

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

Case No. _____
Case Code: 30703

ORDER FOR LIQUIDATION

WHEREAS, on May 1, 2019 Mark Afable, the Wisconsin Commissioner of Insurance (“Commissioner”), filed a Petition seeking the entry of a Liquidation Order concerning Northwestern National Insurance Company of Milwaukee, Wisconsin (“NNIC”) pursuant to § 645.41 Wis. Stat.;

WHEREAS, the Commissioner has provided the Court with evidence sufficient to support the conclusion that NNIC is insolvent and should be liquidated, including that NNIC’s shareholder and board of directors have consented to the entry of a Liquidation Order through unanimous consent;

WHEREAS, this Court finds that sufficient cause exists pursuant to § 645.41, Wis. Stat., for the entry of a Liquidation Order with a finding of insolvency concerning NNIC; and

WHEREAS, a formal hearing on the Commissioner’s Petition is not necessary due to NNIC’s consent to the relief requested by the Commissioner and NNIC’s waiver of formal service of process and formal hearing on the Petition;

NOW, THEREFORE, the Court finds, and Orders as follows:

1. Pursuant to § 645.42, Wis. Stat., Commissioner Mark Afable and his successors in office or any of his delegees are hereby appointed Liquidator.
2. Pursuant to § 645.46 (1), Wis. Stat., Amy J. Malm is appointed Special Deputy Liquidator for NNIC. When this order refers to Liquidator, it includes Special Deputy Liquidator. This Court shall be the Liquidation Court for all matters relating to NNIC.
3. The evidence contained in the Commissioner’s Liquidation Petition is sufficient to support the conclusion that NNIC is insolvent. Because NNIC has not contested the Liquidation Petition and NNIC’s shareholder has consented to the entry of this Order, the allegations of the Liquidation Petition are deemed admitted as against NNIC for purposes of this proceeding.

4. As a separate and independent basis for entry of the Liquidation Order, evidence that the directors of NNIC have unanimously consented to the entry of the Liquidation Order is attached to the Liquidation Petition.

5. Given the determination set forth above, a formal hearing on the Commissioner's Liquidation Petition is not necessary.

6. Consequently, NNIC is hereby declared insolvent, and sufficient cause exists for the liquidation of NNIC pursuant to § 645.41, Wis. Stat., and this Liquidation Order with a finding of insolvency concerning NNIC is hereby entered.

7. Pursuant to § 645.46, Wis. Stat., the Liquidator shall forthwith conduct and carry out the liquidation of NNIC pursuant to the terms of this Order and shall immediately take exclusive possession and control of and be vested with all right, title, and interest in, of, and to the property of NNIC, including, without limitation, all of NNIC's assets, contracts, rights of action, books, records, bank accounts, certificates of deposit, collateral securing obligations to, or for the benefit of, NNIC or any trustee, bailee, or any agent acting for or on behalf of NNIC (collectively, "the Trustees"), securities or other funds, and all real or personal property of any nature of NNIC including, without limitation, furniture, equipment, fixtures, and office supplies, wherever located, and including such property of NNIC or collateral securing obligations to, or for the benefit of, NNIC or any Trustee thereof that may be discovered hereafter, and all proceeds of or accessions to any of the foregoing, wherever located, in the possession, custody, or control of NNIC or any Trustee thereof (collectively, the "Assets").

8. The Liquidator may, at his election, change to his own name as Liquidator the name of any of NNIC's accounts, funds, or other Assets held with any bank, savings and loan association, or other financial institution, and may withdraw such funds, accounts, and other Assets from such institutions or take any other action necessary for the proper conduct of this Liquidation.

9. The Liquidator's right, title, and interest in and to the Assets shall continue until further order of the Court, and he/she is authorized to manage the Assets, business, and affairs of NNIC including, without limitation, the right to sue, defend, and continue to prosecute suits or actions already commenced by or for NNIC, or for the benefit of NNIC's policyholders, cedents, creditors, and stockholders in the courts, tribunals, agencies, or arbitration panels for this State and other states and jurisdictions in his name as the Insurance Commission of the State of Wisconsin, as Liquidator of NNIC, or in the name of NNIC.

