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

PETITION FOR LIQUIDATION

Case No. _____

Case Code: 30703

Now comes the Commissioner of Insurance for the State of Wisconsin, Mark V. Afable (“Commissioner”), whose offices are located at 125 South Webster Street, Madison, Wisconsin 53703, to petition the Court for an Order of Liquidation for Northwestern National Insurance Company of Milwaukee based on the following:

1. Northwestern National Insurance Company of Milwaukee, Wisconsin (“NNIC”) is a property and casualty insurer domiciled in the State of Wisconsin, organized in 1869 by an act of the Wisconsin Legislature, and maintains its main administrative office at 8200 Beckett Park Drive, Suite 201, West Chester, Ohio 45069, and its statutory home office at 33 East Main Street, Suite 900, Madison, Wisconsin 53703.
2. NNIC submits to the jurisdiction of the Dane County Circuit Court as the Liquidation Court and waives any objection to subject matter jurisdiction under Wis. Stat. § 801.05 or personal jurisdiction under Wis. Stat. § 801.11(5) – (6). Attached is an Affidavit of Tom Hodson of NNIC accepting service and waiving jurisdiction objection. The Affidavit is attached as **Exhibit A**.
3. On March 8, 2007, NNIC was placed into rehabilitation upon recommendation of the Wisconsin Office of the Commissioner of Insurance (“OCI”) and upon approval by the Dane County Circuit Court. The Rehabilitation Order established a general account and a segregated account. The Order is attached hereto as **Exhibit B**.
4. On January 20, 2012, NNIC exited from rehabilitation upon recommendation of the Wisconsin OCI and upon approval by the Dane County Circuit Court. The Order is attached hereto as **Exhibit C**.
5. On May 31, 2016, SOBC Sandal Holding Ltd. (SOBC) purchased NNIC upon the approval of the Wisconsin OCI. The final decision of approval is attached hereto as **Exhibit D**.
6. On March 22, 2019, by Stipulation and Order executed by Tom Hodson, General Counsel and Secretary of NNIC, and Amy Malm, Director Bureau of Financial Analysis and Examinations of the OCI, and approved by Mark Afable, Commissioner of Insurance, the segregated and general account of NNIC were merged. A copy of the Stipulation and Order is attached hereto as **Exhibit E**.
7. SOBC specializes in the acquisition and management of distressed or run-off insurance entities.

8. SOBC operated NNIC as a run-off company.
9. NNIC presently has 4.5 full-time equivalent employees, all of whom are located in West Chester, Ohio. No NNIC employees will lose their jobs upon entry of an order of liquidation.
10. On March 14, 2019, by Stipulation and Order executed by Tom Hodson, General Counsel and Secretary of NNIC, and Amy Malm, Director Bureau of Financial Analysis and Examinations of the OCI, and approved by Mark Afable, Commissioner of Insurance, OCI was granted full custody and control of all of NNIC's assets. A copy of the Stipulation and Order are attached hereto as **Exhibit F**.
11. The only insurance policies written by NNIC that are still in force are Accident and Health policies (A&H) that are guaranteed renewable by their terms. NNIC also wrote Workers Compensation, General Liability, Product Liability and Commercial Automobile policies. All policies except the guaranteed renewable A&H policies have expired but some of the expired policies still have open claims.
12. NNIC has not sold any new insurance policies since 1986.
13. When NNIC actively wrote insurance business, it was licensed in all 50 states and the District of Columbia. When NNIC ceased writing new business, it surrendered many of its state licenses and currently is licensed to do business in nine states (CA, CT, DE, MN, NH, NJ, PA, TX, WI).
14. Pursuant to Wis. Stat. § 645.41, several grounds for liquidation exist.
 - A. NNIC's quarterly statutory financial statements since December 31, 2016, have reported policyholder surplus of less than the statutory required minimum of \$2,000,000, and there is no foreseeable prospect of NNIC restoring its policyholder surplus to a level to meet the statutory minimum requirement of \$2,000,000. Relevant portions of these statutory financial statements are attached hereto as **Exhibit G**.
 - B. Upon review of **Exhibit G**, the Commissioner has determined that attempts to rehabilitate NNIC would substantially increase the risk of loss to its policyholders, its creditors, and the public, and would be futile, and that rehabilitation would serve no useful purpose.
 - C. All of the shares entitled to vote have consented to this Liquidation Petition. Please see attached **Exhibit H**.
 - D. Based upon the Commissioner's review of **Exhibit G**, NNIC does not satisfy the requirements that would be applicable if it were seeking initial authorization to do an insurance business in this State.

