000,000. Respondent retains a portion on claims and reinsures any remainder.

8. Respondent is approximately 99% owned by member insured K-Men Trucking and approximately 500 other individual insureds each owning one share of stock. During the examination review of the shareholders and policyholders, it was noted that a number of shareholders are no longer policyholders. This is a *prima facie* violation of the Liability Risk Retention Act of 1986, which requires all policyholders to be members and all members to be policyholders, *see* 15 U.S.C. § 3901(a)(4)(E)(i), as well as the similar requirements of S.C. Code Ann. § 38-87-20(11) (2202). However, Respondent maintains that due to its financial condition, it was unable to pay contributed capital to terminating insureds and therefore did not relinquish the shares.

9. On March 8, 2007, Respondent, through its captive manager, requested approval for Respondent to make a loan to an “unrelated company, Hudson Pacific Management Group” in the amount of \$1,000,000. On March 13, 2007, based upon the information provided by the captive manager, the loan was approved. Upon subsequent examination, the Department determined that the loan was not a transaction with an unrelated third party. The remaining principal balance of the loan, at December 31, 2008, amounts to \$450,000 and is classified by the Department as a nonadmitted asset.

10. Respondent failed to provide to the Department a semi-annual actuarial opinion of its loss reserves as of June 30, 2007 as required in its original licensing stipulation letter. During the course of its examination, however, the Department obtained a draft actuarial review performed by Respondent’s actuary as of June 30, 2007.

11. During a review of the subsequent loss payments made during 2007 for claims reserved as of December 31, 2006, the examiners noted adverse loss development for 2007. Accordingly, the Department asked the examination actuary to perform a review of Respondent’s reserves as of September 30, 2007.

12. As a result of this review, the actuary estimated Respondent’s loss reserves and loss adjustment expenses as of September 30, 2007 as under-reserved by approximately \$350,000. This adjustment, together with the nonadmitted loan, resulted in adjusted capital and surplus of approximately \$1,050,000, i.e., below the required minimum capital and surplus of \$2,000,000.

13. On January 30, 2008, due to concern over Respondent’s deficit in required capital and surplus as of September 30, 2007, as determined by the Department, the Department issued an Order to Cease and Desist Writing New Business, effective immediately. This Order also required

Respondent to infuse additional capital in order to bring the minimum capital and surplus to the required amounts no later than February 21, 2008.

14. In this January 30, 2008 Order, the Department also advised Respondent that the November 2006/March 2007 loan in the amount of \$1,000,000 to the affiliated company was deemed uncollectible due to (1) untimely payments, (2) lack of sufficient collateral and (3) lack of financial information about the borrower.

15. In response to the Order, the president of Respondent sent a letter to the Department on February 6, 2008, in which he wrote “[Respondent] w[as] not aware of the issues . . . raise[d] regarding the loss reserving, nor were we aware that the Department was conducting an actuarial review,” and stated further that the company was “not able to respond to your assertions regarding the deficiency in loss reserving.”

16. On February 12, 2008, the president sent another letter to the Department in reference to “Follow-up to Our Letter of February 6, 2008,” indicating that Respondent had hired a new actuary to perform a review, “in particular the issue of loss reserving.” The president also requested a meeting, which request the Department granted, and requested an extension of the February 21, 2008 deadline for meeting the minimum capital and surplus requirement.

17. By letter dated February 14, 2008, Respondent informed the Department that it was “working with the receiver of the investment on repayment” of the \$1,000,000 loan and that the borrower had “made \$250,000 in returned investment available, and that repayment has entered and is being processed by the banking system.”

18. By letter to the Department dated February 21, 2008, Respondent addressed the deficiency in capital and surplus, reporting that its actuary was “working with the Department’s consulting actuary” and that after a review of “loss data, development trends, and other factors,” it

would be able to present to the Department its plan for meeting the minimum capital and surplus requirement. In this same letter, Respondent admitted that it could not at that time provide a concrete timeframe within which it would receive the balance of the outstanding loan.

19. In its Annual Statement for the year ended December 31, 2007, which was filed on March 3, 2008, Respondent reported loss reserves and loss adjustment expenses of \$2,782,091 and \$292,482, respectively, and a net loss of \$ 851,110, leaving surplus as regards policyholders of \$829,274.

20. Due to a July 1, 2007 change in Respondent's reinsurance program, to wit, a quota-share reinsurance policy under which Respondent retained less risk per occurrence going forward from that date, and upon Respondent's request, the Department recalculated Respondent's minimum capital and surplus requirement. Based upon the business written before the change in the reinsurance program and the business written after the change in the reinsurance program through December 31, 2007, the Department re-established Respondent's required minimum capital and surplus at \$1,800,000.

21. In a letter dated March 21, 2008, the Department advised Respondent of the new minimum capital and surplus amount. The Department also asked for evidence of the \$250,000 repayment described in Respondent's letter of February 14, 2008.

