

Wisconsin Reinsurance Corporation (In Liquidation)
1st Auto & Casualty Insurance Company (In Liquidation)

Frequently Asked Questions (FAQ)

Updated: January 2, 2024

On November 1, 2023, the Wisconsin Office of the Commissioner of Insurance (OCI) filed a Petition with the Dane County Circuit Court in Madison, Wisconsin (the Court) to place Wisconsin Reinsurance Corporation (WRC) and its subsidiary, 1st Auto & Casualty Insurance Company (1st Auto), into liquidation. On January 2, 2024, the Court issued the Order of Liquidation of WRC and 1st Auto. The following are answers to anticipated questions.

General

What is WRC and 1st Auto?

Wisconsin Reinsurance Corporation is a stock property and casualty insurance company with its primary business to reinsure property and non-property liability risks written on a direct basis by small mutual insurance companies.

1st Auto & Casualty Insurance Company is a stock property and casualty insurance company that writes primarily private passenger automobile liability and physical damage insurance, personal and farm umbrella and liability, and commercial automobile liability and commercial automobile physical damage insurance. These products are primarily marketed to policyholders of town mutual insurers that are reinsured by WRC.

Where is WRC and 1st Auto located?

WRC and 1st Auto are Wisconsin-domiciled insurance companies, and their primary office is located in Madison, Wisconsin.

What happened to WRC and 1st Auto?

On November 1, 2023, Nathan Houdek, the Commissioner of Insurance of the State of Wisconsin ("Petitioner") filed a Verified Petition for an Order of Liquidation against Wisconsin Reinsurance Corporation ("WRC") and 1st Auto & Casualty Insurance Company ("1st Auto"), collectively the companies, ("The Liquidation Petition") in the Dane County Wisconsin Court. The Court entered an Order of Liquidation on January 2, 2024, appointing the Commissioner as Liquidator ("Liquidator").

Please refer to the following websites to review important information, including the Order of Liquidation, regarding the Company: oci.wi.gov/WRC.

What does liquidation mean?

Liquidation is a type of receivership and is similar to bankruptcy. Liquidation means that the companies are insolvent, and the Court has ordered the companies to undergo the liquidation process. The liquidation order and declaration of insolvency trigger obligations of state property and casualty guaranty associations. These associations help protect policyholders and beneficiaries up to state maximum benefit levels.

What is a property and casualty insurance guaranty association?

Property and casualty insurance guaranty associations are associations of all insurers licensed to write covered property and casualty insurance in a state. Subject to statutory eligibility and coverage limits, a guaranty association assumes the policy obligations of licensed insolvent insurers in the state for the resident policyholders in that state. A guaranty association obtains funds to meet its obligations by assessing the member companies.

How do state property and casualty insurance guaranty associations work?

State property and casualty insurance guaranty associations are triggered when a state court orders an insurance company into liquidation, with a declaration of insolvency. Property and casualty guaranty associations have been established in each state, as well as the District of Columbia and Puerto Rico, to provide a measure of protection in the event of insolvency of an insurer. Property and casualty insurance guaranty associations were created to protect policyholders and insureds from loss due to the insolvency of an insurer licensed to do business in the state where the policyholder resides, up to certain coverage limits in each state.

When a liquidation is ordered, each state's property and casualty insurance guaranty association provide coverage to the Company's policyholders who are residents of that state up to the coverage limits specified by state laws. Any benefit amounts above the state's property and casualty insurance guaranty association coverage limits would become claims against the company's remaining assets, after all administrative expenses are paid.

Will my claim(s) be paid in full by the property and casualty insurance guaranty association?

All payments are subject to certain statutory limits contained in the various state laws creating the property and casualty insurance guaranty associations. Please check your state property and casualty insurance guaranty association's website to confirm the applicable benefit levels in your state. See: National Conference of Insurance Guaranty Funds.

Are all types of insurance policies covered?

Property and casualty insurance guaranty association laws in each state dictate which types of insurance products are covered. In addition, some exclusions or limitations may apply. You should contact your state's property and casualty insurance guaranty association with any specific questions regarding coverage.

Who is in charge of WRC and 1st Auto during the liquidation?

