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Counsel to Illinois Union Insurance Company

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

RECEIVED

APR 22 2011

BMC GROUP

_____)
In re:) Chapter 11
)
INSIGHT HEALTH SERVICES) Case No. 10-16564 (AJG)
HOLDINGS CORP., et al.)
)
Reorganized Debtors.) Jointly Administered
_____)

**REQUEST OF ILLINOIS UNION INSURANCE COMPANY
FOR PAYMENT OF ADMINISTRATIVE EXPENSE**

Illinois Union Insurance Company, and possibly one or more affiliates and/or subsidiaries (collectively, the “ACE Companies”), by their attorneys, request payment of an administrative expense, pursuant to Section 503 of the Bankruptcy Code, as follows:

1. The ACE Companies issued certain insurance policies to the Debtors including a certain excess liability Policy No. XFL G21685422009 (the “Policies”) in connection with insurance program(s) maintained by the Debtors. The ACE Companies may also be parties to



certain other agreements with Debtors relating to such Policies (together with the Policies, collectively, the “ACE Agreements”). The ACE Agreements are executory contracts within the meaning of Section 365 of the Bankruptcy Code.

2. The ACE Companies hold unliquidated secured and/or unsecured claims against Debtors that are subject to further and future adjustment.¹ These claims may include, without limitation, additional premium payments, deductibles, self-insured retentions and other expenses that may become due under the ACE Agreements. The ACE Companies may also hold contingent and unliquidated claims based upon their rights to receive performance of any and all of Debtors’ (and any other possible named insureds’) duties and obligations under the terms of the ACE Agreements.

3. A portion of the ACE Companies’ claims are entitled to administrative expense priority under Sections 503(b) and 507(a)(2) of the Bankruptcy Code for insurance coverage provided on or after the Petition Date and/or insurance coverage provided under the ACE Agreements that were assumed pursuant to Section 365 of the Bankruptcy Code.

4. In connection with one or more of the ACE Agreements, Debtors entered into one or more insurance premium financing agreements (the “PFA”). The base premium due under Policy No. XFL G21685422009 has been paid in full by AFCO Premium Acceptance, Inc. (“AFCO”) pursuant to one such PFA. However, under the terms of the PFA, AFCO may have the right to cancel the policy if Debtors fail to pay the monthly installment payments under the PFA.

5. In addition to the base premiums due under the ACE Agreements, certain policies are auditable, meaning that the premium payments are subject to periodic adjustments based

¹ The ACE Companies’ claims may be secured by rights of setoff against amounts otherwise owed to the Debtors under the Policies.

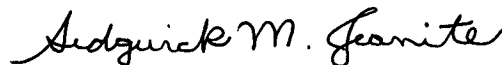
upon changes to underwriting factors. Actual premium payments due are subsequently determined by actual losses and expenses incurred, subject to the terms of the policies and/or the agreements. As such, the ACE Companies will likely, and reserve the right to, from time to time, amend the amounts of this claim based on audits and/or adjustments related to Debtors' claims and actual loss experienced.

6. This request shall not be deemed to be a waiver of, and is without prejudice to, any and all of the ACE Companies' rights, claims and/or defenses of any nature whatsoever under the ACE Agreements, the United States Bankruptcy Code and/or any otherwise applicable law.

WHEREFORE, the ACE Companies respectfully request that this Court allow their administrative claim in an unliquidated amount subject to further amendment once the amount of the claims becomes liquidated in whole or in part.

Dated: April 21, 2011

Respectfully submitted,



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April 21, 2011

BY FEDERAL EXPRESS

EMC Group, Inc.
Attn: InSight Health Services Claims Processing
18750 Lake Drive East
Chanhassen, MN 55317

**RE: Request of Illinois Union Insurance Company for Payment of
Administrative Expense**

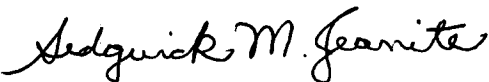
Dear Sir or Madam:

Enclosed you will find an original and one (1) copy of a Request of Illinois Union Insurance Company for Payment of Administrative Expense, a copy of which was filed electronically with the Southern District of New York Bankruptcy Court on this date. Kindly file the original Request of record and return a time-stamped copy to the undersigned. A self-addressed stamped envelope is enclosed for your convenience.

Please direct any questions regarding the above, or the enclosed, to the undersigned or Joseph G. Gibbons, Esq. at (215) 864-7074.

Very truly yours,

WHITE AND WILLIAMS LLP

By: 
Sedgwick M. Jeanite

SMJ:lac
Enclosures