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2019CV001209

State of Wisconsin

Circuit Court

2019CV001209

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In the matter of the Liquidation of  
Northwestern National Insurance Company  
of Milwaukee, Wisconsin

Case No. 2019CV001209

Case Code: 30703

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**2020/2021 ANNUAL REPORT OF THE LIQUIDATION OF NORTHWESTERN  
NATIONAL INSURANCE COMPANY OF MILWAUKEE (“NNIC”)**

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Dated: May 12, 2021

St. Marie Boll, LLC

Attorney for the  
Commissioner of Insurance  
of the State of Wisconsin  
as Liquidator of NNIC



James C. Boll  
State Bar No. 1018168  
10 E. Doty Street, Suite 617  
Madison, WI 53703  
(608) 467-8784

**ANNUAL REPORT OF THE LIQUIDATION OF NORTHWESTERN NATIONAL  
INSURANCE COMPANY OF MILWAUKEE**

Prepared by:

**The Wisconsin Office of the Commissioner of Insurance of the State of Wisconsin**  
as the Court-Appointed Liquidator of Northwestern National Insurance Company of Milwaukee.

Dated: May 12, 2021

Disclaimer: *This Annual Report, prepared by the court-appointed Liquidator of Northwestern National Insurance Company of Milwaukee, Wisconsin (NNIC), summarizes and describes developments in the Liquidation Proceeding since the Liquidator filed the 2019/2020 Annual Report with the Liquidation Court on April 24, 2020. This report does not contain an exhaustive discussion of the Liquidation Proceedings, which is discussed in further detail in the relevant papers and pleadings filed with the Liquidation Court.*

*This Annual Report is prepared pursuant to Wisconsin Statute § 645.47(1). This Annual Report does not reflect any events that may occur subsequent to the date hereof. Such events may have an impact on the information contained in this Annual Report.*

*This Annual Report may not be relied upon for any purpose other than to obtain information about the status of the Liquidation Proceedings generally. Nothing contained herein will constitute an admission of any fact or of any liability by any party with regard to any claim or litigation, including, but not limited to, any proceedings involving the Liquidation or any party, or any proceeding with respect to any legal effects of the Liquidator or the NNIC accounts.*

*The Liquidator does not make any warranty, express or implied, as to the accuracy or completeness of the information contained herein.*

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## 1. BACKGROUND/INTRODUCTION

Northwestern National Insurance Company of Milwaukee, Wisconsin (NNIC) is a property and casualty insurer organized in 1869 by an act of the Wisconsin Legislature and is domiciled in the State of Wisconsin. NNIC was placed into liquidation by court order on May 2, 2019. NNIC's statutory home office is 33 East Main Street, Suite 900, Madison, Wisconsin 53703.

The Liquidation Order set a bar date for all Proof of Claims (POC) to be filed by November 2, 2019.

The Liquidator filed an Annual Report on April 24, 2020, with the Court regarding developments since the Court ordered NNIC into liquidation on May 2, 2019. This report is to update the Liquidation Court on developments and status of the liquidation since April 24, 2020.

## 2. 2020 COURT FILINGS

- 4-24-2020 2019-2020 Annual Report
- 6-11-2020 Financial Statement
- 9-03-2020 Financial Statement
- 12-30-2020 Financial Statement

## 3. LICENSES

As of November 2, 2019, NNIC was licensed to do business in the following nine states:

- California
- Connecticut
- Delaware
- Minnesota
- New Hampshire
- New Jersey
- Pennsylvania
- Texas
- Wisconsin

When NNIC was placed in run-off in January 1986, it was licensed to do business in all U.S. States, the District of Columbia, and Puerto Rico.

Guaranty Fund coverage is applicable to any policies written at the time NNIC was licensed, subject to limitations on coverage established by each state or other jurisdiction.

NNIC no longer retains a home office at 8200 Beckett Park Drive, Suite 201, West Chester, Ohio 45069. This office is no longer used by NNIC employees. NNIC records are being stored with Iron Mountain Incorporated as well as with the Office of the Commissioner of Insurance.

#### **4. CONSULTANTS AND OFFICERS**

Key personnel long associated with NNIC have all retired. Presently, NNIC has no employees. At the present time, the Liquidator does not have any arrangements with former NNIC employees or SOBC DARAG to consult regarding any aspect of the Liquidation of NNIC.

