

Companies in Liquidation

American Star Insurance Company, In Liquidation

American Star Insurance Company was placed into liquidation on November 16, 1992. Matthew C. Mandt is appointed as special deputy liquidator.

American Star is headquartered in Lafayette, California, and had business in force mainly in Arizona, California, Idaho, Nevada, Oregon, and Washington state. There was no business in force in Wisconsin. American Star wrote commercial multi-peril, property, auto, liability, and surety business.

American Star filed a September 30, 1992, quarterly financial statement indicating capital and surplus of approximately \$5.5 million. A preliminary review of American Star's reserves for losses and loss adjustment expenses showed them to be deficient by about \$15.9 million, implying a negative net worth of about \$10.4 million. Furthermore, American Star had not obtained reinsurance coverage for policies it had written or renewed for December 1, 1992. Due to the foregoing factors, further transaction of business was hazardous to its policyholders and the general public, and American Star's owners consented to the liquidation.

Under the liquidation order, policies in force were terminated the earliest of: December 1, 1992, the date the policy expired, or the date new coverage was obtained by the agent. Certain guaranty funds extended the period of coverage for residents of their respective states, if such extension was required by law or administrative action. Ancillary liquidation proceedings were established in California, Idaho, Oregon, and New Mexico, and all have now been closed. The California ancillary liquidation proceeding was reopened on March 30, 2001, to allow a distribution of Proposition 103 rebates to California policyholders in the amount of \$1,750,000, but has since been closed. The Proposition 103 settlement was substantially below the \$10,362,838 reserved as of December 31, 1999.

At least 64,511 notices were mailed to agents, policyholders, state insurance commissioners, guaranty funds, claimants, former policyholders, and other parties whose interests may in some way be affected by the liquidation. The deadline for filing claims with the liquidator was November 16, 1993. Unexcused late filings will not be considered for payment.

On January 28, 1994, the liquidation court approved a plan to provide state guaranty funds with \$20,000,000

in early access payments to be used for the return of unexpired premiums to policyholders and payment of claims. Early access payments were made during 1994 after each participating guaranty fund gave its written assent to the terms of the plan. Altogether the estate has advanced \$34,256,799.62 to participating guaranty funds under four early access agreements, of which \$29,403,159.43 has been converted into nonrefundable dividends.

The liquidation court has approved additional dividends, over and above the foregoing \$29,403,159.43, for full or partial payment of various class 1, 3, 4, 5, and 7 claims filed with state guaranty funds and directly with the estate, as recommended by the liquidator. Such additional dividends aggregated to \$13,480,227.09 as of December 31, 2005.

On December 3, 2003, the estate made a distribution of \$11,606,892.07, representing full payment of principal and interest on the Class 10 surplus note claim.

In order to effectuate an orderly and timely closure of the estate, while respecting the rights and interests of all classes of claimants, the Liquidator published a general notice of intent to close the estate in newspapers of wide circulation within each of the states in which American Star was licensed at the time of its being placed into liquidation. In addition, individual written notice was sent to each claimant and/or claimant's attorney identified by the claims analysis project as having a reasonable potential for loss or loss adjustment expense exposure when the estate could locate contact information for such individuals. Claimants had 60 days, which was until December 5, 2005, to inform the estate of any claims or be forever barred, subject to the jurisdiction of and right of appeal to the Liquidation Court.

Due to the absence of any valid new claim being reported as a result of the individual and published notices of the Liquidator's intent to close the estate and the paucity of claim activity in recent years, the Liquidator is taking measures to close the estate.

As of December 31, 2005, the estate reported assets of \$31,017,888. Claims in classes 1 through 10 were estimated at \$19,649,291, resulting in an estimated surplus of \$11,368,596.

Family Health Plan Cooperative, In Liquidation

Family Health Plan Cooperative was placed into liquidation on October 16, 2000. Matthew C. Mandt was appointed as special deputy liquidator.

Family Health Plan was headquartered in Brookfield, Wisconsin, and had business in force only in Wisconsin. Family Health Plan wrote health maintenance organization business and had just over 72,000 enrollees.

Under the liquidation order, policies in force were terminated the earliest of November 1, 2000, the date the policy expired, or the date new coverage was obtained by the enrollee. The liquidator assumed an Omnibus Agreement by and among Family Health Plan, Aurora Health Care (Aurora), United Wisconsin Services, Inc. (UWS), and Family Health Systems, Inc. The provisions of the Omnibus Agreement were approved by the court and the liquidator proceeded to:

- Convey the assets of Family Health Plan to Aurora and UWS as set forth in the agreement;
- Assign certain liabilities to Aurora and UWS as set forth in the agreement;
- Retain certain designated excluded liabilities of the estate of Family Health Plan; and
- Establish claims procedures and other liquidation processes.

On October 31, 2000, 6,958 notices were mailed to creditors and other parties whose interests may in some way be affected by the liquidation. The deadline for filing claims with the liquidator was May 1, 2001.

Pre-liquidation claims for benefits under Family Health Plan policies, with the exception of Medicare select policies, were assumed by Compcare Health Services Insurance Corporation. Medicare select policies were assumed by Blue Cross Blue Shield of Wisconsin. Virtually all these claims have been settled.

Fifty-two claims were filed relating to potential liabilities not related to insurance policy benefits. Twenty-two claims were approved by the Court for payment, three claims were approved in part and the remaining claims were denied. Seven claimants filed objections to the Court's denial. One of the denied claims has been settled and the Court has dismissed four other denied claims. Three other actions are currently proceeding outside of the Liquidation Court relating to medical malpractice claims. Hearings will be held to resolve the remaining claims to which objections have been received.

Discussions have been initiated with parties of the Omnibus Agreement to help facilitate the payment of claims. In addition, other potential exposures are being investigated before a final distribution of assets can be made.

Master Plumbers' Limited Mutual Liability Company, In Rehabilitation

Master Plumbers' Limited Mutual Liability Company was placed in rehabilitation on March 29, 1994, by the Circuit Court for Dane County, Wisconsin. Roger A. Peterson succeeded Matthew C. Mandt as Special Deputy Rehabilitator in 2004 with the approval of the court. Society Insurance, a Mutual Company performs claim adjustment and administrative services for the rehabilitator pursuant to a contract approved by the court.

Master Plumbers' issued assessable policies and was licensed only in Wisconsin. The company wrote worker's compensation, other liability, and auto liability coverage

for plumbers. All policies were written on an annual basis with January 1 effective dates.

In December 1993, pursuant to an order issued by the Commissioner, the company levied an assessment upon its policyholders equal to one additional annual premium. Collection of this assessment has been deferred until such time as funds may be needed. To date, it has not been necessary to collect this assessment.

As of December 31, 2005, Master Plumbers' reported assets of \$1,214,520, liabilities of \$786,232, and surplus of \$428,288.