F. Based upon the Commissioner's review of **Exhibit G**, NNIC is in such a financial condition that further transactions of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public.

G. During the last twelve (12) months, NNIC reported to the Commissioner that it has systematically attempted to compromise with certain creditors on the ground that it is financially unable to pay its claims in full. Such continued compromises on any material unanticipated claims will be necessary and is expected to continue, and thus this practice can reasonably be anticipated to become systemic.

H. Based upon the Commissioner's review of **Exhibit G** as of December 31, 2018, OCI has concluded that NNIC is insolvent.

15. A legal notice notifying the public will be published in the (Newspaper) establishing a claim filing deadline pursuant to Wis. Stat. § 645.43, and is attached hereto as **Exhibit I**.
16. Notice of Liquidation of NNIC to the Guaranty Associations is attached hereto as **Exhibit J**.
17. Upon the Court's issuance of an Order of Liquidation with a finding of insolvency, NNIC's A&H policies will be continued by applicable state life and health insurance guaranty associations in accordance with their respective states' guaranty association laws, or will be terminated in accordance with Wis. Stat. § 645.43 where there is no Guaranty Association coverage.
18. The obligations of the Workers Compensation and other Property and Casualty policies will be transferred to the applicable Guaranty Association in each of the states in which NNIC was licensed based on each state's statutory provisions.
19. All policies currently in force will receive continuation of coverage that complies with Wis. Stat. § 645.43, which states:
 - (1) All insurance policies issued by the insurer shall continue in force:
 - (a) For a period of 15 days from the date of entry of the liquidation order;
 - (b) Until the normal expiration of the policy coverage;
 - (c) Until the insured has replaced the insurance coverage with equivalent insurance in another insurer; or
 - (d) Until the liquidator has effected a transfer of the policy obligations pursuant to s 645.46 (8); whichever time is less.
20. Notice of Liquidation of NNIC and of termination of certain coverage to policyholders and claimants is attached hereto as **Exhibit K**.
21. Pursuant to Wis. Stat. § 645.58(1), the amount recoverable by the Liquidator from a reinsurer shall not be reduced as a result of this Petition and the entry of a Liquidation Order. Reinsurance payments shall be made to the estate of NNIC and payments made

directly to an insured shall not diminish the reinsurer's obligation to the NNIC estate. Reinsurers shall only be relieved of their duty to pay reinsurance payments to NNIC pursuant to Wis. Stat. § 645.58:

(a) The reinsurance contract or other agreement specifically provides for another payee of the reinsurance in the event of delinquency proceedings, payment is made to the other payee, and the payment operates to extinguish the liability of the ceding insurer to the extent of the payment made by the reinsurer.

(b) The reinsurer has assumed policy obligations of the ceding insurer as direct obligations of the reinsurer, payment is made to the payees under the policies, and the assumption operates to extinguish the liability of the ceding insurer to the extent assumed.