The Liquidator continues to receive assistance regarding the Liquidation from St. Marie Boll LLC relating to legal issues, Strohm Ballweg relating to tax issues, and Rector and Associates, Inc. relating to insurance issues.

#### **5. STATUS OF POLICIES**

NNIC has not sold any new insurance policies since 1986.

#### **6. ASSUMPTION AGREEMENTS WITH CAPTIVE REINSURERS**

As of May 2, 2019, NNIC had reinsurance relationships with 39 captive reinsurers. The Liquidator through its agent St. Marie Boll, LLC, successfully concluded assumption agreements with 11 of these captives or their sponsoring corporation as of the filing of the 2019/2020 Annual Report. These assumption agreements required the captive reinsurer or the sponsoring corporation to assume full responsibility for current and future claim obligations consistent with the coverage agreed to in the underlying reinsurance agreement in exchange for NNIC's return of collateral it held.

Since the 2019/2020 Annual Report, the Liquidator has entered into four additional assumption agreements with the following captives:

- July 10, 2020 Cargill Incorporated and Minnetonka Insurance Company, formerly Horizon Insurance Company LTD
- August 3, 2020 Ancon Insurance Company
- October 3, 2019 Boxwood Group /Figge International
- December 15, 2019 Beacher Carlson LOC

The Liquidator was not able to reach an agreement to enter into an assumption agreement with the following captives:

- Pie Five Pizza/Pizza Inn
- Brunswick
- Aramark/captive Aramount
- Armco/captive AK Steel
- Tang Insurance
- Wescap
- Ingersoll and Rand

The lines of credit and funds withheld of these captives will be retained by the Liquidator and used for claims-paying resources. The policy obligations of these captive insurers, consistent with the underlying reinsurance agreements between NNIC and each captive, will be satisfied based on Wisconsin Statute Ch. 645.

## **7. COMMUTATION AGREEMENTS**

The Liquidator is the process of negotiating four commutations with reinsurers to add additional claims-paying resources. Commutations are being negotiated with United Insurance Company, Central Reinsurance Corporation, Seoul Guarantee Insurance Company, and Dongbu Korean Auto Insurance.

## **8. PROOF OF CLAIMS**

Prior to the bar date of November 2, 2019, the Liquidator received a total of 255 POCs. Subsequent to the bar date of November 2, 2019, the Liquidator received a total of 12 POCs.

The Liquidator has received 54 General Liability POCs. Fourteen of the 54 POCs did not specify an amount. The total amount sought of the other 40 POCs filed totaled \$18,478,497.75.

The Liquidator has received 6 Accident and Health Insurance Policies (AHIN) POCs with a total amount being sought of \$1,656.00.

The Liquidator has received 25 POCs classified as miscellaneous. Nine of the POCs sought undetermined defense costs or contingent and unliquidated damages. The total amount of the other 16 miscellaneous POCs total \$29,195,184.51.

Presently, the total of POCs being sought is \$47,839,282.26.

## **9. GUARANTY ASSOCIATIONS**

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 AHIN policies.

The National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) has incurred \$1,976,327 in administrative costs. NOLHGA have established policy obligations in the amount of \$4,792,458.

The Property and Casualty Guaranty Funds have incurred \$1,417,261.21 in administrative expenses are handling 25 claims. The Property and Casualty Guaranty Funds have established policy obligations of \$11,363,837.77.

## **10. CLAIMS PAID**

The Liquidator paid all AHIN in full that were incurred by 35 persons covered by AHIN policies issued to New York residents on or before May 17, 2019. New York guarantee associations do not cover these losses under New York law.

## 11. REINSURANCE COLLECTIONS

In 2020, the Liquidator recovered a total of \$161,988.82 on losses and loss adjustment expenses from various reinsurers.

## 12. COLLECTION OF SPECIAL DEPOSITS

As of the date of this report, there are eight special deposits held under the control of state insurance departments for the benefit of the residents of their respective states. As of December 31, 2020, the amount of the deposit held by each state was as follows:

Arizona	\$241,083.00
Delaware	\$129,334.85
Florida	\$541,068.44
Georgia	\$132,235.43
Massachusetts	\$75,000.00
New Mexico	\$344,982.30
Oregon	\$1,291,215.85
Virginia	<u>\$319,314.98</u>
Total	\$3,074,234.85

Figures for all of the deposits except for Massachusetts are based on market value as reported in statements as of December 31, 2020 sent by their respective custodians. The figure for the Massachusetts deposit is the balance as of December 31, 2018, as shown in NNIC's statutory financial statements as of December 31, 2018.