22. Also in its March 21, 2008 letter, the Department directed Respondent to submit a letter "within two weeks . . . detailing how [it] intends to infuse the additional capital to bring the minimum capital and surplus to this new requirement" and further instructed Respondent that this "infusion of additional capital and surplus must be completed prior to the filing of the 1st quarter statement due . . . on or before May 15, 2008."

23. By letter dated April 3, 2008, Respondent responded to the Department's March 21, 2008 request, writing, "On March 24, 2008, after reviewing the company bank statements, it was noted that the payment of the funds was not completed. After further investigation with the bank, it was ascertained that there was an error with the electronic payment, and a new payment was accomplished immediately." Enclosed with the letter was a copy of its March 1 through March 31, 2008 bank statement and an account transfer detail showing a transfer and deposit on March 24, 2008. The letter contained no detailed plan for infusing sufficient capital to meet the minimum capital and surplus requirement.

24. On May 15, 2008, Respondent filed a financial statement for the quarter ending March 31, 2008. In that statement, Respondent reported losses and loss adjustment expenses of \$3,307,076 and \$373,431, respectively, and a net loss of \$752,233, reflecting surplus as regards policyholders of \$385,481, or below even the statutory minimum of \$500,000, much less the \$2,000,000 required by its licensing letter or the re-established minimum of \$1,800,000. *See* S.C. Code Ann. §§ 38-90-40(A)(1)(c) and 38-90-50(A)(1)(c) (2002).

25. At this time, substantial uncertainty existed as to whether Respondent could infuse sufficient capital in order to re-establish required minimum capital and surplus.

26. On May 22, 2008, Respondent was placed under administrative supervision pursuant to S.C. Code Ann. § 38-26-40(A)(1) & (3) (2002).

27. Since the issuance of the Order imposing administrative supervision, Petitioner has monitored Respondent continuously and subsequently engaged Michael J. FitzGibbons, an outside consultant, as Supervisor.

28. In its report of December 22, 2008, the auditor noted that Respondent had ceased writing policies to new insureds after December 31, 2007 and related that, "for the year ended

December 31, 2007, [Respondent] incurred a net loss of \$1,284,858, a net deficit in cash flows from operating activities of \$487,090, and has an accumulated deficit in retained earnings of \$1,375,293” and that Respondent “anticipates an additional net operating loss for” 2008. “These Conditions,” the auditor continued, “raise substantial doubt about [Respondent’s] ability to continue as a going concern.”

29. Also in its report, the auditors noted that “[m]anagement is currently evaluating multiple options including a sale of [Respondent] or use of a loss portfolio transfer to an unrelated third party.”

30. As of December 31, 2007, Respondent reported \$829,274 in capital and surplus.

31. As of June 30, 2008, Respondent reported negative capital and surplus of \$890,056, representing a further deterioration of \$1.7 million in just six months, which is attributable to the following:

- a. Balance on nonadmitted note of \$746,000; and
- b. 2007 and prior adverse loss development of \$1.4 million;

32. As of September 30, 2008, Respondent reported negative capital and surplus of \$871,343, representing little change from June 30, 2008; however, by this time \$295,000 of the nonadmitted note had been paid. This enhancement to surplus was offset by increased loss estimates for the 2008 book of business, which can be summarized as follows: June 30, 2008 expected loss and loss adjustment expense (LAE) ratio for 2008 earned premium at 64% and September 30, 2008 estimated at 93%, resulting in \$214,000 adverse development from June to September 2008.

33. Respondent is insolvent, with a capitalization shortfall of \$1.57 million consisting of the elimination of deficit of \$871,000 and a revised capital requirement of \$700,000 (20% of net loss and LAE reserves of approximately \$3.5 million).

34. Management has verbally assured the Supervisor the balance of the nonadmitted note of \$450,000 would be funded by December 31, 2008. To date, the note remains unfunded, and is likely bad debt.

35. Management represented that there were parties interested in purchasing Respondent; each awaiting audited financial statements for December 31, 2007, which are now available. No "Form A's" (documents necessary to obtain Department approval of the acquisition of an insurance company) have been filed with the Department

36. Management has indicated that it is exploring a stop loss policy, funded with proceeds from a proposed commutation with GMAC Re (NKA Maiden Re) as part of a recapitalization effort. The Supervisor has now approved the afore-mentioned commutation.

37. Petitioner advised management that Monday, February 2, 2009 was the deadline for a purported buyer to post an irrevocable letter of credit (ILOC) for the benefit of the Department in the amount of \$750,000 toward recapitalization of Respondent, and that, in the absence of this partial recapitalization, the Director would initiate proceedings under Chapter 27 of Title 38 of the Code.

