

# Office of the Special Deputy

The Director of Insurance as statutory Conservator, Rehabilitator, or Liquidator of companies subject to provisions of Articles XIII and XIII½ of the Illinois Insurance Code, has appointed, pursuant to the authority in Article XIII, a Special Deputy as his agent to direct the affairs of such companies in receivership.

The Director, through his Special Deputy, takes the following alternative courses of action, depending on the type of court order that is issued against a company:

1. Pursuant to an Order of Conservation, the Director takes possession of property, business and affairs of a company to protect the interests of policyholders and other creditors, and proceeds, if possible, to take corrective action to eliminate the condition that required the conservation.

2. Pursuant to an Order of Rehabilitation, the Director is vested with title to all property, contracts and rights of action of the company. He proceeds to conduct the business of the company and to take appropriate steps, if possible, to remove the causes and conditions that made rehabilitation necessary.

3. Pursuant to an Order of Liquidation, the Director is also vested with title to all property, contracts and rights of action of the company. Upon entry of the court order, he proceeds immediately to liquidate the property, business and affairs of the company, to marshal assets, and to evaluate the claims asserted against the company in order to make a pro rata distribution of assets as soon as possible to policyholders, claimants, and other creditors.

For Illinois domiciled or licensed insurers placed into liquidation, the Illinois Property and Casualty Guaranty Fund, the Illinois Life, Accident and Health Guaranty Association, and the Illinois Health Maintenance Organization Guaranty Association are mandated by statute to respond to the covered claims up to certain statutory caps. Similar funds and associations exist in most other states for similar purposes. The claims of policyholders of unauthorized, illegal or unlicensed insurers are not generally afforded this protection.

Following are brief reports on each active company as of December 31, 2000, as well as a combined statement of cash receipts and disbursements for each company.

## *AAI Syndicate #1, Ltd.*

An Order of Conservation with a Finding of Insolvency was obtained against AAI Syndicate #1, Ltd. on February 2, 1999. An Agreed Order of Liquidation was entered on February 9, 1999. A member of the Illinois Insurance Exchange (a/k/a INEX), AAI is a wholly-owned subsidiary of AAI Holdings Ltd, which in turn is principally owned by CMA Holdings.

The claims filing deadline was February 9, 2000,

with a contingent claim date of February 9, 2001. A total of 10,597 proof of claim forms were mailed to potential claimants and 1,028 have been filed with the Liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to AAI claimants.

## *Agora Syndicate, Inc.*

An Order of Conservation with a Finding of Insolvency was obtained against Agora Syndicate, Inc., on September 14, 2000. An Order of Liquidation was entered on November 15, 2000. A member of the Illinois Insurance Exchange (a/k/a INEX), the company is owned by MARL III, a holding company.

The receivership proceedings have been adversarial, with Agora contesting the finding of insolvency and the Complaint for Liquidation. The

Order of Liquidation was entered over their objections, and the company's appeal is pending. Meanwhile, the liquidation proceedings have not been stayed and an Appeal Pendency Plan has been approved by the court.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to Agora claimants.

### *Alliance General Insurance Company*

An Agreed Order of Liquidation with a Finding of Insolvency was entered against Alliance General Insurance Company on January 7, 2000. This domestic property and casualty company is a wholly-owned subsidiary of Alliance Insurance Group, Inc.

The claims filing deadline was January 8, 2001, with a contingent claim date of January 9, 2002. A total of 9,956 proof of claim forms were mailed to potential claimants and 1,275 have been filed with the Liquidator.

### *Alpine Holding Company, a/k/a Transco Syndicate #1, Ltd.*

On March 18, 1999, Alpine Holding Company, a/k/a Transco Syndicate #1, Ltd. was placed under an Agreed Order of Conservation. Alpine Holding's subsidiary, Alpine Insurance Company, had been placed in Conservation on January 8, 1999. The ultimate parent of both entities is Exstar Financial Corporation.

Alpine Holding was a member of the Illinois Insurance Exchange (a/k/a INEX), but on Decem-

ber 31, 1996, it withdrew from the Exchange and its assets and liabilities were transferred to Alpine Insurance Company. The conservation expressly stays direct actions which name Alpine Holding as a party defendant and accords the Receiver the protection of Section 209 (8) of the Illinois Insurance Code with respect to any judgments which may be taken against insureds under policies issued by Alpine Holding.

### *Alpine Insurance Company*

On January 8, 1999, Alpine Insurance Company, a domestic property and casualty company, was placed under an Agreed Order of Conservation. The company's direct parent is Transco Syndicate #1, Ltd., while the ultimate parent is Exstar Financial Corporation. Transco, a former member of the Illinois Insurance Exchange (a/k/a INEX), was placed in conservation on March 18, 1999. On June 28, 2000, an Order of Liquidation with a Finding of Insolvency was entered against Alpine.

This receivership continues to be adversarial. In both the Circuit Court of Cook County and the Illinois Appellate Court, Alpine has lost in its attempts to seek review of both the liquidation order and an earlier order granting summary judgment in favor of the Director with respect to the illegality of Alpine's Proposed Plan of Rehabilitation. Alpine has now appealed these issues to the Illinois Supreme Court.

