

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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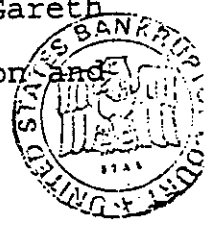
In re : In Proceedings Under
Petition of Gareth Hughes and : Section 304 of the
Anthony Joaquin, as Joint : Bankruptcy Code
Provisional Liquidators of The : Case No. 93-B-46013 (PBA)
Bermuda Fire & Marine Insurance :
Company Limited, :
Debtor in Foreign Proceedings. :
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PERMANENT INJUNCTION ORDER

This matter has come before this Court on the motion of Gareth Howard Hughes, Leon Anthony Joaquin and John Christopher McKenna (collectively, the "Liquidators"), as the Joint Liquidators of The Bermuda Fire & Marine Insurance Company Limited (the "Company"), pursuant to sections 304 and 105 of Title 11 of the United States Code (the "Bankruptcy Code"), dated December 13, 1996 (the "Motion") and this Court's Order of December 13, 1996, specifying the form and manner of service of notice of the Motion. This Court has considered and reviewed the Motion, the Memorandum of Points and Authorities in Support of the Motion, the Petition dated November 29, 1993 and filed with this Court pursuant to section 304 of the Bankruptcy Code to commence this case (the "Petition"), the Affidavit of Gareth Hughes dated December 3, 1993 in support of the Petition, and

GARETH HUGHES
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U.S. DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



the Memorandum of Points and Authorities in support of the Petition, dated December 2, 1993. The Court held a hearing on the Motion and heard argument by counsel on January 7, 1997. Based on the foregoing, the Court finds and concludes as follows*:

1. The Liquidators have demonstrated that (a) the Company is a company subject to "foreign proceedings" within the meaning of sections 101 and 304 of the Bankruptcy Code; (b) the Liquidators are the "foreign representatives" of the Company within the meaning of sections 101 and 304 of the Bankruptcy Code; (c) (i) the transfer, relinquishment, or disposition of any property of the Company, or the proceeds of such property, to third parties, (ii) the commencement or continuation of any judicial, administrative or regulatory action or proceeding against the Company, any of its property, or any proceeds thereof, (iii) the enforcement of any judicial, administrative or regulatory judgment, assessment or order, or any arbitration award, and the

* Capitalized terms used but not defined herein have the meanings ascribed to them in the Scheme of Arrangement between the Company and its Scheme Creditors dated October 2, 1996, as approved by the required majorities of creditors and sanctioned by The Supreme Court of Bermuda and The High Court of Justice of England and Wales, a copy of which is annexed hereto.



commencement or continuation of any act or any judicial, administrative or regulatory action or proceeding, to create, perfect or enforce any lien, set-off or other claim against the Company, any of its property, or any proceeds thereof, (iv) the drawing down of any letter of credit established by, on behalf or at the request of the Company, or the withdrawal from, set off against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of what is expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow or similar arrangement has been established and (v) the enforcement of any statute, rule or requirement of federal, state, or local law or regulation requiring the Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition to prosecuting, defending or appealing any action or proceeding, should be enjoined, except as expressly provided in the Scheme of Arrangement; and (d) the Liquidators are entitled to notice and other information regarding litigation and other proceedings in which the Company is or was named as a party, or in which one or more of the Co-Insurers is named as a party and the litigation or other proceedings in question relate to a Common Liability of the Company, in each case pursuant



section 304(b) of the Bankruptcy Code to permit the expeditious and economical administration of the Company's estate consistent with the factors set forth in section 304(c) of the Bankruptcy Code;

2. The Liquidators have demonstrated that the requested permanent injunctive relief will not cause hardships to parties affected by the permanent injunction which are not outweighed by the benefits of the permanent injunction. Unless a permanent injunction order is issued, it appears to this Court that one or more persons or entities will transfer, relinquish or dispose of property of the Company, or proceeds thereof, or commence or continue the prosecution of judicial actions, arbitration proceedings, administrative or regulatory actions or proceedings against the Company, its property, or proceeds thereof, or will attempt to enforce judgments or claims against the Company, its property, or proceeds thereof, thereby interfering with, and causing harm to, the Liquidators' efforts to administer the Company's estate pursuant to the foreign proceedings, and that as a result the Liquidators will suffer irreparable injury for which they have no adequate remedy at law;