38. On February 11, 2009, the Supervisor informed Respondent that he had "concluded [that] the following sequence must be adhered to: 1) Bank confirmation of unrestricted funds/ILOC [irrevocable letter of credit]"; "2) Form A filing by [purported buyer]"; and "3) Upon Form A approval contribution of \$1.0 million via the ILOC; and, the Supervisor also specifically reminded Respondent, "Time remains of the essence."

39. Later on February 27, 2008, the Supervisor spoke with the captive manager and Respondent's President and Vice President. He informed them that (a) an ILOC had to be posted by Monday, March 2, 2009, with the department as beneficiary, conditional only on failure of purported buyer to obtain Form A approval; (b) all claim payments were suspended and (c) failure to post the

ILOC would result in the Department filing a petition for an order of rehabilitation, with the option of management consenting to rehabilitation, and that Monday was the deadline for acquisition and recapitalization.

40. The Department has not received an ILOC as described in paragraph 37 above. Respondent has filed its Annual Statement evidencing capital and surplus of \$(610,012), generating a capital and surplus deficiency in excess of \$1.3 million.

41. S.C. Code Ann. Section 38-27-310 sets forth the grounds upon which an insurer may be placed into rehabilitation, including but not limited to when the insurer is in a condition in which the further transaction of business would be hazardous, financially, to its policyholders, creditors, or the public; when the board of directors; and/or the insurer or the holders of a majority of the shares of stock entitled to vote request or consent to rehabilitation.

42. Given, *inter alia*, the negative capital and surplus, as well as the unfunded principal balance of the note (\$450,000), Respondent is in a condition in which the further transaction of business would be hazardous, financially, to its policyholders, creditors and/or the public.

43. Respondent is insolvent as defined in S.C. Code Ann. § 38-27-50(10), in that it is unable to pay its obligations when due or its admitted assets do not exceed the capital and surplus required by law.

44. The Board of Directors and/or majority of shareholders of the Respondent have authorized its officers to consent to an Order of Rehabilitation and said written consent has been filed with the Court.

45. The Court has jurisdiction over this matter.

46. It is in the best interest of Respondent, its policyholders, its creditors and the public that the relief requested in the petition be granted.

IT IS THEREFORE ORDERED THAT:

1. PURSUANT TO S.C. Code Ann. § 38-27-310 and 38-27-320 (2002), Petitioner and his successors in office are appointed Receiver for the purposes of rehabilitation of Respondent.

2. PURSUANT TO S.C. Code Ann. § 38-27-330 (2002), Petitioner and his successors shall have all the powers and responsibilities set forth under that section to assist him or his designee as Receiver for Rehabilitation, including but not limited to:

a) Conducting the business of Respondent and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order necessary and taking such further action as the Receiver deems necessary or appropriate to reform and revitalize Respondent.

b) Taking immediate possession of all the property, assets and estate, and all other property of every kind whatsoever and wherever located, belonging to Respondent.

c) Applying for any restraining orders, preliminary and permanent injunctions, and other orders considered necessary pursuant to S.C. Code Ann. Section 38-27-70.

d) Employing and authorizing the compensation of legal counsel, actuaries, accountants, consultants and other assistants as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of Respondent that are in the possession of the Receiver or that come into his possession.

e) Imposing, if, within the Receiver's sole judgment, it is determined to be necessary, a moratorium on the payment of claims with consideration given to hardship exceptions,

whereby claims meeting certain established criteria would be paid at a pre-determined percentage or amount. In establishing such procedures, the Receiver shall be fully informed as to coverage issues and how claims will be handled in the future. If the Receiver implements a hardship procedure, approved by the Court, it shall be detailed and carefully documented, and shall include an appeal process. These procedures must include a complete description of the information that needs to be submitted by the policyholder requesting the hardship payment and the methodology utilized to evaluate that information.

f) If it appears to the Receiver that there has been criminal or tortious conduct or breach of any contractual or fiduciary obligation detrimental to the insurer by any officer, manager, agent, broker, employee, or other person, pursuing all appropriate legal remedies on behalf of the insurer.

3. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger or other transformation of Respondent is appropriate, the Receiver is directed to prepare a plan to effect such changes and submit the plan to this Court for consideration.

4. The Receiver has the power under S.C. Code Ann. §§ 38-27-450 and 38-27-460 to avoid fraudulent transfers.

5. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider entry of an Order of Liquidation of Respondent without further notice of hearing.

