

FILED
09-29-2023
CIRCUIT COURT
DANE COUNTY, WI
2019CV001209

STATE OF WISCONSIN : CIRCUIT COURT : DANE COUNTY
BRANCH 15

In the Matter of the Liquidation of Northwestern
National Insurance Company of Milwaukee,
Wisconsin:

Case No. 2019-CV-1209

Case Code: 30703

c/o: Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703

**NOTICE OF MOTION AND MOTION TO APPROVE THE LIQUIDATOR'S PLAN OF
DISTRIBUTION OF LIQUIDATED ASSETS**

TO: All Interested Parties

NOTICE

PLEASE TAKE NOTICE that the Commissioner of Insurance of the State of Wisconsin, Nathan Houdek, as Liquidator of Northwestern National Insurance Company of Milwaukee (“NNIC”), brings this Motion to Approve the Liquidator’s Plan of Distribution for hearing, if necessary, before the Circuit Court for Dane County, the Hon. Stephen E. Ehlke, in the Dane County Courthouse, 215 S. Hamilton Street, Madison, WI 53703-3285, on a date and at a time to be determined by the Court. Objections to this Motion, along with supporting documentation, shall be filed with the Court and served on the Liquidator, by his attorneys, and any other party who has filed an appearance in this action, within 14 days of the filing of this Motion.

MOTION

The Liquidator hereby moves the Court, pursuant to Wis. Stat. § 645.71, to enter an Order approving Liquidator's Plan of Distribution. As grounds for this Motion, the Liquidator states as follows:

1. Since the entry of the Order for Liquidation of NNIC on May 2, 2019, the Liquidator has exercised his authority, pursuant to Wis. Stat. § 645.46 and the Order for Liquidation, to administer the orderly liquidation of NNIC and closure of the estate, including providing notice of the Liquidation to creditors, receipt and review of Proofs of Claim ("POC"), communicating POC determinations to claimants, recovery of claims paying resources (including statutory deposits), negotiation of assumption and commutation agreements with NNIC's various reinsurers, and forwarding of loss claims to guaranty funds.

LIQUIDATOR RECOVERY FOR CLAIMS PAYING RESOURCES

2. The Liquidator recovered a total of \$1,064,735 in liquidated Letters of Credit. The breakdown of the recovery is listed in Exhibit A.

3. The Liquidator has collected statutory deposits in the amount of \$2,605,883.65. The status of all statutory deposits is listed in Exhibit B.

4. The Liquidator has recovered a total of \$1,126,162.97 from various reinsurers.

5. The Liquidator entered into a commutation agreement with Central RE providing the Liquidator with \$35,242.61 in claims paying resources. The Commutation Agreement was filed with the Liquidation Court on July 1, 2021, and was approved by Court order on July 12, 2021.

6. The Liquidator entered into a commutation agreement with United Insurance Company through which the Liquidator paid United \$731,563.72 and the Liquidator retained \$281,502.28. The commutation agreement was approved by court order on September 9, 2022.

7. The Liquidator entered into a commutation agreement with Swiss Reinsurance America Corporation, on behalf of itself and as a successor to various other insurers (collectively, “Swiss Re”), through which Swiss Re paid NNIC \$100,000 in full satisfaction of both parties’ past, present, and future obligations and liabilities under the various reinsurance agreements between the parties. The commutation agreement was approved by court order on April 10, 2023.

8. The Liquidator entered an agreement for the sale of Compass Insurance Company (“Compass”) to Avid Insurance Company, LLC (“Avid”). Pursuant to the stock purchase agreement, NNIC as the direct parent and current owner of the stock of Compass will receive proceeds in the amount of \$100,000. The sale of Compass remains subject to the approval of a Form A filing by the New York Department of Financial Services (“NYDFS”). The stock purchase agreement also provides that Avid will pay a \$50,000 break-up fee in the event Avid terminates the SPA prior to closing because (i) Avid withdraws the New York Form A filing or (ii) the New York Form A filing is rejected by the NYDFS. The Court approved the sale of Compass on January 20, 2023.

ASSUMPTION AGREEMENTS WITH CAPTIVE REINSURERS

9. As of May 2, 2019, NNIC had reinsurance relationships with 39 captive reinsurers. The Liquidator successfully concluded assumption agreements with 18 of these captives or their sponsoring corporations. These assumption agreements required the captive reinsurer or the sponsoring corporation to assume full responsibility for current and future claim

obligations consistent with the coverage agreed to in the underlying reinsurance agreement in exchange for NNIC's return of collateral it held. A list of those who have entered into Assumption Agreements is attached as Exhibit C.

10. The Liquidator attempted, but was unable to, enter into an assumption agreement with the following captives: Pie Five Pizza/Pizza Inn, Aramark/captive Aramount, Armco/captive AK Steel, Tang Insurance and Wescap.