### *American Health Care Providers, Inc.*

An Order of Conservation was entered against American Health Care Providers, Inc. and its parent American Unified Life and Health Company on February 12, 2000, by the Circuit Court of Cook County, Illinois. After a series of hearings and the beginning of a trial, adversarial in nature, an Order of Liquidation with a Finding of Insolvency was issued on May 11, 2000. The company was incorporated on October 30, 1982, and certified as a Health Maintenance Organization (HMO) on Jan-

uary 13, 1984. American Health Care Providers is a wholly-owned subsidiary of American Unified Life and Health Company, which is in turn a wholly-owned subsidiary of the First American Group of Companies.

The claim filing deadline is November 12, 2001. A total of 7,912 proof of claim forms have been mailed to potential claimants and 55 have been filed with the Liquidator.

### *American Mutual Reinsurance Company*

American Mutual Reinsurance Company, a domestic mutual insurance company, consented to an Order of Rehabilitation issued by the Circuit Court of Cook County, Illinois, on February 22, 1988. The company operated exclusively as a professional reinsurer of risks written primarily by other mutual insurance companies since its inception in 1941. The company is owned by its reinsured treatyholders, many of which are also retrocessionaires in the company's reinsurance pool. The company has no direct policyholders.

The Rehabilitator's supervising court entered an order on September 6, 1988, approving the amended Plan of Rehabilitation for American Mutual Reinsurance Company. The amended plan contemplates the payment, in cash, of a fixed percentage of all outstanding claims presented in the ordinary course of business and payment of the remainder by interest bearing surplus drafts. The amended plan provides for progressive periodic increases to the cash portion of the payment formula and a corresponding redemption of the surplus drafts so that, ultimately, obligations may be paid 100% in cash.

The first payment under this amended plan was made on February 15, 1989. In 2000, American

Mutual Reinsurance Company made an additional four (4) distributions, bringing the total number of distributions under the amended plan to forty-eight (48). The payment formulas for distributions made under the amended plan are 37.50% cash and 62.50% surplus draft for 1989 and 1990 payments; 41.25% cash and 58.75% surplus draft for 1991 through 1993; 46.25% cash and 53.75% surplus draft for 1994 through 1996; and 49.25% cash and 50.75% surplus draft for 1997 through 2000 payments. The increased payment formula in 1991, 1994, and 1997 resulted in partial redemptions of the outstanding surplus drafts totaling \$15,055,322. Through 2000, American Mutual Reinsurance Company has settled over \$364 million of paid claim obligations pursuant to the Plan of Rehabilitation, \$222 million in cash and cash offsets, and the remaining \$142 million in surplus drafts.

An aggressive commutation period is now in progress. The intent is to reach amicable agreements with treatyholders to conclude the balance of their recoverables. At the conclusion of the commutation period, should all outstanding recoverables not be resolved, strong consideration will be given to fixing and settling those by applying for a Bar Date.

### *American Unified Life and Health Company*

This domestic life, accident and health company, along with its subsidiary, American Health Care Providers, Inc., was placed under an Order of Conservation by the Circuit Court of Cook County, Illinois, on February 2, 2000. An Agreed Order of Liquidation with a Finding of Insolvency was

entered against the company on June 27, 2000. American Unified is owned by the First American Group of Companies.

The claims filing deadline is December 27, 2001.

### *Associated Life Insurance Company*

Associated Life Insurance Company was placed under an Order of Conservation on July 29, 1988, by the Circuit Court of Cook County, Illinois. This domestic life, accident and health company was owned by United Diversified Corporation, an insurance holding company (now liquidated) which was controlled by Towers Diversified Corporation of New York City. The Director determined that the company was insolvent and on September 1, 1988, filed his Complaint for Liquidation with a Finding of Insolvency against Associated Life Insurance Company. After extended hearings, adversarial in nature,

an Agreed Order of Liquidation with a Finding of Insolvency was issued on March 3, 1989.

The claims filing date was March 3, 1990. Approximately 29,528 proof of claim forms were mailed, of which approximately 2,651 were filed with the Liquidator.

A 100% distribution was made at level A, in the amount of \$589,047. At level D a 9.66% distribution was made, in the amount of \$761,655. The estate was closed on December 7, 2000.

### *Back of the Yards Risk Management Association, Inc.*

The Association was organized in 1993, pursuant to the Illinois Workers Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers compensation loss exposures for selected members of the Back of the Yards Neighborhood Council, Inc. The Association was placed in conservation by a court order entered April 21, 1999. An Agreed Order of Rehabilitation was entered on December 20, 1999. The Association will be placed in liquidation in early 2001.

The Liquidator has issued contractual assessments to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation is proceeding in various Illinois State Courts to collect the assessments from many of the Association's members.

The State of Illinois also may issue statutory assessments against members of the Association, if necessary.

### *Centaur Insurance Company*

Centaur Insurance Company, a domestic property and casualty insurance company, consented to an Agreed Order of Rehabilitation issued by the Circuit Court of Cook County, Illinois, on September 4, 1987. The Rehabilitator's Revised Plan of Rehabilitation was entered by the Supervising Court on May 13, 1988, and subsequently approved on November 19, 1990. The company is a wholly-owned subsidiary of Borg-Warner Securities Corporation.

