

STATE OF WISCONSIN : CIRCUIT COURT : DANE COUNTY
BRANCH 15

In the Matter of the Rehabilitation of:

Wisconsin Reinsurance Corporation and 1st Auto &
Casualty Insurance Company
c/o: Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703

Case No. 2023CV1310

Case Code: 30703

**ORDER TERMINATING REHABILITATION AND ORDER FOR LIQUIDATION
WITH FINDING OF INSOLVENCY**

Based on the Verified Petition of Nathan Houdek, the Commissioner of Insurance for the State of Wisconsin (the “Commissioner” or the “Liquidator”), to terminate the rehabilitation and for the liquidation of Wisconsin Reinsurance Corporation (“WRC”) and 1st Auto & Casualty Insurance Company (“1st Auto”), the provisions of Wis. Stat. §§ 645.31 and 645.42, and all other applicable laws, and having found that sufficient grounds and good cause exist for the relief requested by the Commissioner, the Court now finds that grounds for the liquidation of WRC and 1st Auto exist under Wis. Stat. § 645.41; that WRC and 1st Auto are insolvent; and that the notice of the Verified Petition provided by the Commissioner satisfied due process requirements. Accordingly,

NOW, THEREFORE, IT IS HEREBY ORDERED AND DECREED that:

1. The Verified Petition of the Commissioner is granted.
2. The rehabilitation of WRC and 1st Auto are terminated, effective January 1, 2024.

3. WRC and 1st Auto are hereby placed in liquidation effective January 1, 2024, pursuant to Wis. Stat. § 645.42. This Court shall be the Liquidation Court for all matters relating to WRC and 1st Auto, and it shall retain personal and subject matter jurisdiction and venue for all matters in this proceeding and related to the liquidation of WRC and 1st Auto.

4. The Commissioner, Nathan Houdek, and his successors in office are hereby appointed Liquidator of WRC and 1st Auto. The recording of this Order with any register of deeds in the state imparts the same notice as a deed, bill of sale, or other evidence of title recorded with the register of deeds.

5. The Liquidator shall have the full powers, authority, and protections granted pursuant to Wis. Stat. §§ 645.42 to 645.46, chapter 645 generally, and all other applicable laws, as are reasonable and necessary to fulfill his duties and responsibilities under this Order.

6. The Liquidator shall appoint Justin Schrader, of Noble Consulting Services, Inc., as Special Deputy Liquidator for the purposes of carrying out the liquidation, and Mr. Schrader shall have all of the powers of the Liquidator under Wis. Stat. §§ 645.42 to 645.46, chapter 645, generally, and all other applicable laws, as are reasonable and necessary to fulfill his duties and responsibilities under this Order. The Special Deputy Commissioner may appoint one or more Assistant Special Deputy Commissioners to perform such duties as shall be assigned to or required of them, from time to time, by the Liquidator, the Special Deputy Liquidator, or by this Court. Pursuant to Wis. Stat. § 645.08(1), the Liquidator, and Special Deputy Liquidator, and any Assistants shall serve without bond. The fees and expenses of the Special Deputy Liquidator and any Assistants shall be priority administrative expenses.

7. Pursuant to Wis. Stat. §§ 645.42, 645.46, and 645.51, the Liquidator shall take exclusive possession and control of, and is vested with all right, title, and interest in, all of the

property and assets of WRC and 1st Auto. Furthermore, the Liquidator and the Special Deputy Liquidator are granted the authority to coordinate, operate, and conduct all business and administrative activities for WRC and 1st Auto with the full power authorized under chapter 645. The existing boards of directors of WRC and 1st Auto are terminated and the Liquidator is granted all the powers of the board, as well as the officers and managers, whose authority shall be suspended.

8. The Liquidator is hereby vested with all right, title, and interest in and to all recoverables under reinsurance agreements of any kind entered into by WRC or 1st Auto, and each such reinsurer of WRC and 1st Auto is hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance agreement with WRC or 1st Auto.

9. In connection with managing the affairs of WRC and 1st Auto, the Liquidator and Special Deputy Liquidator are hereby authorized to work with representatives of WRC and 1st Auto and to redelegate the authority and right to operate WRC and 1st Auto, in whole or in part, during the pendency of these liquidation proceedings, to WRC's and 1st Auto's officers, directors, managers, and employees, or to delegate the same, in whole or in part, to other qualified individuals or entities, and to rescind such delegation at any time at their discretion.

The costs for these services shall be priority administrative expenses.

10. The Liquidator may, in his discretion, reject any executory contract in which WRC or 1st Auto are a party.

11. The Commissioner and/or the Special Deputy Liquidator are hereby authorized to negotiate and conclude a contract providing for reasonable compensation and expenses for legal counsel provided by Godfrey Kahn, S.C. to represent the Commissioner in these proceedings and

any other matter arising out of the liquidation of WRC and 1st Auto and to make current payments for services. Godfrey & Kahn's fees and expenses shall be priority administrative expenses.

12. The Commissioner and/or the Special Deputy Liquidator are hereby authorized to negotiate and conclude contracts providing for reasonable compensation and expenses for such experts and contractors as are deemed necessary to effectuate the liquidation of WRC and 1st Auto. Any such contracts shall be filed for review by this Court. The cost for these services shall be priority administrative expenses.