11. The policy obligations of these captive insurers, consistent with the underlying reinsurance agreements between NNIC and each captive, will be satisfied based on Wis. Stat. ch. 645.

LIQUIDATION ESTATE AND CLAIMS PAYING RESOURCES

12. NNIC's financial statement as of June 30, 2023, filed with the court by the Liquidator on July 31, 2023, listed assets (including statutory deposits not being released by some states) of \$3,254,405, with liquid claims paying resources of \$3,179,405.

13. As of June 30, 2023, NNIC's liabilities were \$686,443,129.

PROOFS OF CLAIM

14. The Liquidation Order set a bar date for Proofs of Claim ("POC") to be filed of November 2, 2019 (the "Bar Date").

15. The Liquidator received 255 POCs by the Bar Date. Subsequent to the Bar Date, the Liquidator received an additional 13 POCs. The POCs sought total payment in the amount of \$657,972,190.77.

16. Twenty-three insureds under accident and health policies accepted buy outs, and eight accident and health policies lapsed or were terminated.

17. On August 24, 2021, the Liquidator mailed determination letters to all claimants that submitted POC Determination Notices (the “Determination Notices”). The Determination Notices informed the recipients of the class to which their POC was assigned and that the POC was to be denied based on lack of claims-paying resources. Also on August 24, 2021, the Liquidator provided notice to the Court of the Liquidator’s POC Class determinations, that all POCs were to be denied based on lack of claims-paying resources, and the Liquidator’s mailing of the Determination Notices.

18. The Determination Notices informed the recipients that, pursuant to Wis. Stat. § 645.65, any objection to the determination and denial of the claim must be filed with the Court within 60 days of the mailing of the notice. One claimant filed an objection which was subsequently withdrawn.

19. The Determination Notices also informed the recipients that if any claims-paying resources are available after administrative costs are paid, the Liquidator would ask the court to split the remaining claims-paying resources equally among all class three claims that have been timely filed.

20. The week of September 18, 2023, the Liquidator sent all claimants that received the Determination Notices a Notice of Status and Intent to Close the Liquidation, informing claimants that the Liquidator had sought all available assets justifying the expenses of collection and determined that no filed POCs will be paid in whole or in part.

GUARANTY ASSOCIATIONS AND ADMINISTRATIVE COSTS

21. The National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) has established claim less premium obligations as of September 30, 2021, in the

amount of \$5,960,015, which are classified as Class Three Claims. The breakdown of the obligations by state is attached as Exhibit D.

22. The Property and Casualty Guaranty Associations have established policy obligations as of September 30, 2021, in the amount of \$13,537,733.03. The breakdown by state is attached as Exhibit E.

23. The Property and Casualty Guaranty Associations and NOLHGA have submitted administrative costs totaling \$3,780,407.08. The breakdown by state is attached as Exhibit F.

24. The Liquidator has incurred and paid administrative costs in the amount of \$1,703,220.91 through August 31, 2023, which are broken down in Exhibit G.

NOW, THEREFORE, for the reasons stated above and based on the entire record in this action, the Liquidator asks the Court to enter an order approving the Plan of Distribution filed with this Motion.

Dated at Madison, Wisconsin, this 29th day of September, 2023.

GODFREY & KAHN, S.C.
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Respectfully submitted,

GODFREY & KAHN, S.C.

By: Electronically signed by James A. Friedman
James A. Friedman
Zachary P. Bemis
Attorneys for Petitioner Nathan Houdek,
Commissioner of Insurance of the State of
Wisconsin

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Exhibit A

Amount of Liquidator recovered Letters of Credit, totaling \$1,064,735

<i>Standard Trane Insurance Company (deposit was returned due to entering into an assumption agreement)</i>	\$165,000
<i>Clearfield Insurance (deposit was returned due to entering into an assumption agreement)</i>	\$70,822
<i>Newington LTD/Berda Development</i>	\$133,717
<i>United Insurance Company</i>	\$64,917
<i>Protectors Insurance Company (deposit was returned due to entering into an assumption agreement)</i>	\$563,782
<i>Aramont Company LTD</i>	\$66,500

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EXHIBIT B

Status of Statutory Deposits

The Liquidator has recovered the following statutory deposits

• Arizona	\$77,211.67
• Florida	\$192,846.28
• Georgia	\$126,673.26
• Delaware	\$129,012.42
• New Mexico	\$195,239.59
• Oregon	\$715,470.95
• Wisconsin	\$1,169,49.48
Total:	\$2,605,883.65

The following states kept a portion of the statutory deposit:

- Arizona
- Florida
- New Mexico
- Oregon

The following states have taken 100% of their deposits:

- California
- North Carolina
- Massachusetts
- Virginia

EXHIBIT C

Assumption Agreements Entered by the Liquidator

1. *Associated Medical Assurance Company (Fairview Risk Management) – signed 07/19/19*
2. *Cellwood Insurance Ltd. (Celanese Corporation) – signed 05/16/19*
3. *CM Regent Insurance Company (Pennsylvania School District) – signed 06/26/19*
4. *St. Francis Insurance Company Ltd. (Georgia Pacific) – signed 06/27/19*
5. *White Mountain Insurance Company (Figgie, Scott Technologies) – signed 09/30/19*
6. *Two Harbors Insurance Company Ltd. (3M) – signed 11/01/19*
7. *Spartan Insurance Company Ltd. (Spartan Stores, Inc.) – signed 11/07/19*
8. *SCH Insurance Company (Holiday Inn) – signed 12/30/19*
9. *SE Vermont Ltd. – signed 06/07/19*
10. *Owens Insurance Ltd. (Owens Illinois) – signed 09/06/19*
11. *Minnetonka Company Ltd. (Cargill) – signed 07/10/20*
12. *Ancon Insurance Company (Exxon Mobil) – signed 08/03/20*
13. *Motor Carrier Insurance Ltd (Arkansas Best Corporation) – signed 06/25/21*
14. *Standard Trane Insurance Company Ltd. (Ingersoll Rand) – signed 11/08/21*
15. *Clearfield Insurance Ltd. (OfficeMax) – signed 11/17/21*
16. *Securitas USA Risk Management and Pinkerton – 12/3/21*
17. *Protectors Insurance Company – 12/6/21*
18. *United Insurance Company (including Archer Daniels Midland, Brunswick Corp., CPC International/BestFoods, Celanese (f.k.a. Hoescht Celanese Corp.), Hubbard milling, Kellogg and Slinger Co.) – 9/8/22*

EXHIBIT D

National Organization of Life and Health Insurance Guaranty Associations
State-by-State Breakdown of claims less premium obligations, totaling \$5,960,015

<i>State</i>	
<i>California</i>	<i>\$ 677,035</i>
<i>Connecticut</i>	<i>53,354</i>
<i>Florida</i>	<i>2,269,870</i>
<i>Illinois</i>	<i>10,946</i>
<i>Kansas</i>	<i>41,173</i>
<i>Massachusetts</i>	<i>678,114</i>
<i>Maryland</i>	<i>259,027</i>
<i>Maine</i>	<i>246,135</i>
<i>Montana</i>	<i>2,878</i>
<i>New Hampshire</i>	<i>1,010</i>
<i>New Jersey</i>	<i>523,621</i>
<i>Pennsylvania</i>	<i>975,617</i>
<i>Texas</i>	<i>221,110</i>
<i>Vermont</i>	<i>125</i>
TOTAL	\$5,960,015

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EXHIBIT E

Property and Casualty Guaranty Funds Policy obligations
 State-by-State Breakdown Totaling \$13,537,733.03

State	
<i>Alabama</i>	<i>\$3,642,692.52</i>
<i>Arkansas</i>	<i>82,500.00</i>
<i>Arizona</i>	<i>137,733.73</i>
<i>California</i>	<i>2,309,379.96</i>
<i>Colorado</i>	<i>0.00</i>
<i>Connecticut</i>	<i>1,880,174.50</i>
<i>District of Columbia</i>	<i>0.00</i>
<i>Delaware</i>	<i>195,190.00</i>
<i>Florida – P & C</i>	<i>21,342.36</i>
<i>Florida – WC</i>	<i>379,958.83</i>
<i>Georgia</i>	<i>0.00</i>
<i>Idaho</i>	<i>75,096.00</i>
<i>Indiana</i>	<i>0.00</i>
<i>Kansas</i>	<i>75,000.00</i>
<i>Kentucky</i>	<i>537,946.00</i>
<i>Louisiana</i>	<i>0.00</i>
<i>Massachusetts</i>	<i>0.00</i>
<i>Maine</i>	<i>0.00</i>
<i>Michigan</i>	<i>48,178.00</i>
<i>Minnesota</i>	<i>20,558.90</i>
<i>Missouri</i>	<i>0.00</i>
<i>Montana</i>	<i>7,800.00</i>
<i>North Carolina</i>	<i>32,742.75</i>
<i>New Hampshire</i>	<i>6,000.00</i>
<i>New Jersey – P & C</i>	<i>257.50</i>
<i>New Jersey – WC</i>	<i>2,385,874.84</i>
<i>New Mexico</i>	<i>107,284.00</i>
<i>New York – WC</i>	<i>243,015.29</i>
<i>Ohio</i>	<i>2,011.00</i>
<i>Oklahoma</i>	<i>242,356.80</i>
<i>Oregon</i>	<i>465,387.60</i>
<i>Rhode Island</i>	<i>0.00</i>
<i>Tennessee</i>	<i>0.00</i>
<i>Texas</i>	<i>920.50</i>
<i>Virginia</i>	<i>253,403.11</i>
<i>Vermont</i>	<i>0.00</i>
<i>Washington</i>	<i>924.00</i>
<i>Wisconsin</i>	<i>384,004.84</i>
TOTAL	\$13,537,733.03