10. The Liquidator is hereby vested with the right, title, and interest in and to all funds recoverable under treaties and agreements of reinsurance heretofore entered into by NNIC as the ceding insurer or as the assuming insurer. The amounts recoverable by the Liquidator from any reinsurer of NNIC shall not be reduced or diminished by any reinsured payment, contract, or claim, and each such reinsurer of NNIC is hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy, reinsurance contract, or letter of credit. The Liquidator may terminate or

rescind any ceded or assumed reinsurance agreement or contract that is contrary to the best interest of the liquidation.

11. All persons or entities (other than the Liquidator or person acting on behalf of NNIC with consent of the Liquidator) that have in their possession or control Assets or possible Assets and/or have notice of these proceedings or of this Order are hereby enjoined and restrained from transacting any business of, or on behalf of, NNIC or selling, transferring, destroying, wasting, encumbering, or disposing of any of the Assets without the prior written permission of the Liquidator or until further Order of this Court. This prohibition includes, without limitation, Assets or possible Assets pertaining to any business transaction between NNIC and any of said parties. No actions concerning, involving, or relating to such Assets or possible Assets may be taken by any of the aforesaid persons or entities enumerated herein without the express consent of the Liquidator or until further Order of this Court.

12. All persons or entities, including but not limited to reinsurers and cedents, having notice of these proceedings or of the Liquidation Order are hereby enjoined and restrained from exercising or relying upon any contractual right which would permit such third party or parties from withholding, failing to pay, setting off, netting, or taking similar action with respect to any obligations owed to NNIC.

13. All persons or entities, including but not limited to reinsurers and cedents, having notice of these proceedings or of the Liquidation Order are hereby enjoined and restrained from commutating, terminating, accelerating, or modifying any agreement of reinsurance, or asserting a default or event of default, or otherwise exercising, asserting, or relying upon any other right or remedy, based upon (1) the filing of the Petition for Entry of Liquidation Order, (2) the entry of this Liquidation Order, (3) the insolvency of NNIC, or (4) the facts and circumstances set forth in the Petition for Entry of Liquidation Order, without prior written permission of the Liquidator or until further Order of this Court.

14. Except as otherwise indicated elsewhere in this Order or except as excluded by express written notice provided by the Liquidator, all persons or entities holding Assets or possible Assets of, or on behalf of, NNIC shall file with the Liquidator within 10 calendar days of the entry of this Order an accounting of those Assets and/or possible Assets, regardless of whether such persons or entities dispute the Liquidator's entitlement to such Assets.

15. Except as otherwise indicated elsewhere in this Order or except as excluded by express written notice provided by the Liquidator, all persons or entities holding Assets or possible Assets of, or on behalf of, NNIC shall within 10 days of the entry of this Order turn those Assets or possible Assets over to the Liquidator, regardless of whether such persons or entities dispute the Liquidator's entitlement to such Assets or possible Assets.

16. All persons or entities that have notice of these proceedings or of this Order are hereby enjoined and restrained from asserting claims for refunds of premium resulting from the cancellation of policies of insurance or agreements of reinsurance issued by NNIC.

17. All persons and entities are hereby enjoined and restrained from asserting any claim against the Commissioner as Liquidator of NNIC or the Deputy Liquidator in connection with their duties as such, or against the Assets, except insofar as such claims are brought in the Liquidation proceedings of NNIC and in a manner otherwise compliant with this Order.

18. The filing or recording of this Order or a certified copy hereof in the State of Wisconsin with the recorder of deeds or, in the case of real estate or other property interests, with the recorder of deeds of the jurisdiction where the property is located, shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title duly filed or recorded with that recorder of deeds. Without limiting the foregoing, the filing of this Order with the Register of Deeds in the State of Wisconsin also constitutes notice to all sureties and fidelity bondholders of NNIC of all potential claims against NNIC under such policies and shall constitute the perfection of a lien in favor of NNIC under the Uniform Commercial Code or any like federal or state law, regulation, or order dealing with the priority of claims.

19. The Liquidator is hereby authorized to transfer some or all of NNIC's Assets and liabilities to a separate affiliate or subsidiary for the overall benefit of NNIC's policyholders, cedents, creditors, and stockholders, subject to approval by this Court.