13. All persons and entities are permanently enjoined and restrained from commencing or prosecuting any actions, claims, lawsuits, administrative or other proceedings against WRC and 1st Auto, the Commissioner as Liquidator of WRC and 1st Auto, the Special Deputy Liquidator, and their Assistants, employees, and the consultants and experts they retain for the liquidation, except as set forth in paragraph 16 below.

14. The Liquidator's employees (past and present), the Special Deputy Liquidator, Godfrey & Kahn, S.C., officers and employees of WRC and 1st Auto (past and present) acting under the direction of the Liquidator, and any other professionals who the Liquidator employs or retains as independent contractors to assist in the rehabilitation process, and the other professional's employees (past and present) shall have official immunity and shall be immune from suit and liability, both personally and in their official capacities, for any claims for damage to or loss of property or personal injury or other civil liability caused by or resulting from any alleged act, error, or omission arising out of or by reason of their duties or employment with respect to the liquidation of WRC and 1st Auto; provided that nothing in the Court's Order shall be construed to immunize the Liquidator or any other person or entity identified in this paragraph

from suit or liability for any damage, loss, or injury caused by their intentional misconduct. If any legal action is commenced against any person or entity identified in this paragraph, whether against that person or entity personally or in an official capacity, alleging property damage, property loss, personal injury or other civil liability caused by or resulting from any alleged act, error, or omission arising out of or by reason of their duties or employment in connection with this liquidation, that person or entity shall be indemnified from the assets of WRC and 1st Auto for all expenses, attorney's fees, judgments, settlements, decrees, or amounts due, owing, or paid in satisfaction of or incurred in the defense of such legal action, unless it is determined upon a final adjudication on the merits that the alleged act, error, or omission did not arise out of or by reason of the person's or entity's duties or employment for the liquidation of WRC and 1st Auto, or was caused by intentional misconduct. Any indemnification for expense payments, judgments, settlements, decrees, attorney's fees, surety bond premiums, or other amounts paid or to be paid from the assets of WRC and 1st Auto pursuant to this paragraph shall be priority administrative expenses.

15. All persons and entities are enjoined and restrained from obtaining preferences, judgments, attachments, or other liens or making any levy against WRC's or 1st Auto's assets or any part thereof.

16. All parties to actions, lawsuits, administrative or other proceedings in which WRC or 1st Auto are or are alleged to be obligated to defend a party pursuant to an insurance policy, bond, contract, or otherwise, or in which WRC or 1st Auto are named a party, pursuant to Wis. Stat. § 803.04(2), are enjoined and restrained from commencing or prosecuting those actions, lawsuits, and proceedings for a period of 180 days from the date of entry of this Order.

17. All persons and entities having possession, custody, or control of any assets of WRC or 1st Auto of any kind whatsoever shall preserve and deliver immediately such assets to the Liquidator.

18. All persons or entities, other than the Liquidator or a person or entity acting on behalf of or with the permission of the Liquidator, are hereby enjoined from transacting any business for or on behalf of WRC or 1st Auto.

19. Pursuant to Wis. Stat. chapter 645 and this Order, any person or entity violating the terms of this Order shall be subject to the sanctions contained in Wis. Stat. § 601.64.

20. The currently in force policies directly insured by WRC and 1st Auto and not subject to reinsurance agreements will be continued for a period of 15 days from the date of entry of the liquidation order pursuant to Wis. Stat. § 645.43(1).

21. The Liquidator shall create and provide or make available proof of claim forms to all policyholders, claimants under WRC's and 1st Auto's policies, Guaranty Associations, appointed agents, and all other creditors within 30 days of the entry of this Order. Furthermore, the Liquidator shall publish legal notice including instructions for accessing the proof of claim form in newspapers likely to apprise the public of the claim process within 30 days of the entry of this Order. The bar date for filing any claims with the Liquidator shall be six months after the entry of this Order.

22. Any and all actions taken, or not taken, by the Liquidator or the Special Deputy Liquidator in this liquidation shall not be construed to be, nor considered, a preference under Wis. Stat. § 645.54, or as that term generally is used in receivership and bankruptcy law.

23. The rights and liabilities of WRC and 1st Auto and its creditors, policyholders, shareholders, members, and all other persons interested in its estate are fixed as of the date of the filing of the Petition, except as otherwise provided in this Order or Wis. Stat. chapter 645.

24. The Liquidator shall file quarterly financial statements and periodic status reports with the Court.

25. The Liquidator and/or the Special Deputy Liquidator may, at any time, petition this Court for such other or further relief as they deem appropriate.

26. Exclusive jurisdiction over WRC and 1st Auto shall remain with this Court in all matters relating to this liquidation.

27. The effective date of the Order for Liquidation is January 1, 2024.

28. Hereafter, the caption of this action and all pleadings in this action shall read: "In the Matter of the Liquidation of: Wisconsin Reinsurance Corporation and 1st Auto & Casualty Insurance Company".

IT IS SO ORDERED.

Prepared by:

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