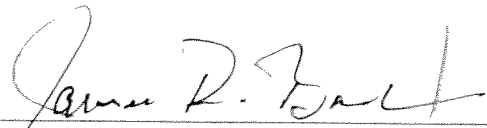
NOTICE OF AUTOMATIC STAY

Notice is hereby given that pursuant to S.C. Code Ann. § 38-27-70, the Court grants an automatic stay applicable to all persons and proceedings, other than the Receiver, which shall be permanent and survive the entry of the Order and which prohibits:

- 1) The transaction of further business;
- (2) The transfer of property;
- (3) Interference with the Receiver or with a proceeding under Chapter 27 of Title 38 of the Code;
- (4) Waste of the insurer's assets;
- (5) Dissipation and transfer of bank accounts;
- (6) The institution or further prosecution of any actions or proceedings;
- (7) The obtaining of preferences, judgments, attachments, garnishments, or liens against the insurer, its assets, or its policyholders;
- (8) The levying of execution against the insurer, its assets, or its policyholders;
- (9) The making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of the insurer;
- (10) The withholding from the receiver of books, accounts, documents, or other records relating to the business of the insurer; or
- (11) Any other threatened or contemplated action that might lessen the value of the insurer's assets or prejudice the rights of policyholders, creditors, or shareholders, or the administration of any proceeding under Chapter 27 of Title 38 of the South Carolina Code.

This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time may be necessary and appropriate.

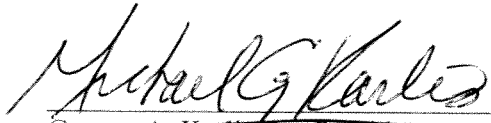
AND IT IS SO ORDERED.



James R. Barber, III
Chief Administrative Judge
Fifth Judicial Circuit

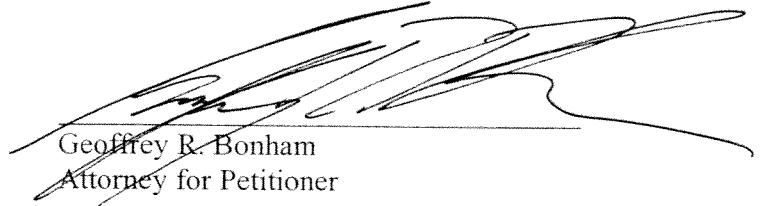
This 11 day of March, 2009
Columbia, South Carolina

WE CONSENT:



~~George A. Karlis, Jr., President~~
Transportation Liability Insurance Co., A RRG
Respondent

Michael G. Karlis
Vice President



Geoffrey R. Bonham
Attorney for Petitioner

ACTION OF MAJORITY SHAREHOLDER OF
TRANSPORTATION LIABILITY INSURANCE COMPANY, A RISK
RETENTION GROUP

The undersigned, being the majority shareholder of TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG, a South Carolina risk retention group, does hereby adopt the following motions:

Whereas TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG is a SC corporation; and

Whereas the statutory liabilities of TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG exceed its statutory assets in excess of \$600,000. This deficiency together with its capital requirement of \$700,000 renders the TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG in violation of its capital and surplus requirement and it is insolvent as defined in S.C. Code Amnn.38-27-50(10); and

Whereas the SCDOI has proposed the TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG be immediately placed in rehabilitation in accordance with S.C. Code Ann.38-27-310; and

Whereas the majority shareholder consents to the TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG being placed in rehabilitation in accordance with S.C. Code Ann.38-27-310;

BE IT RESOLVED, that the officers of TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG are hereby authorized, empowered and directed to execute the necessary consent order(s) commencing these Rehabilitation Proceedings.

BE IT FURTHER RESOLVED that any actions performed in good faith by the Directors and Officers of TRANSPORTATION LIABILITY INSURANCE COMPANY, A RRG which were deemed necessary or appropriate in carrying out the actions herein are hereby affirmed.

Majority Shareholder



By: Michael Karlis
K-Men Trucking and Transportation, Inc.
Date 3-11-09

CERTIFICATE OF SERVICE

I hereby certify that I have served the below named individuals or entities with a copy of the attached Consent Order Commencing Rehabilitation Proceedings & Granting an Injunction & Automatic Stay of Proceedings by depositing same in the U.S. Mail, postage prepaid, at the following address:

Transportation Liability Insurance Company, A RRG
c/o Paul Newton, Senior Vice President
USA Risk Group of South Carolina, Inc.
1327 Ashley River Road
Building C, Suite 200
Charleston, SC 29407

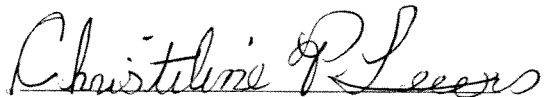
Michael J. FitzGibbons
FitzGibbons and Company, Inc.
8300 North Hayden, Suite A100
Scottsdale AZ 85258

New Jersey Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, NJ 08625

NAIC Executive Headquarters
ATTN: David Vacca
2301 McGee Street, Suite 800
Kansas City, MO 64108-2662

FILED
2009 MAR 16 PM 4:09
JEANETTE M. BURRIDGE
C.C.P. & G.S.

March 16, 2009



Christiline P. Lewis
Administrative Assistant
SC Department of Insurance
P.O. Box 100105
Columbia SC 29201-3105
803-737-6200