20. The Liquidator may, in his discretion, reject any executory contract to which NNIC is a party.

21. Pursuant to § 645.46 (2), Wis. Stat., the Liquidator may, in his discretion, appoint one or more consultants including but not limited to legal counsel, accountants and actuaries (collectively, the "Designees") as considered necessary, and fix their compensation, and all compensation and expenses of the Designees shall be paid out of the funds and Assets of NNIC as administrative expenses. The Liquidator may also retain those of NNIC's current management personnel and other employees as Designees as he/she, in his/her discretion, determines would facilitate the Liquidation of NNIC. All such Designees shall be deemed to have agreed to submit disputes concerning their rights, obligations, and compensation in their capacity as Designee to this Court.

22. The Liquidator and the Designees (collectively, "Indemnitees") shall have no personal liability for their acts or omissions in connection with their duties, provided that such acts or omissions are or were undertaken in good faith and without willful misconduct, gross negligence, or criminal intent. All expenses, costs, and attorneys' fees incurred by the Indemnitees in connection with any lawsuit brought against them in their representative capacities shall be subject to the approval of the Liquidator, except that in the event that the Liquidator is the Indemnitee this Court's approval shall be required, and such expense, cost, and attorneys' fees shall be exclusively paid out of the funds and Assets of NNIC. The Indemnitees in their capacities as such shall not be deemed to be employees of the State of Wisconsin.

23. Claims filing deadlines, procedures, and forms are as specified by the Liquidator. The deadline for filing claims is six (6) months after the entry of this Order.

24. Pursuant to § 645.43 (1), Wis. Stat., all insurance policies issued by NNIC that are not continued by the affected Guaranty Associations are terminated effective upon the earlier of the following to occur:

- (a) The elapse of 15 days from the date of entry of the liquidation order;
- (b) The normal date for the expiration of coverage;
- (c) The date when the insured has replaced the insurance coverage with equivalent insurance in another insurer; or
- (d) The date when the Liquidator has effected a transfer of the policy obligations pursuant to § 645.46(8).

25. Pursuant to § 645.43 (2), Wis. Stat., if coverage is replaced by insurance that is not equivalent, the coverage continued shall be excess coverage over the replacement policy to the extent of the deficiency.

26. That all reinsurance amounts recoverable by NNIC be paid to the NNIC estate unless the reinsurer's obligations is relieved pursuant to § 645.58 Wis. Stat.

27. Each captive reinsurer for which NNIC wrote fronting policies is required to take one of the following actions and to inform the Liquidator of the action it has chosen no later than fifteen (15) days of the Liquidation Order:

- (a) The captive reinsurer shall send complete copies of all open claim files to NNIC for all such claims no later than fifteen (15) days after the date of the Liquidation Order. In addition, the captive reinsurer shall include a report to the Liquidator with each payment made sufficient to provide the Liquidator with the information necessary to pay the claim and update the claims file, or
- (b) Enter into a written agreement with the Liquidator to fully and finally assume the obligations under the captive reinsurance arrangements and to administer the claims and make payments directly to the insured or claimant, as applicable.

28. If the captive reinsurer chooses to return the claims, they are required to continue payments for 30 days to allow an orderly transition.

29. Any person or entity violating the terms of this Order shall be subject to the sanctions contained in § 645.07, Wis. Stat.

30. This Court shall retain personal and subject matter jurisdiction and venue over all matters covered by this proceeding to grant such other and further relief in these proceedings as may be equitable under Chapters. 645 and 646 of the Wisconsin Statutes.

31. As there has been no written objections by any person or party of interest pursuant to Dane County Rule 318, no hearing will be held regarding the Petition.

32. Hereafter, the caption of this case and all pleadings in this matter shall read as:

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

33. This Court shall retain jurisdiction in this case for the purpose of granting such other and further relief as this case, the interests of the policyholders, cedents, reinsurers, creditors, stockholders of NNIC, the guaranty associations and the public may require. The Liquidator, or any interested party upon notice to the Liquidator, may at any time make application for such other and further relief as either sees fit.

SO ORDERED this _____ day of _____, 2019.

Honorable Richard Niess