The Rehabilitator has paid \$53,331,037 in direct claims and related loss adjustment expenses.

On August 16, 1999, the Supervisory Court approved a plan for the Rehabilitator to pursue policy buy-backs with insureds. As such, the Reha-

bilitator reached agreement with 20 insureds for total settlements of \$12,076,099, resulting in a net savings to Centaur of \$20,102,432.

As part of the plan to wind down the rehabilitation proceedings, a Second Revised Plan of Rehabilitation was developed and approved in court. The court also entered a second order setting claim filing procedures and setting a claim filing deadline of March 30, 2001, with a deadline of October 1, 2001, for proving up contingent claims. Pursuant to the court's direction, 10,025 loss proof of claim forms and 174 reinsurance proofs were mailed. Notification letters were also sent to 18,167 policyholders and 662 reinsurers. Thus far, 461 proofs have been filed with the Rehabilitator.

### *Coronet Insurance Company*

On December 10, 1996, an Order of Conservation was obtained against Coronet Insurance Company, as well as two of its subsidiaries, Crown Casualty Company and National Assurance Indemnity Company. On December 24, 1996, Coronet was declared insolvent and an Agreed Order of Liquidation was entered. Coronet, a domestic property and casualty company, is a wholly-owned subsidiary of Normandy Insurance Agency, Inc. of Chicago.

The claim filing deadline was December 24, 1997, with a contingent claim date of December 24,

1998. A total of 104,889 proof of claim forms were mailed, of which 18,961 were filed with the Liquidator. Early access distributions of \$136,882 have been made to various guaranty funds, for both administrative expenses and claim benefits.

On December 8, 1998, the Liquidator filed a federal RICO complaint in the U.S.D.C. Northern District of Illinois, against certain former officers and directors of Coronet. Settlement agreements totaling \$5 million have been reached with five defendants and two additional parties.

### *Crown Casualty Company*

Crown Casualty, a domestic property and casualty company, and a member of the Coronet Insurance Group, was ordered into conservation on December 10, 1996. On January 31, 1997, an Order of Liquidation was entered. This was not an agreed order, but rather a non-contested default. Crown is a wholly-owned subsidiary of National Assurance Indemnity Company, which in turn is owned by Coronet Insurance Company. National Assurance and Coronet were also placed in conservation on December 10, 1996. Coronet was placed in liquida-

tion on December 24, 1996, while NAIC's liquidation date was January 3, 1997.

The claim filing deadline was February 2, 1998, with a contingent claim filing date of January 31, 1999. A total of 8,379 proof of claim forms were mailed, of which 1,021 were filed with the Liquidator. Early access distributions of \$56,242 have been made to the Illinois Guaranty Fund for administrative expenses.

### *Edison Insurance Company*

Edison Insurance Company, a domestic property and casualty company, was placed under an Order of Conservation on November 14, 1990. An Agreed Order of Liquidation with a Finding of Insolvency was subsequently issued on February 20, 1991. Edison is a wholly-owned subsidiary of Quantex Financial Corporation, a New Jersey financial holding corporation.

Approximately 32,278 proof of claim forms were mailed and 5,899 have been filed with the Liquidator. The claims filing deadline was February 20, 1992. The deadline for contingent claims was February 22, 1993. Early access distributions of \$7,090,360 have been made to various guaranty funds, for both administrative expenses and claim benefits.

### *Equity General Insurance Company*

Equity General Insurance Company, a domestic fire and casualty company, was placed under an Order of Conservation by the Circuit Court of Cook County, Illinois, on November 3, 1989. The company is a wholly-owned subsidiary of Vincent Nuccio Holding Company. On November 20, 1989, an Order of Liquidation with a Finding of Insolvency was entered against the company. This was not an agreed order, but rather a non-contested default.

The claims filing date was November 20, 1990. The contingent claims date was November 20, 1991. Approximately 12,621 proof of claim forms were mailed. Of those, 2,058 have been filed with the Liquidator. Early access distributions of \$8,303,301 have been made to various guaranty funds, for both administrative expenses and claim benefits.

### *First Oak Brook Corporation Syndicate*

First Oak Brook Corporation Syndicate was placed in conservation on September 20, 1996, at the request of the Board of Trustees of the Illinois Insurance Exchange (a/k/a INEX) and First Oak Brook. On November 12, 1996, the Cook County Circuit Court granted the Liquidator's petition for liquidation of this company, which is a member of INEX. This was not an agreed order, but rather a non-contested default. The Syndicate is a wholly-owned subsidiary of United Financial Holdings, Inc., an Illinois holding company, which in turn is owned by United Financial Group, Inc. of Illinois.

The claims filing deadline was November 12, 1997, with a contingent claim date of November 12, 1998. A total of 39,897 proof of claim forms were mailed, of which 11,618 were filed with the Liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to First Oak Brook claimants.