The Court has appointed Wisconsin Insurance Commissioner Nathan Houdek (the Commissioner) and any successor as the Liquidator of WRC and 1st Auto. OCI's Division of Financial Regulation (DFR), under the direction of Administrator Amy Malm, will oversee WRC and 1st Auto's liquidation. This is standard practice for all Wisconsin insurance liquidations and rehabilitations. The Commissioner has asked and the Court appointed Justin Schrader of Noble Consulting as its Special Deputy Liquidator (SDL) to represent and assist OCI in this matter.

Who is the Liquidation Management Team at the OCI?

The Liquidation Management Team at OCI is an informal group that consists of the Liquidator, the Special Deputy Liquidator (SDL), Administrator Amy Malm, and the Division of Financial Regulation.

Who is the Special Deputy Liquidator and what are their roles?

As outlined in the Liquidation Petition and Wis. Stat. § 645.33 (1), the Commissioner has asked the Court to appoint Justin Schrader of Noble Consulting, Inc., an insurance receivership expert, as its Special Deputy Liquidator (SDL). Under the Liquidation Order and the statute, Mr. Schrader "shall have all the powers of the liquidator" and will be in charge of overseeing both companies' liquidations and the associated processes, subject to the oversight of the Commissioner, OCI, and the Court.

What does the Liquidation Order provide?

You can review the proposed Liquidation Order in its entirety at: oci.wi.gov/WRC.

Generally, the Liquidation Order, in keeping with Wisconsin law, appoints the Commissioner as Liquidator. It also authorizes and directs the Commissioner as Liquidator and the SDL to take possession of WRC's and 1st Auto's business and assets, send notices to policyholders and potential creditors, institute a claim filing process, adjudicate filed claims and distribute funds to claimants in accordance with Chapter 645 of the Wisconsin Statutes.

Why was this action necessary?

OCI has determined WRC and 1st Auto has become or is about to become insolvent as defined under Wis. Stat. § 645.41 (2).

Since the filing of the Rehabilitation Plan, the financial position of WRC and 1st Auto has continued to deteriorate. For the quarter ended June 30, 2023, WRC reported capital and surplus of \$8,436,472, compared to \$17,634,258 for the quarter ended March 31, 2023, and \$22,300,655 on December 31, 2022. For the quarter ended June 30, 2023, 1st Auto reported capital and surplus of \$3,878,105 compared to \$4,590,242 for quarter ended March 31, 2023, and \$6,129,097 on December 31, 2022.

Based on the lack of interest in the options presented in the approved Rehabilitation Plan (i.e., merger into mutualized WRC or participation in the Pool), the Rehabilitator has determined that the Plan lacks sufficient scale to successfully reform and revitalize WRC and/or 1st Auto.

How do I file a claim against WRC and/or 1st Auto?

Claims filed against WRC or 1st Auto by general creditors, stockholders, trade creditors, governmental agencies, reinsurers, cedants, arbitrators, agents, former employees, former officers and directors, and other persons interested in the affairs of the company are handled by the Special Deputy Liquidator.

You must file a Proof of Claim form and any supporting documentation with the Special Deputy Liquidator on or before July 1, 2024. If you fail to file a Proof of Claim form by July 1, 2024, your claim may not be considered to be timely filed. Failure to file a timely claim may result in denial of your claim or consideration of your claim at a lower priority class.

You can find the Proof of Claim form and instructions for completing the form at oci.wi.gov/WRC in the section titled Liquidation Documents.

Valid and substantiated claims become claims against the estate of WRC and 1st Auto and may be paid at some time in the future, to the extent funds are available, on an equal basis with all other claims in the same priority class. These claims may be paid in full, in part, or not at all, depending on the available assets. These claims may not be paid for several years.

Claims of General Creditors

General creditors are persons or organizations, including law firms, trade creditors, etc., who provided services to WRC and/or 1st Auto prior to the date of liquidation, for which they were not paid, or any person or organization who believes they are owed money by WRC and/or 1st Auto regardless of the time period in which the service were incurred, etc. If you believe you have a claim, it will be necessary for you to complete a Proof of Claim form. If you have documentation to support your claim, you should provide a copy of that documentation with your Proof of Claim form.