EXHIBIT F

The P & C Guaranty Associations and NOLHGA have submitted administrative costs totaling \$3,780,407.08 to date. The State-by-State Breakdowns are as follows:

<i>State</i>	<i>P & C</i>	<i>Life</i>
<i>Alabama</i>	<i>\$72,574.78</i>	
<i>Arkansas</i>	<i>14,479.43</i>	
<i>Arizona*</i>	<i>2,831.51</i>	
<i>California</i>	<i>373,173.83</i>	<i>707,793.00</i>
<i>Colorado</i>	<i>519.86</i>	
<i>Connecticut</i>	<i>32,654.41</i>	<i>28,468.00</i>
<i>District of Columbia</i>	<i>3,368.57</i>	
<i>Delaware</i>	<i>9,012.32</i>	
<i>Florida - Life</i>		<i>499,693.00</i>
<i>Florida – P & C</i>	<i>7,255.56</i>	
<i>Florida – WC</i>	<i>27,541.22</i>	
<i>Georgia</i>	<i>1,617.38</i>	
<i>Idaho</i>	<i>72,009.99</i>	
<i>Illinois</i>		<i>30,373.00</i>
<i>Indiana</i>	<i>22,632.95</i>	
<i>Kansas</i>	<i>20,592.37</i>	<i>44,435.00</i>
<i>Kentucky</i>	<i>14,165.49</i>	
<i>Maryland</i>		<i>35,165.00</i>
<i>Massachusetts^</i>	<i>25,052.99</i>	<i>103,608.00</i>
<i>Maine</i>	<i>0.00</i>	<i>47,471.00</i>
<i>Michigan</i>	<i>30,355.00</i>	
<i>Minnesota</i>	<i>10,636.79</i>	
<i>Missouri</i>	<i>9,049.08</i>	
<i>Montana</i>	<i>3,573.89</i>	<i>58,112.00</i>
<i>North Carolina</i>	<i>85,713.28</i>	
<i>New Hampshire</i>	<i>4,717.35</i>	<i>53,906.00</i>
<i>New Jersey - Life</i>		<i>174,217.00</i>
<i>New Jersey – P & C</i>	<i>67,740.98</i>	
<i>New Jersey – WC</i>	<i>19,375.14</i>	
<i>New Mexico^</i>	<i>4,857.66</i>	
<i>New York – WC</i>	<i>37,645.86</i>	
<i>Ohio</i>	<i>327,668.33</i>	<i>104,167.00</i>
<i>Oregon</i>	<i>7,331.66</i>	
<i>Pennsylvania</i>		<i>273,445.00</i>
<i>Rhode Island</i>	<i>4,261.03</i>	
<i>Tennessee</i>	<i>7,946.67</i>	
<i>Texas</i>	<i>14,652.99</i>	<i>70,923.00</i>
<i>Virginia^</i>	<i>100,735.97</i>	
<i>Vermont</i>	<i>0.00</i>	<i>692.00</i>

<i>State</i>	<i>P & C</i>	<i>Life</i>
<i>Washington</i>	<i>30,282.74</i>	
<i>Wisconsin</i>	<i>81,912.00</i>	

* - Guaranty association has kept a portion of the statutory deposit for administrative costs; therefore, the amount listed in this table will not be paid.

^ - Guaranty associations have not released the statutory deposit and we will be offsetting the statutory deposit against what is owed for administrative expenses.

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EXHIBIT G

Liquidator Administrative Costs totaling \$1,703,220.91

• <i>OCI staff time:</i>	\$123,655.57
• <i>Iron Mountain (document storage):</i>	\$130,519.46
• <i>Various banks (account fees on statutory deposits):</i>	\$4,511.04
• <i>Bank fees on US Bank account:</i>	\$2,026.92
• <i>St. Marie Boll (includes legal and accounting):</i>	\$237,823.67
• <i>Rector & Associates</i> <i>(reinsurance billing and assistance with liquidation):</i>	\$176,635.83
• <i>Crowe (tax work):</i>	\$33,185.00
• <i>SOBC DARAG (administrative services, document storage, etc.):</i>	\$891,808.81
• <i>Norcan-SBA, Inc. (claims database):</i>	\$14,988.00
• <i>Godfrey & Kahn (legal):</i>	\$74,866.61
• <i>Strohm Ballweg (accounting):</i>	\$13,200.00

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