### *Geneva Assurance Syndicate, Incorporated*

An Order of Conservation was obtained against the Geneva Assurance Syndicate, Inc. on May 17, 1996. A member of the Illinois Insurance Exchange (a/k/a INEX), Geneva was placed into liquidation on July 11, 1996, by an Agreed Order of Liquidation. Geneva is a wholly-owned subsidiary of the United Southern Assurance Company (Melbourne, FL), currently in liquidation, and JBW and Company, Inc. (Concord, CA).

The claim filing deadline was July 11, 1997, with the contingent claim date being July 13, 1998. A total of 4,655 proof of claim forms were mailed, of which 1,737 were filed with the Liquidator.

A civil RICO complaint was filed against certain former directors, officers and affiliated companies. Settlements have been reached with all defendants.

The Liquidator is also involved in litigation with INEX which will determine the amount of funds available for distribution to the claimants of not only Geneva, but also the other syndicates in liquidation.

### *Heritage Insurance Company*

Heritage Insurance Company of America, a domestic property and casualty insurance company, was placed under an Agreed Order of Rehabilitation by a court order entered on September 16, 1985. It was a wholly-owned subsidiary of Greater Heritage Corporation. Following unsuccessful efforts to rehabilitate the company, the Circuit Court of Cook County, Illinois, issued an Agreed Order of Liquidation with a Finding of Insolvency on February 25, 1986.

The claims filing deadline was February 26, 1987, with the contingent claim date being February 26, 1988. A total of \$3.4 million was distributed, almost all of which was for the guaranty funds' administrative expenses. The estate was closed on March 14, 2000.

### *Illinois Earth Care Workers Compensation Trust*

The Trust was organized in December 1992, pursuant to the Illinois Workers Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers compensation loss exposures for selected members of the Land Improvement Contractors of America. The Trust was placed in conservation by a court order entered on August 19, 1999. By an agreed court order entered on October 21, 1999, the Trust was placed in rehabilitation. On October 26, 2000, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company.

The claim filing deadline is October 26, 2001, with the contingent claim date being October 28, 2002.

A combined lawsuit has been filed against the Directors and Officers for breach of fiduciary duties, negligence and mismanagement and against the former administrator, alleging negligence and mismanagement.

Contractual assessments have been issued by the Liquidator to all members of the Trust in order to fund the Trust's outstanding claim and policy obligations. Litigation has been required to collect the assessments from many of the Trust's members. That litigation is proceeding in various Illinois State Courts. The State of Illinois may also issue statutory assessments against members of the Trust, if necessary.

*Illinois Electrical Employers Workers Compensation Association, Inc.*

The Association was organized in 1995, pursuant to the Illinois Workers Compensation Act and Section 305 of the Illinois Insurance Code for the purpose of administering a program of group self-insurance for workers compensation loss exposures for selected members of the Professional Electrical Contractors Association of Chicago. The Association was placed in rehabilitation by an agreed court order entered on December 20, 1999. On November 3, 2000, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company.

The claim filing deadline is November 5, 2001, with the contingent claim date being November 4, 2002.

A settlement demand has been made on the Association's former administrator, as a part of a complaint alleging negligence and mismanagement. Negotiations are underway with the E&O carrier.

The Liquidator has issued contractual assessments to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation to collect the assessments from many of the Association's members is proceeding in various Illinois State Courts. The State of Illinois also may issue statutory assessments against members of the Association, if necessary.

*Illinois Environmental Service Workers Compensation Trust*

The Trust was organized in 1991, pursuant to the Illinois Workers Compensation Act and Section 305 of the Illinois Insurance Code, for the purpose of administering a program of group self-insurance for workers compensation loss exposures for selected members of the Illinois Association of Environmental Service Companies. The Trust was placed in conservation by a court order entered on July 31, 2000.

An assessment of the Trust's 211 pool members is planned for 2001. A settlement demand has been made on the Trust's former administrator, as part of a complaint alleging negligence and mismanagement. Negotiations are underway with the E&O carrier.

*Illinois Health Care Insurance Company*

This domestic life, accident and health company was placed under an Agreed Order of Liquidation with a Finding of Insolvency on June

30, 2000, by the Circuit Court of Cook County, Illinois. The claim filing deadline is December 28, 2001.

*Illinois Insurance Company*

An Agreed Order of Liquidation with Finding of Insolvency was obtained against Illinois Insurance Company on July 9, 1999. The domestic property and casualty company is owned by North American Holdings, Inc., which acquired the company from North American Warranty Services in 1994. They in turn had acquired the company as essentially a shell from the estate of Millers National Insurance Company, in Liquidation in 1993.

The claims filing deadline was July 10, 2000, with a contingent claim date of July 10, 2001. A total of 12,876 proof of claim forms were mailed to potential claimants and 591 have been filed.

### *Inland American Insurance Company*

On September 11, 1997, Inland American Insurance Company, a domestic property and casualty company, was placed under a Sequestered Order of Conservation. On September 19, 1997, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company in the Circuit Court of Cook County, Illinois. All outstanding shares of common stock are owned by Inland Investors, L.P., a limited partnership domiciled in Illinois.