22. Notice of the Liquidation of NNIC to reinsurers is attached hereto as **Exhibit L**.
23. At certain times while NNIC was actively writing insurance business, it acted as a fronting insurer (the insurer that wrote the policies which were then wholly reinsured by a captive reinsurer) for off-shore captive reinsurers whose members were generally large corporations that wished to insure through an off-shore captive but that required a U.S. domiciled insurer to front for the captive. The captive reinsurers have administered, and continue to administer, the claims associated with these captive arrangements and retain the files and relevant information for claims under policies that are a part of the captive reinsurer arrangements. All captive reinsurers for which NNIC acted as a fronting insurer shall be required to make payments on claims covered by the captive reinsurer directly to NNIC as of the effective date of the Liquidation Order pursuant to Wis. Stat. § 645.58, and captive reinsurers shall send complete copies of all open claims files to NNIC for all such claims no later than 15 days after the date of the Liquidation Order. Alternatively, the captive reinsurer may choose to 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. Captive reinsurers must provide an orderly transition by continuing scheduled claims payments for thirty (30) days until the record transfer and handling transition is completed.
24. Notice to captive reinsurers is attached hereto as **Exhibit M**.
25. The Liquidator and the Property & Casualty Guaranty Associations agree that it is of critical importance that workers compensation indemnity and pharmacy benefit payments continue to be made timely and without interruption. Therefore, the Liquidator and participating Property & Casualty Guaranty Associations have entered into an Agreement for Receiver's Payment of Post-Liquidation Workers' Compensation Indemnity, Medical and Pharmacy Benefit Claims on Behalf of State Guaranty Associations under which until (date) the Liquidator will make workers compensation indemnity and pharmacy benefit claim payments on behalf of the participating Property & Casualty Guaranty Associations. Each participating Property & Casualty Guaranty Association will repay

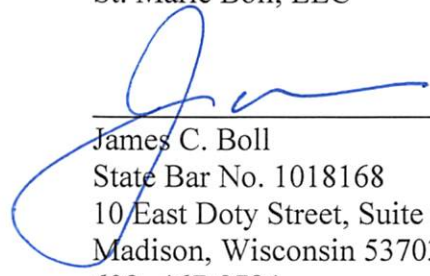
the Liquidator for all such payments covered under its guaranty association law. The agreement is attached hereto as **Exhibit N**.

26. An Affidavit of Amy Malm, Director of the Bureau of Financial Analysis and Examination of OCI, verifying the financial condition of NNIC and that the Company is insolvent is attached as **Exhibit O**.
27. The Liquidator will establish a policyholder website on the Wisconsin Office of the Commissioner of Insurance webpage.
28. Based on this Petition and the attached Exhibits, the Commissioner petitions the Court for an Order that provides as follows:
 - A. Pursuant to Wis. Stat. § 645.42, Commissioner Mark Afable and his successors in office or any of his delegee's are hereby appointed Liquidator.
 - B. That Amy J. Malm, the Director of the Bureau of Financial Analysis and Examination of the OCI, be appointed Special Deputy Liquidator to act for the Commissioner with powers as provided in Wis. Stat. § 645.46.
 - C. That grounds for the liquidation of NNIC exist under Wis. Stat. §§ 645.41(1), (2), (4), (6), (9), and (10) with a finding that NNIC is insolvent.
 - D. The bar date of six (6) months after the entry of the Order of Liquidation be established for all standing claims to be presented to the Liquidator.
 - E. That all reinsurance amounts recoverable by NNIC, including those from captive reinsurers, shall be paid to the NNIC estate unless: a) the reinsurer can establish that by contract or agreement payments made directly to the insured extinguish the liability of NNIC or b) the reinsurer by agreement with the Liquidator agrees to fully and finally assume, administer and pay the direct obligations of NNIC.
 - F. The other terms, conditions and relief set forth in the form of Order of Liquidation attached to this Petition, and such further terms, conditions and relief as the Court may determine is necessary.
29. A liquidation plan regarding matters relevant to NNIC's liquidation will be filed with the court subsequently.
30. Interested persons may file a written objection with the Court within seven (7) days of the filing of this Petition pursuant to Dane County Rule 318.

31. The Petitioner respectfully requests entry of the Order of Liquidation attached to this Petition pursuant to Local Rule 318.

Dated at Madison, Wisconsin, this 1 day of May, 2019.

St. Marie Boll, LLC




James C. Boll
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Madison, Wisconsin 53703
608- 467-8784

VERIFICATION

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)


MARK AFABLE, being first duly sworn on oath, deposes and states as follows:

1. I am the Commissioner of Insurance of the State of Wisconsin and verify the foregoing Petition of Order for Liquidation ("Petition") on its behalf.
2. I have read the Petition and to the best of my knowledge, information and belief, it is true and correct.



Mark V. Afable

Subscribed and sworn to before me
this 1st day of May, 2019



Print Name: Richard Wicka
Notary Public, State of Wisconsin
My Commission: Permanent