3. The interest of the public will be served by this Court's grant of the relief requested by the Liquidators; and

4. Venue is proper in this District pursuant to 28 U.S.C. § 1410(c).

NOW, THEREFORE, IT IS ORDERED as follows:

ORDERED that the Scheme of Arrangement between the Company and its Scheme Creditors shall be given full force and effect and shall be binding on and enforceable against all Scheme Creditors in the United States; and it is further

ORDERED that all persons and entities are hereby permanently enjoined and restrained from:

(1) transferring, relinquishing or disposing of any property of the Company, or the proceeds of such property, to third parties;

(2) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company or any of its property, or any proceeds thereof, except as expressly permitted in the Scheme of Arrangement;

(3) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or any arbitration award, and commencing or continuing any act or any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, set-off or other claim against the Company or its property, or any proceeds thereof, except as expressly permitted in the Scheme of Arrangement;

(4) drawing down any letter of credit established by, on behalf or at the request of the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of what is expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established, except, however, no such drawing, withdrawal, set-off or other application of property shall be made in connection with any commutation unless the amount has been agreed in writing with the Liquidators or permitted by further Order of this Court; and



(5) invoking, enforcing or relying on the benefit of any statute, rule or requirement of federal, state, or local law or regulation requiring the Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition to prosecuting, defending or appealing any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), and such statute, rule or requirement is hereby rendered null and void for such actions and proceedings; provided, however, that nothing in this Order shall in any respect affect any security in existence at the Effective Date or the replacement for such security; and it is further

ORDERED that every person and entity that is a beneficiary of a letter of credit established by, on behalf or at the request of, the Company, or parties to any escrow or similar arrangement in which the Company has an interest, is required to (a) provide notice to the Liquidators' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, set-off against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the

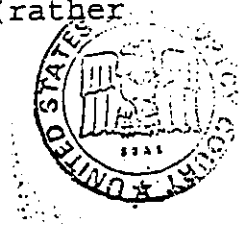
Liquidators to assess the propriety of such drawdown, withdrawal, set-off, or other application, including, without limitation, the date and amount of such drawdown, withdrawal, set-off or other application and a copy of the agreement pursuant to which any such drawdown, withdrawal, set-off or other application and a copy of the agreement pursuant to which any such drawdown, withdrawal, set-off or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Liquidators for all funds resulting from such drawdown, withdrawal, set-off, or other application, in excess of what is expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established; and it is further

ORDERED that every person and entity that has a claim arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and who is a party to any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or in which one or more of the Co-Insurers is named as a party and the action or other legal proceeding in question relates to a Common

Liability of the Company, is required to place the Liquidators' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and (b) any and all correspondence, or other documents circulated to parties named in the master service list; and it is further

ORDERED that nothing in this Order shall in any respect prevent the continuance or commencement of proceedings against or involving London market insurers or any insurance company defendant other than the Company; and it is further

ORDERED that in the event a Scheme Creditor resolves a claim against Co-Insurers of the Company (in circumstances such that the stay on Proceedings against the Company in relation to that claim ceases to apply in accordance with Clause 2.2.2(B)(a) or (b) of the Scheme of Arrangement), and the Company decides to relitigate or force relitigation of the claim with the Scheme Creditor (rather than agree to the Scheme Claim on the basis of the



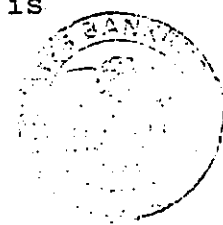
resolution against the Co-Insurers), then: should the Scheme Creditor prevail against the Company, the Company will pay, in cash, one hundred percent (100%) of all reasonable fees and costs incurred by the Scheme Creditor in connection with the relitigation. In the event of a dispute over the reasonableness of such fees and costs, this Court retains jurisdiction to decide the issue. The Scheme Creditor shall be deemed to have prevailed if it obtains a judgment that is substantially commensurate to or more favorable than (i) the judgment (monetary or declaratory) against Co-Insurers or (ii) any lower or less favorable settlement offer made by the Scheme Creditor in writing prior to the commencement of relitigation; and it is further