The claims filing deadline was September 21, 1998, with a contingent claim date of September 19, 1999. A total of 4,485 proof of claim forms were mailed to potential claimants and 1,016 were filed with the Liquidator. Early access distributions of \$1,015,163 have been made to the Illinois Guaranty Fund for administrative expenses.

### *Inter-American Insurance Company of Illinois*

On December 23, 1991, an Agreed Order of Liquidation with a Finding of Insolvency was entered in the Circuit Court of Cook County against Inter-American Insurance Company of Illinois. The company is a wholly-owned subsidiary of the Beaven/Inter-American Companies, Inc., a Delaware holding company. Inter-American was a domestic life, accident and health insurer and had been under the control of the Illinois Director of Insurance since an Order of Conservation was entered on October 25, 1991.

The claims filing date was December 23, 1992. Approximately 38,221 proof of claim forms were mailed. To date, 10,837 have been filed. Early access distributions of \$27,774,931 have been made to various guaranty associations for both administrative expenses and claim benefits.

The Liquidator is working with the IRS to resolve the open tax issues in this estate. In addition, the Liquidator is pursuing arbitration and litigation against reinsurers over millions of dollars in potential recoveries.

### *Intercontinental Insurance Company*

On December 12, 1989, Intercontinental Insurance Company, a domestic property and casualty company, was placed under an Order of Conservation. On January 12, 1990, an Agreed Order of Liquidation with a Finding of Insolvency was entered against the company in the Circuit Court of Cook County, Illinois. Intercontinental Insurance Company is a wholly-owned subsidiary of Intercontinental Financial Group of North America.

The claims filing date was July 12, 1991, with the contingent claim date being July 13, 1994. Approximately 70,136 proof of claim forms were mailed. To date, 23,742 have been filed. Early access distributions of \$13,846,756 have been made to various guaranty funds for both administrative expenses and claim benefits.

### *Kenilworth Insurance Company*

Kenilworth Insurance Company was placed under an Agreed Order of Liquidation with a Finding of Insolvency in the Circuit Court of Cook County, Illinois, on April 20, 1982.

Approximately 106,080 proof of claim forms were mailed, of which 34,447 were filed with the

Liquidator. The final date for filing proof of claims with the Liquidator was April 30, 1983, with the requirement that contingent claims be liquidated by April 30, 1984. Early access distributions of \$3,250,542 have been made to various guaranty funds for administrative expenses.



### *Medcare HMO, Inc.*

An Order of Conservation was entered against Medcare HMO, Inc. on December 22, 1992, in the Circuit Court of Cook County, Illinois. Medcare was incorporated on November 16, 1984, and certified as a Health Maintenance Organization (HMO) on October 1, 1985.

On June 3, 1992, Medcare filed a voluntary petition for bankruptcy in the federal courts. The Illinois Director of Insurance moved to dismiss the bankruptcy action, but his motion was rejected. However, an appeal by the Director was upheld and on December 3, 1992, the bankruptcy action was dismissed. The Director then petitioned the

state court to seize control of Medcare, resulting in the Order of Conservation. Simultaneously, the Director petitioned the court for liquidation of Medcare. An Order of Liquidation was issued on January 4, 1993. This was not an agreed order, but rather a non-contested default.

Approximately 49,905 claim forms were mailed, of which 2,072 were filed with the Liquidator. The claims filings deadline was January 4, 1994. Early access distributions of \$7,162,415 have been made to the Illinois HMO Guaranty Association for both administrative expenses and claim benefits.

### *Merit Casualty Company*

Merit Casualty Company, a domestic property and casualty insurer, was placed under an Agreed Order of Rehabilitation on December 19, 1994.

The Plan of Rehabilitation contemplated running off existing business over a six-year period, and a new Merit Insurance Company was formed in order that the profits could be used to pay the claims of Merit Casualty Company.

On December 14, 1996, the court approved the Rehabilitator's Amended Plan of Rehabilitation. The Amended Plan contemplated, among other things, the sale, by Merit Casualty, of all the issued and outstanding common shares of Merit Insurance Company to Pembridge Insurance Services Corporation.

Based upon a subsequent examination of the claim liabilities of the company, the Rehabilitator determined that a successful rehabilitation of Merit Casualty was no longer feasible and that conditions existed that would justify a court order for the liquidation of Merit Casualty. An Agreed Order of Liquidation with a Finding of Insolvency was entered on April 1, 1997.

The claim filing deadline was April 1, 1998, with a contingent claim date of April 1, 1999. A total of 10,862 proof of claim forms were mailed, of which 1,661 were filed with the Liquidator. Early access distributions of \$2,186,307 have been made to various guaranty funds, for both administrative expenses and claim benefits.

### *Millers National Insurance Company*

An Order of Conservation was entered on May 17, 1990, against Millers National Insurance Company, a domestic fire, property and casualty company. An Agreed Order of Rehabilitation was entered against Millers on February 4, 1992. Subsequently, a petition for an Order of Liquidation was filed February 17, 1993, and an Agreed Order of Liquidation with a Finding of Insolvency was issued on May 11, 1993. Millers is owned by Forum Holdings, U.S.A., Inc., an insurance holding company which in turn is owned by The Group, Inc., of Concord, Massachusetts.