Claims for Agent Balances or Commissions

If you were a 1st Auto agent or producer, and you have a claim for earned commissions, it will be necessary for you to complete a Proof of Claim form. If you have documentation to support your claim, including your most recent statement, you should provide the information requested on the Proof of Claim form and submit it as directed.

Other Types of Claims

If you have any other type of claim (including litigation related to WRC and/or 1st Auto), describe your claim on the Proof of Claim form (i.e., stockholder, employee, taxes, license fees, assessments, etc.). You should attach documentation to support your claim to the Proof of Claim form and submit it as directed.

Where do I send my Proof of Claim form?

All completed, signed Proof of Claim forms and supporting documentation may be submitted by mail, fax, or email as follows:

Wisconsin Reinsurance Corporation, in Liquidation
Attn: Justin Schrader, Special Deputy Liquidator
2810 City View Dr
Madison, WI 53718
Fax: (608) 242-4514

You may send electronic mail to: wrcproofofclaim@wrcgroup.com

OR

1st Auto & Casualty Insurance Company, in Liquidation
Attn: Justn Schrader, Special Deputy Liquidator
2810 City View Drive
Madison, WI 53718
Fax: (608) 242-4514

You may send electronic mail to: 1stautoproofofclaim@1stauto.com

How do I keep up with what is going on with WRC and 1st Auto?

All pleadings filed in the WRC and 1st Auto liquidation, as well as relevant notices, will be posted on OCI's website at oci.wi.gov/WRC.

Whom should I contact for additional information regarding WRC and 1st Auto or the liquidation?

You may write to the company at:

Justin Schrader
Special Deputy Liquidator
C/O Wisconsin Reinsurance Corporation or 1st Auto & Casualty Insurance Company
Office of the Commissioner of Insurance
2810 City View Drive
Madison, WI 53718

For liquidation questions only (i.e., do not send proof of claims to this email): jschrader@noblecon.net

You may also call:

WRC: (800) 939-9473

1st Auto: (800) 261-2886

Policyholders (1st Auto)

What is the status of my 1st Auto policy?

The liquidation order cancels your policy 15 days after the entry of the Liquidation Order. All policies were cancelled effective January 17, 2024.

The Liquidator will forward any unearned premium information owed to policyholders to the property and casualty guaranty associations for review and processing under their applicable statutes in states other than Wisconsin. In Wisconsin, unearned premium is only considered after it is determined that administrative, claims, and wages can be paid in accordance with statutory limits. The determination of whether any unearned premium is returned to policyholders can take at least a year to several years.

I have not yet filed claims against my policy. Does 1st Auto's liquidation affect me?

You must file a Proof of Claim and supporting documentation by the bar date of July 1, 2024. To obtain a copy of the Proof of Claim form and instructions please download from: oci.wi.gov/WRC. Your claim will be forwarded to the appropriate property and casualty insurance guaranty association for review.

I currently have claims outstanding against my policy. Does 1st Auto's liquidation affect me?

You must file a Proof of Claim and supporting documentation by the bar date of July 1, 2024. To obtain a copy of the proof of claim form and instructions please download from: oci.wi.gov/WRC. Your claim will be forwarded to the appropriate property and casualty insurance guaranty association for review.

Are property and casualty guaranty associations responsible for the amounts 1st Auto owes me or may owe me in the future?

Generally, property and casualty guaranty associations become responsible for an insurer's obligations once 1st Auto is placed into liquidation, subject to each property and casualty guaranty association's coverage limits and coverage exclusions.

ABOUT THESE QUESTIONS AND ANSWERS: The information contained in these questions and answers is intended to be general guidance and does not address any specific claim or circumstances. Nothing herein constitutes a binding legal statement by the Commissioner, the Liquidator, the SDL, the RMT, OCI, or WRC and 1st Auto. The statements contained herein are not intended to serve as and do not constitute legal advice or complete legal descriptions of the events or matters to which they relate. Any forward-looking statements are based on current expectations and assumptions, which are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. For full legal information, interested parties should review the Rehabilitation Order and the applicable Wisconsin statutes, and other legal authorities.