ORDERED that all persons and entities are hereby permanently enjoined and restrained from commencing or continuing any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Provisional Liquidators, the Liquidators, the members of the Informal Creditors' Committee, the members of the Committee of Inspection, or any of their respective directors, officers, agents, employees, representatives, financial advisors or attorneys (the "Company Parties"), or any of them, with respect to any claim or cause of action, in law or in



equity, arising out of or relating to any action taken or omitted to be taken as of the Effective Date by any of the Company Parties in connection with the Provisional Liquidation proceeding, the Liquidation proceeding, this section 304 case or in preparing, disseminating, applying for or implementing the Scheme of Arrangement or this Order; and it is further

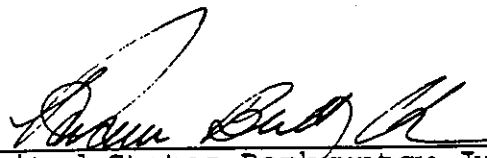
ORDERED that, except as otherwise provided herein, all persons and entities are hereby permanently enjoined and restrained from commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Liquidators, the members of the Committee of Inspection, or any of their respective directors, officers, agents, employees, representatives, financial advisors or attorneys (the "Scheme Parties"), or any of them, with respect to any claim or cause of action, in law or in equity, which may arise out of the construction or interpretation of the Scheme of Arrangement or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the Liquidation Proceeding or the administration of the Scheme of Arrangement; and it is further



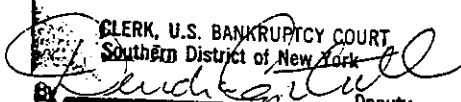
States mail, first class postage prepaid, on or before January 14, 1997 upon the parties in interest appearing in this case at the time of such service; and (B) by publication of a summary of this Order in Business Insurance magazine on or before January 20, 1997; and it is further

ORDERED that service pursuant to the foregoing paragraph shall be good and sufficient service and adequate notice for all purposes.

Dated: New York, New York
January 7, 1997


United States Bankruptcy Judge

I hereby attest and certify on 1/7/97
that the foregoing document is a full, true and correct
copy of the original on file in my legal custody.

CLERK, U.S. BANKRUPTCY COURT
Southern District of New York

Deputy



commenced and within the jurisdiction of this Court; and it is further

ORDERED that no action taken by the Provisional Liquidators, the Liquidators, their successors, agents or representatives, or any of them, or their counsel, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of the Scheme of Arrangement, this Order, this section 304 case, any further order for additional relief in the section 304 case, or any adversary proceeding in connection therewith as this Court may make, shall be deemed to constitute a waiver of the immunity afforded to the Provisional Liquidators or the Liquidators, their successors, agents or representatives pursuant to section 306 of the Bankruptcy Code; and it is further

ORDERED that notwithstanding the foregoing, the Superintendent of Insurance of the State of New York shall be entitled to commence and thereafter continue conservatorship proceedings with respect to funds held pursuant to a trust established by the Company pursuant to the rules and regulations of the Department of Insurance for the State of New York; and it is further

ORDERED that this Order (without a copy of the Scheme of Arrangement) shall be served: (A) by United

ORDERED that except as provided in clause 9.5.2 of the Scheme of Arrangement, the Supreme Court of Bermuda shall have exclusive jurisdiction to hear and determine any suit, action, claim or proceeding and to settle any dispute which may arise out of the construction or interpretation of the Scheme of Arrangement, or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Scheme of Arrangement; provided, however, that nothing in this Order shall affect the validity of provisions determining governing law and jurisdiction, whether contained in any contract between the Company and any of the Scheme Creditors or otherwise; and it is further

ORDERED that the Liquidators are hereby authorized to transfer to the foreign proceedings for distribution pursuant to the Scheme of Arrangement any monies or assets of the Company located in the United States which the Liquidators have or may hereafter recover; and it is further

ORDERED that this Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order or requests for any additional relief in the case filed under section 304 of the Bankruptcy Code and all adversary proceedings in connection therewith properly