Both Forum Holdings, U.S.A., Inc., and The Group filed petitions under Chapter 11 of the U.S. Bankruptcy Code on June 15, 1990. Two companies affiliated with Millers through common ownership were placed into liquidation. They are Oil and Gas

Insurance Company (Ohio) and Petrosurance Casualty Company (Oklahoma). Subsequently, Petrosurance was sold to outside parties and taken out of liquidation. Furthermore, Millers' wholly-owned subsidiary, Illinois Insurance Company, was placed into conservation simultaneously with Millers, and subsequently sold.

The claim filing deadline was set for May 11, 1994. Approximately 5,930 proof of claim forms were mailed and 826 have been filed with the Liquidator. The contingent claims filing deadline was May 11, 1995. Early access distributions of \$7,344,080 have been made to various guaranty funds, for both administrative expenses and claim benefits. In addition, a partial policyholder level distribution of \$2,130,310.74 was made on September 22, 1999.

### *National Assurance Indemnity Company*

National Assurance Indemnity Company, a domestic property and casualty company and a member of the Coronet Insurance Group, was ordered into conservation on December 10, 1996. National Assurance is a wholly-owned subsidiary of Coronet Insurance Company, which was placed in liquidation on December 24, 1996. National Assurance's subsidiary, Crown Casualty, was also placed in conservation on December 10. On January 3 and January 31, 1997, respectively, National Assurance and Crown were placed in liquidation.

The liquidation orders were not agreed, but rather non-contested defaults.

The claim filing deadline was January 5, 1998, with a contingent claim date of January 5, 1999. A total of 8,505 proof of claim forms were mailed, of which 469 were filed with the Liquidator. Early access distributions of \$14,989 have been made to the Illinois Guaranty Fund for administrative expenses.

### *Optimum Insurance Company*

Optimum Insurance Company of Illinois, a domestic property and casualty insurance company, was placed in conservation by court order on December 28, 1984. Optimum was an affiliate of Ideal Mutual Insurance Company, an insurance corporation domiciled in the State of New York. Ideal Mutual Insurance Company was placed in rehabilitation by court order entered in New York on December 26, 1984, and into liquidation by court order entered on February 7, 1985.

On January 3, 1985, Optimum Insurance Company of Illinois was placed in rehabilitation by court order. Following unsuccessful efforts to rehabilitate

the company, the Circuit Court of Cook County, Illinois, issued a final Agreed Order of Liquidation with a Finding of Insolvency on May 5, 1986.

Approximately 12,524 proof of claim forms were mailed, of which 3,983 were filed with the Liquidator. The final date for filing proof of claim forms with the Liquidator was May 4, 1987, with the requirement that contingent claims be liquidated by December 29, 1989. Early access distributions of \$3,747,424 have been made to the Illinois Guaranty Fund for administrative expenses.

### *Pine Top Insurance Company*

Pine Top Insurance Company, a domestic property and casualty insurance company, its sole stockholder being Greyhound Corporation (Dial Corp), was placed in conservation by a court order entered on June 18, 1986. On June 23, 1986, Pine Top Insurance Company was placed in rehabilitation by court order. Following unsuccessful efforts to rehabilitate the company, the Circuit Court of Cook County, Illinois, issued a final Agreed Order of Liquidation with a Finding of Insolvency on January 16, 1987.

Approximately 105,080 proof of claim forms were mailed, of which 21,703 have been filed with

the Liquidator. The final date for filing proof of claims with the Liquidator was January 17, 1989. The contingent claims liquidation date was extended to January 17, 1992. Early access distributions of \$3,193,491 have been made to various guaranty funds for administrative expenses and claim benefits.

Beginning in 1996 a 50% partial policyholder distribution of approximately \$13 million was made. A second 50% distribution was made on December 30, 1999, in the amount of \$13,415,677.55.

### *Prestige Casualty Company*

An Order of Liquidation with a Finding of Insolvency was entered against Prestige Casualty Company on July 26, 1994, in the Circuit Court of Cook County, Illinois. Prestige had previously been under a Sequestered Order of Conservation since April 18, 1994. The liquidation proceedings were adversarial. Prestige, a domestic property and casualty company, is a wholly-owned subsidiary of Comet Motor Club, Inc., which in turn is a wholly-owned subsidiary of the Hallmark Holding Group.

A total of 50,291 proof of claim forms were mailed and 10,018 have been filed with the Liquidator. The claims filing deadline was July 26, 1995, and the contingent claim filing deadline was July 26, 1996. Early access distributions of \$7,390,105 have been made to various guaranty funds for administrative expenses.

### *RCA Syndicate #1, Ltd.*

An Order of Conservation was obtained against RCA Syndicate #1, Ltd. on May 1, 2000. An Order of Liquidation with a Finding of Insolvency was entered on June 5, 2000. A member of the Illinois Insurance Exchange (a/k/a INEX), RCA is a wholly-owned subsidiary of L&W Holdings, Inc., a Nevada domiciled insurance holding company.

The claims filing deadline is June 5, 2001. A total of 638 proof of claim forms were mailed to

potential claimants and 41 have been filed with the Liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to RCA claimants.

