

American Star Insurance Company, In Liquidation

American Star Insurance Company was placed into liquidation on November 16, 1992. Matthew C. Mandt is appointed as special deputy liquidator.

American Star is headquartered in Walnut Creek, California, and had business in force mainly in Arizona, California, Idaho, Nevada, Oregon, and Washington state. There was no business in force in Wisconsin. American Star wrote commercial multi-peril, property, auto, liability, and surety business.

American Star filed a September 30, 1992, quarterly financial statement indicating capital and surplus of approximately \$5.5 million. A preliminary review of American Star's reserves for losses and loss adjustment expenses showed them to be deficient by about \$15.9 million, implying a negative net worth of about \$10.4 million. Furthermore, American Star had not obtained reinsurance coverage for policies it had written or renewed for December 1, 1992. Due to the foregoing factors, further transaction of business was hazardous to its policyholders and the general public, and American Star's owners consented to the liquidation.

Under the liquidation order, policies in force were terminated the earliest of: December 1, 1992, the date the policy expired, or the date new coverage was obtained by the agent. Certain guaranty funds extended the period of coverage for residents of their respective states, if such extension was required by law or administrative action. Ancillary liquidation proceedings were established in California, Idaho, Oregon, and New Mexico, and all have now been closed. It is expected that the California ancillary liquidation proceeding will be reopened on March 30, 2001, to allow a distribution of Proposition 103 rebates to California policyholders in the amount of \$1,750,000. The Proposition 103 settlement was substantially below the \$10,362,838 reserved as of December 31, 1999.

At least 64,511 notices were mailed to agents, policyholders, state insurance commissioners, guaranty funds, claimants, former policyholders, and other parties whose interests may in some way be affected by the liquidation. The deadline for filing claims with the liquidator was November 16, 1993. Unexcused late filings will not be considered for payment.

On January 28, 1994, the liquidation court approved a plan to provide state guaranty funds with \$20,000,000 in early access payments to be used for the return of unexpired premiums to policyholders and payment of claims. Early access payments were made during 1994 after each participating guaranty fund gave its written assent to the terms of the plan. Altogether the estate has advanced \$34,256,799.62 to participating guaranty funds under four early access agreements, of which \$29,403,159.43 has been converted into nonrefundable dividends.

The liquidation court has approved additional dividends, over and above the foregoing \$29,403,159.43, for full or partial payment of various class 1, 3, 4, 5, and 7 claims filed with state guaranty funds and directly with the estate, as recommended by the liquidator. Such additional dividends aggregated to \$11,051,238.17 as of December 31, 2000.

The liquidator has recommended partial payment or denial of certain class 1, 3, and 5 claims filed directly with the estate. The liquidator reviews objections to partial payments or denials in the normal course of the run-off, and hearings are held before the liquidation court to adjudicate objections when necessary. In 2000, the liquidator resolved the last remaining claims listed in the first comprehensive Report on Claims filed with the liquidation court on December 9, 1997.

The second and most recent comprehensive Report on Claims was filed on December 14, 1999. This report includes the liquidator's recommendations for full payment, partial payment, and denial on certain class 3, 5, and 7 claims. Pursuant to s. 645.65 (1), Wis. Stat., the liquidator forwarded notice of recommendations for partial payment or denial to all affected claimants and advised them that they had 60 days to object to the recommendations. Three claimants have objected. The liquidator will schedule hearings with respect to these three claimants' objections.

As of December 31, 2000, the estate reported assets of \$44,696,137.67. Claims in classes 1 through 10 were estimated at \$30,674.667, resulting in an estimated surplus of \$14,021.470.67.

Family Health Plan Cooperative, In Liquidation

Family Health Plan Cooperative was placed into liquidation on October 16, 2000. Matthew C. Mandt was appointed as special deputy liquidator.

Family Health Plan is headquartered in Brookfield, Wisconsin, and had business in force only in Wisconsin. Family Health Plan wrote health maintenance organization business and had just over 72,000 enrollees.

Family Health Plan filed an August 31, 2000, financial statement showing a negative net worth of approximately \$3.6 million. Furthermore, Family Health Plan had not obtained reinsurance coverage for policies it had written or renewed for November 1, 2000.

Because of the above, further transaction of business was hazardous to its policyholders and the general public, and Family Health Plan's board of directors consented to the liquidation.

Under the liquidation order, policies in force were terminated the earliest of November 1, 2000, the date the policy expired, or the date new coverage was obtained

by the enrollee. The liquidator assumed an Omnibus Agreement by and among Family Health Plan, Aurora Health Care (Aurora), United Wisconsin Services, Inc. (UWS), and Family Health Systems, Inc. The following provisions of the Omnibus Agreement approved by the court and the liquidator proceeded to:

- Transfer the assets of Family Health Plan to Aurora and/or UWS as set forth in the agreement;
- Transfer of certain liabilities to Aurora and UWS;
- Retention by the liquidator of certain designated excluded liabilities;
- Established claims procedures and other provisions of the agreement.

On October 31, 2000, 6,958 notices were mailed to creditors and other parties whose interests may in some way be affected by the liquidation. The deadline for filing claims with the liquidator is May 1, 2001. Unexcused late filings may not be considered for payment.

Master Plumbers' Limited Mutual Liability Company, In Rehabilitation

Master Plumbers' Limited Mutual Liability Company was placed in rehabilitation on March 29, 1994, by the Circuit Court for Dane County, Wisconsin. Matthew C. Mandt was appointed as Special Deputy Rehabilitator. Society Insurance, a Mutual Company, performs claim adjustment and administrative services for the rehabilitator pursuant to a contract approved by the court.

Master Plumbers' issued assessable policies and was licensed only in Wisconsin. The company wrote worker's compensation, other liability, and auto liability coverage for plumbers. All policies were written on an annual basis with January 1 effective dates.

In late 1992, the company was informed that its primary layers of reinsurance coverage would not be renewed for 1993. The company was able to obtain partial reinsurance coverage for a portion of 1993, but was not able to obtain coverage sufficient to allow it to continue to operate. In October 1993, the Commissioner advised the company that it would not be able to renew policies after their December 31, 1993, expiration dates due to inadequate reinsurance coverage and directed the company to send notices of nonrenewal to all policyholders.

The September 30, 1993, quarterly financial statement of the company, which was the last one filed prior to its being placed in rehabilitation, reported assets of \$1,608,621, liabilities of \$1,442,214, surplus of \$166,407, and direct premiums written of \$826,796. Reported surplus had declined \$255,107 from the prior year-end. Due to the loss of its reinsurance coverage, the company was exposed to incurring as much as \$500,000 on a single 1993 loss occurrence. In prior years, the company's exposure was limited to \$25,000 per risk per loss.

In December 1993, pursuant to an order issued by the Commissioner, the company levied an assessment upon its policyholders equal to one additional annual premium. Collection of this assessment has been deferred until such future time as the funds may be needed. It has not been necessary to collect this assessment to date.

As of December 31, 2000, Master Plumbers' reports assets of \$1,288,020, liabilities of \$1,309,713, and a deficit of \$21,693. Liabilities include a provision of \$300,000 for 1993 and prior losses that may have occurred but have not yet been recorded. To date, it has not been necessary to collect the assessment levied in December 1993.