Companies in Liquidation or Rehabilitation

Northwestern National Insurance Company of Milwaukee, Wisconsin, in Rehabilitation

Northwestern National Insurance Company of Milwaukee, Wisconsin (NNIC) was placed in liquidation by Judge Richard G. Niess of the Dane County Circuit Court on May 2, 2019. The court-appointed Wisconsin Commissioner of Insurance, Mark V. Afable, and his successors in office or any of their delegees as Liquidator, and Amy J. Malm, as Special Deputy Liquidator. The Order of Liquidation established a bar date, the last date on which a claim may be filed, of November 2, 2019.

NNIC was incorporated as a Wisconsin domestic stock poperty and casualty insurance corporation on February 20, 1869. NNIC wrote both direct insurance and reinsurance. In 1986, the company began a runoff operation. Since that time, except for mandatory writings, including guaranteed renewable accident and health insurance policies, assignments, and retroactive adjustments and endorsements to prior year policies, NNIC has written no new business.

On March 8, 2007, NNIC was placed into rehabilitation upon recommendation of the Wisconsin Office of the Commissioner of Insurance (OCI) and upon approval of the Dane County Circuit Court. The Rehabilitation Order established a general account for its reinsurance and a segregated account for its direct insurance. The principal purpose of the rehabilitation was to crystalize the claims of each of its reinsurance claimants into a fixed dollar amount and to subordinate the reinsurance claims to the direct insurance claims. This objective having been completed, on January 20, 2012, NNIC exited from rehabilitation.

The financial condition of NNIC continued to deteriorate, such that liquidation became necessary. OCI worked with the National Conference of Insurance Guaranty Funds, Inc. and the National Organization of Life and Health Guaranty Associations to minimize disruption for claimants. In further preparation for liquidation, on March 14, 2019, by Stipulation and Order approved by the Commissioner of Insurance and agreed by NNIC's management, OCI was granted full custody and control of all of NNIC's assets. On March 22, 2019, by Stipulation and Order approved by the Commissioner of Insurance and agreed by NNIC's management, the segregated and general account of NNIC was merged. The small amount of funds earmarked for the benefit of the reinsurance claimants in the general account continued to be accounted for and reserved for their benefit.

At the time of the liquidation on May 2, 2019, the only insurance policies written by NNIC that were still in force were accident and health policies that were guaranteed renewable by their terms. NNIC also wrote worker's compensation, general liability, product liability, and commercial automobile policies. All policies except the guaranteed renewable A&H policies had long since expired, but some of the expired policies still have open claims.

At the time of its liquidation, NNIC was only licensed to do business in the following nine states: California, Connecticut, Delaware, Minnesota, New Hampshire, New Jersey, Pennsylvania, Texas, and Wisconsin. However, when the company was placed in runoff in January 1986, it was licensed to do business in all U.S. states, the District of Columbia, and Puerto Rico. Accordingly, guaranty fund coverage would apply to any policies written at the time the company was licensed, subject to limitations on coverage established by each state or other jurisdiction.

As of May 2, 2019, NNIC had reinsurance relationships with various captive reinsurers sponsored mainly by large, well-known industrial or hospitality firms. St. Marie Boll, LLC, as attorney for the Liquidator, has concluded commutation arrangements with 10 of these captive reinsurers or their sponsoring corporation, whereby the captive reinsurer or the sponsoring corporation assumed full responsibility for current and future claim obligations in exchange for NNIC's return of collateral it held. Such commutations reduce the tail exposure for the affected state guaranty funds and often reduce the number of claims that the affected state guaranty funds would otherwise have to administer. This will have the effect of increasing the percentage of Class 3 loss claims that will ultimately be distributed. The advantage for the captive's sponsoring corporation is the retention of their existing claim administration, avoidance of reinsurance billings from either the Liquidator or one or more guaranty funds, and a return of collateral.

Before the bar date of November 2, 2019, the Liquidator received a total of 255 proofs of claim, tentatively broken

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down by the highest applicable level of priority, which is subject to revision by the Liquidator, as follows:

50	Class 1 Proofs of Claim (Administration Costs)
82	Class 3 Proofs of Claim (Loss Claims)
3	Class 3 Proofs of Claim (Loss Claims – Highlands Contingency)
1	Class 3c Proof of Claim (Federal Government Claims not in Class 3)
4	Class 4 Proofs of Claim (Unearned Premiums and Small Loss Claims)
5	Class 5 Proofs of Claim (Residual Classification with Some Security)
109	Class 5 Proofs of Claim (Residual Classification - Unsecured)
1	Class 8 Proofs of Claim

Additionally, the Liquidator has deemed filed 27 Class 4 claims for unearned premium, for which no proofs of claim were required, in addition to three Class 4 proofs of claim included in the four noted above that were filed despite the lack of any requirement to do so.

Proofs of claim received after November 2, 2019, have been identified as late-filed and will be administered accordingly. To date, the Liquidator has received six late-filed proofs of claim, which, subject to revision by the Liquidator, include one Class 3 proof of claim and five Class 5 proofs of claim.

In 2019, a total of 419 claimants' files were forwarded to state guaranty funds. These included property and casualty claims and insured lives under guaranteed renewable accident and health insurance policies. At the time of this filing, the number of claimants' files had been reduced by 207 to a total of 212, due to 176 cases being assumed under commutation agreements with captive reinsurers, 23 insureds under A&H policies accepting buy-outs, and the lapse or termination of A&H coverage on eight insured lives.

Included in the forgoing numbers is the one late-filed Class 3 claim that was received after the November 2, 2019, bar date. In addition to the 212 claims under guaranty fund administration, there are 80 provisionally Class 3 claims are under the direct administration of the Liquidator. These consist of environmental and asbestos claims from corporations and sexual abuse claims against certain religious organizations that each have a net worth in excess of the standards for eligibility for guaranty fund coverage.

On August 8, 2019, with the cooperation of the Office of the Commissioner of Insurance, NNIC was placed into ancillary receivership under the jurisdiction of the Superintendent of Financial Services of the State of New York by the Decision and Order of Justice W. Franc Perry of the Supreme Court of the State of New York for New York County. The August 8, 2019 Decision and Order established a bar date of November 2, 2019, to coincide with the bar date established by the Dane County, Wisconsin Circuit Court. This ancillary receivership was resolved following the August 8, 2019 Decision and Order and the matter was formally disposed by an Amended Decision and Order of Justice W. Franc Perry on January 27, 2020.

Neither the Liquidator nor the Office of the Commissioner of Insurance has been informed of the commencement or contemplation of any other ancillary receivership proceedings.

As of December 31, 2019, the financial status of NNIC could only be estimated with substantial deficiencies in the availability of information that was beyond the Liquidator's control. As time progresses, it is anticipated that the financial statements will attain improved accuracy, as settlement amounts are finalized with state guaranty funds, direct claimants of NNIC not eligible for guaranty fund coverage, and reinsurers. Subject to the foregoing qualifications, as of December 31, 2019, NNIC reported total admitted assets of $16,286,847, total liabilities of $20,588,137, policyholders' surplus of $(4,301290), and net income of $(4,097,481).