### *Resure, Inc.*

Resure Inc. was placed in conservation on February 18, 1997. On February 27, 1997, the Cook County Circuit Court issued an Agreed Order of Liquidation with a Finding of Insolvency, for this company, which is a member of the Illinois Insurance Exchange (a/k/a INEX). Resure is owned by Talon Re Holdings, Inc., which acquired its ownership on December 31, 1993, through a merger with the former owner, Talon Re, Inc.

The claims filing deadline was February 27, 1998, with a contingent claim date of March 1, 1999. A total of 22,120 proof of claim forms were mailed, of which 4,791 were filed with the Liquidator.

The outcome of the litigation referenced in the "Geneva Assurance Syndicate" section of this report will be an important factor in determining the amount of funds available for distribution to Resure claimants.

### *River Forest Insurance Company*

An Order of Conservation was issued against River Forest Insurance Company on December 16, 1993, by the Circuit Court of Cook County, Illinois. Subsequently, an Agreed Order of Liquidation with a Finding of Insolvency was issued on March 18, 1994. River Forest, a domestic property and casualty company, is a wholly-owned subsidiary of NISA Corporation.

The claims filing deadline was March 20, 1995. The contingent claims deadline was March 20, 1996. Thus far, 31,627 proof of claim forms were mailed and 4,530 have been filed with the Liquidator. An early access distribution of \$650,000 has been made to the Illinois Guaranty Fund for administrative expenses.

### *Security Casualty Company*

Security Casualty Company, a domestic property and casualty insurance company, was placed under an Order of Rehabilitation by court order entered on August 17, 1981. Extensive efforts were made to rehabilitate Security Casualty through the transfer of the company's various books of business to new carriers and through the investment of new assets. The company's in-force business in Florida was sold to Wausau Underwriters of St. Louis in November 1981. The company's Canadian book of business was also sold.

On December 4, 1981, the Circuit Court of Cook County, Illinois, issued an Order of Liquidation

with a Finding of Insolvency. The Illinois Appellate Court affirmed the Order in December 1982. At the conclusion of this adversarial proceeding, a petition filed with the Illinois Supreme Court for leave to appeal the liquidation order was denied on May 31, 1982, and a mandate was issued on June 21, 1983.

A 100% distribution was made at levels A and D. The level A distribution was \$5,086,809, while the amount for level D was \$14,976,087. At level G, a 6.8% distribution was made for \$3,130,607. The estate was closed on December 20, 2000.

### *State Security Insurance Company*

On April 29, 1993, a sequestered Order of Conservation was entered in the Circuit Court of Cook County, Illinois, against State Security Insurance Company, a domestic property and casualty company. State Security is a wholly-owned subsidiary of W.F. Financial Corporation, an Illinois insurance holding company. On June 16, 1993, an Agreed Order of Liquidation with a Finding of Insolvency was entered against State Security.

The claims filing date was July 16, 1994, and the contingent claim filing deadline was July 16, 1995. A total of 47,120 proofs of claim were mailed and 5,176 have been filed with the Liquidator. Early access distributions of \$750,000 have been made to various guaranty funds for administrative expenses.

### *Supreme Life Insurance Company*

Supreme Life Insurance Company, a domestic life and accident and health insurance company, was placed under an Agreed Order of Liquidation with a Finding of Insolvency by Order of the Circuit Court of Cook County, Illinois, on July 12, 1995. In 1991, the company bulk reinsured the large majority of its life business with United Life Insurance Company and terminated its group health business. Therefore, at the time of liquidation there were not many active policies.

A 100% distribution was made at levels A and B. The level A distribution was \$231,785, while the amount for level B was \$86,905. At level D a 24.62% distribution was made for \$27,137. The estate closed on May 12, 2000.

### *United Equitable Life Insurance Company*

United Equitable Life Insurance Company was placed under an Order of Rehabilitation entered on August 8, 1990. Following an adversarial liquidation proceeding, the company was placed in liquidation on December 20, 1991, by an order of the Circuit Court of Cook County, Illinois. United Equitable Life, a domestic life and accident and health company, is owned by United Equitable Corporation Stockholders Liquidating Trust (succe-

sor to United Equitable Corporation, a Delaware corporation which was dissolved in 1986).

A 100% level A distribution was made to the guaranty associations in the amount of \$877,799. A 37.60% distribution was made at level D in the amount of \$6,421,138. The estate closed on December 14, 2000.

*United Fire Insurance Company*

United Fire Insurance Company, a domestic property and casualty and accident and health insurer, was placed in conservation on July 29, 1988, by order of the Circuit Court of Cook County, Illinois. It was owned by United Diversified Corporation, an insurance holding company which was controlled by Towers Diversified Corporation of New York City. The Director determined that the company was insolvent and on September 1, 1988, filed his Complaint for Liquidation. After extended hearings, an Order of Liquidation with a Finding of Insolvency was issued on March 3, 1989, for both United Fire and its parent, Associated Life Insurance Company.

The claims filing date was extended to December 30, 1990. The contingent claims date for the property and casualty business was December 21, 1991.

Approximately 41,753 proof of claim forms were mailed, of which approximately 6,069 were filed with the Liquidator. Early access distributions of \$5,810,345 have been made to various guaranty funds and associations for administrative expenses and claim benefits.

