

## **Companies in Liquidation or Rehabilitation**

### **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 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, but have all 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.

On January 28, 1994, the liquidation court approved a plan to provide state guaranty funds with early access payments to be used for the return of unexpired premiums to policyholders and payment of claims. Altogether, the estate advanced \$34,256,799.62 to participating guaranty funds under four early access agreements, most of which has been converted into nonrefundable dividends.

The liquidation court has approved dividends for full and partial payment of various class 1, 3, 4, 5, 7 and 8 claims filed with state guaranty funds and directly with the estate, as recommended by the liquidator. Such dividends aggregated to \$44,659,525 as of December 31, 2006.

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.

On December 19, 2006, the liquidation court approved a motion to establish a segregated account, a petition to establish a rehabilitation proceeding, and a motion for approval of a rehabilitation plan and termination of the rehabilitation estate. Under the terms of the motions and petition, the liquidator established a segregated account for satisfaction of any and all remaining known claims against the liquidation estate and for subsequent administrative expenses, including wind-up costs, with the remainder of funds to be reallocated to American Star's general account for the benefit of its sole shareholder upon termination of the segregated account. In a parallel rehabilitation proceeding, the liquidator contributed \$17,934,039 to the general account from the segregated account and assigned to it American Star's corporate charter. Since no further administration of the general account appeared necessary, the general account of American Star Insurance Company was released from rehabilitation to the control of its sole shareholder, TPB Holdings, Inc., a wholly-owned subsidiary of City National Bank.

The liquidator expects to close the segregated account during 2007 upon payment of remaining claims and filing of final tax returns.

As of December 31, 2006, the estate reported assets of \$13,766,299. Claims in classes 1 through 10 were estimated at \$11,711,502, resulting in an estimated surplus of \$2,054,797.

### **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 is appointed as special deputy rehabilitator. 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, 2006, Master Plumbers' reported assets of \$1,232,125, liabilities of \$786,903, and surplus of \$445,222.

## **Northwestern National Insurance Company of Milwaukee, Wisconsin, In Rehabilitation**

On October 18, 2006, the Commissioner of Insurance petitioned the Dane County Circuit Court for the rehabilitation of Northwestern National Insurance Company of Milwaukee, Wisconsin (NNIC). A hearing on the petition was scheduled for March 8, 2007. After this hearing, the Dane County Circuit Court entered an order for rehabilitation on March 12, 2007.

NNIC was incorporated as a Wisconsin domestic stock property and casualty insurance corporation on February 20, 1869. NNIC wrote both direct insurance and reinsurance. In 1986, the company began a run-off 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.

Affiliates, Universal Reinsurance Corporation and Bellefonte Underwriters Insurance Company, were merged with and into NNIC effective January 1, 1991, and June 30, 1991, respectively. These affiliated insurers were also in run-off prior to the mergers.

By a stipulation and order dated May 13, 2004, the Commissioner and NNIC agreed that, pursuant to a restructuring plan, NNIC would establish a segregated account from which it would satisfy its obligations to its direct policyholders and certain other obligations. All other obligations of NNIC, including reinsurance obligations, would be satisfied from NNIC's remaining funds in its general account.

As part of the restructuring plan, NNIC offered reinsureds an opportunity to voluntarily commute all business ceded by the reinsureds to its general account. Approximately 75% of the total number of reinsureds representing approximately 71% of the total liabilities of the general account have entered into commutation agreements with NNIC.

As of December 31, 2006, the general account of NNIC reported assets of \$79,712,677, liabilities of \$130,490,628, and surplus of \$(50,777,951). As of December 31, 2006, the segregated account of NNIC reported assets of \$70,133,577, liabilities of \$63,357,853, and surplus of \$6,775,724.