The Liquidator will take such actions as may facilitate the transfer of deposits from the insurance departments to the custody of the applicable state guaranty funds.

## 13. STATUS OF LINE OF CREDITS AND FUNDS WITHHELD

For the captive reinsurers with which the Liquidator has not been able to enter into an assumption agreement to require the captive reinsurer or sponsoring corporation to assume full responsibility for current and future claim obligations, the lines of credit and funds withheld of these captives will be retained by the Liquidator and used for claims-paying resources. The Liquidator is in the process of obtaining these lines of credit and fund withheld.

## 14. FEDERAL GOVERNMENT CLAIMS

The Federal Government filed 2 POCs. The first Proof of Claim relates to an environmental claim that dates back to 2009 involving an NNIC insured. This claim will be paid with available claim-paying resources pursuant to Wisconsin Statute Ch. 645.

The Federal Government filed a second POC on September 23, 2019, that seeks an unknown amount for potential environmental claims. The Federal Government sought information from the Liquidator regarding NNIC to assist the Federal Government in determining whether such

environmental claims existed. The Liquidator provided the information sought to the Federal Government with an affidavit on June 25, 2020, and provided supplemental information on September 3, 2020.

The Liquidator has attempted to ascertain from the Federal Government whether such claims exist and to seek a release on three occasions subsequent to providing this information through letters and emails on August 3, 2020, February 13, 2021, and April 19, 2021. The Federal Government has not responded. If the Federal Government fails to respond as to whether such unknown claims as identified in this second POC exist, the Liquidator will ask that the Liquidation Court dismiss this second POC filed by the Federal Government.

## **15. FINANCIAL UPDATE**

Please see Exhibit A to this report.

## **16. WINDING DOWN THE LIQUIDATION**

The Liquidator intends to continue to seek recovery of funds for claims-paying resources through commutations, collections of special deposits, lines of credit, funds withheld, and reinsurance. Presently, based on the total amount of POCs filed and claims-paying resources on hand, the Liquidator does not anticipate paying any POCs beyond the POCs classified under Wisconsin Statute §§ 645.68(1) and (3). If the Liquidator has claims-paying resources to pay POCs classified under Wisconsin Statute § 645.68(3), the Liquidator anticipates only paying a percentage of those POCs. The Liquidator will make the determination on paying POCs classified as Wisconsin Statute § 645.68(3) based on recovery of funds. It is still possible that only those POCs classified under Wisconsin Statute § 645.68(1) will receive payment.

## **17. DISPOSITION OF RECORDS**

Pursuant to the Liquidator's 2019-2020 Annual Report filed with the Court, the Liquidator has been destroying redundant or unnecessary records which have not been required for the effective management of the estate.

The Liquidator intends to destroy the following NNIC records upon the execution of the Liquidation Order: policy files, claim records, tax documents, reinsurance records, and accounting records.

Records that will be retained will be retained in accordance with procedures established for liquidation of domestic insurers in Records Retention/Disposition Authorization #9 dated August 31, 2018, which was attached to and filed with the 2019-2020 Annual Report.

## **18. TAXES**

Strohm Ballweg, a consultant of the Liquidator that was hired regarding tax issues, prepared a stand-alone 1120 PC for NNIC for 12/31/2019. In addition, Strohm Ballweg prepared and filed state income tax or premium filings for 15 states for 12/31/2020 and prepared Form 7004



extension of time to file federal returns for 12/2/31/2020. For state/income tax premium taxes, Strohm Ballweg filed the 2019 returns as “final” returns, so there will be no 2020 or 2021 state returns to prepare.

### **19. POST LIQUIDATION COSTS**

The Liquidator anticipates the need to retain funds on hand for post-liquidation costs in the amount of \$20,000. For tax purposes, Strohm Ballweg anticipates post-closing costs of \$5,000.00. St. Marie Boll anticipates post-closing costs of \$2,500.00. Rector and Associates anticipates post-closing costs of \$2,500.00.