In 1992, a settlement was reached in favor of United Fire in a suit against certain former officers and directors of the company including allegations of violations of the Racketeer Influenced and Corrupt Organization Act and dissipation of company funds. The former controlling person of these companies, as well as Towers, has since been incarcerated in federal prison, in part as a result of this insolvency.

*Closed Companies*

	<b>Conservation (C) Liquidation (L) Ancillary Receivership (A)</b>	<b>Dismissal Date</b>	<b>Destruction of Records Date</b>
Amalgamated Labor Life Insurance Company	07/05/89 (L)	12/29/99	Dec. 2002
American Association of Trauma Specialists	12/01/80 (L)	10/27/86	Feb. 1995
American Mutual Liability Insurance Co.	03/09/89 (A)	05/18/93	No Company Records
American United Casualty Company, Inc.	12/09/94 (L)	12/09/93	(N/A)
Associated Life Insurance Company	03/03/89 (L)	12/07/00	Dec. 2001
Cadillac Insurance Company	01/02/90 (A)	10/29/96	No Company Records
Chicago Care, Inc.	04/08/87 (L)	12/27/89	Nov. 1995
Complete Health Care Corp.	11/05/90 (L)	11/15/97	June 1999
Continental Fire/First Chicago Group	10/26/94 (L)	03/14/95	Oct. 1999
Cooperative Health Plan	03/29/89 (L)	08/24/94	June 1999
Equity Funding Life Ins. Co.	10/10/74 (L)	10/12/87	No Company Records
Fidelity General Insurance Company	12/04/70 (L)	12/14/89	Feb. 1995

	<b>Conservation (C) Liquidation (L) Ancillary Receivership (A)</b>	<b>Dismissal Date</b>	<b>Destruction of Records Date</b>
Georgetown Life Insurance Company	11/05/90 (L)	11/15/97	June 1999
Globe Indemnity	01/27/95 (L)	12/09/97	Dec. 2000
Health Plan of Central Illinois	03/22/91 (L)	08/06/98	Aug. 2001
Heartland Casualty Company	01/24/91 (L)	03/30/95	May 1999
Heritage Insurance Company	02/25/86 (L)	3/24/00	March 2003
Homeowners Insurance Co.	04/07/71 (L)	04/24/89	Feb. 1995
Ideal Mutual Insurance Co.	02/07/85 (A)	11/24/93	No Company Records
Industrial Fire and Casualty Co.	03/06/91 (L)	12/03/97	Dec. 2000
Inex Insurance Services	02/08/94 (L)	08/02/95	Aug. 1998
Iowa State Travelers Mutual Assurance Company	02/23/83 (A)	05/21/91	No Company Records
LaSalle National Insurance Co.	04/08/71 (L)	10/12/90	Feb. 1995
Life Assurance Company of Pennsylvania	05/09/91 (A)	07/06/95	No Company Records
Main Insurance Company	06/22/82 (L)	12/30/86	Dec. 1994
Market Insurance Company	12/16/80 (L)	06/06/95	Oct. 1999
Mid-American Insurance Company	02/29/96 (L)	06/01/97	Dec. 2000
Mile Square Health Plan of IL	01/25/89 (L)	09/01/93	Nov. 1996
Missouri General Insurance Co.	09/12/75 (L)	02/25/82	March 1995
Modern Life Insurance	08/03/83 (L)	12/31/86	Nov. 1995
Multicare HMO	06/19/91 (L)	06/10/96	Jan. 2000
Multi-State Insurance Exchange	09/11/64 (L)	12/17/81	March 1995
National Health Care Trust	02/09/82 (L)	09/02/93	Nov. 1996
National Investors Life Ins. Co.	09/28/83 (A)	02/27/90	No Company Records
North American/Commercial Inland	09/23/93 (L)	05/19/97	May 2000
Patriot Life Insurance Company	08/23/89 (L)	06/19/95	June 1999

	<b>Conservation (C) Liquidation (L) Ancillary Receivership (A)</b>	<b>Dismissal Date</b>	<b>Destruction of Records Date</b>
Penta-Plan/Share	02/03/88 (L)	02/11/92	June 1999
Progressive General Insurance Company	03/20/68 (L)	03/26/81	March 1995
Provident Insurance Company	01/09/91 (L)	12/28/94	June 1999
Prudence Mutual Casualty Company	02/07/70 (L)	05/21/91	Feb. 1995
Reserve Insurance Company	05/29/79 (L)	10/20/98	March 2000
Security Casualty Company	12/04/81 (L)	12/20/00	Dec. 2001
Standard Burial Insurance Assoc.	06/10/87 (L)	11/11/91	(N/A)
Supreme Life Insurance Company	07/12/95 (L)	05/12/00	May 2001
Total Health Care, Inc.	06/06/88 (L)	09/14/93	Nov. 1996
Trans-Pacific Insurance Company	10/13/94 (A)	02/27/97	No Company Records
United Diversified Corporation	06/08/92 (L)	08/10/98	Aug. 2001
United Equitable Life Ins. Co.	12/20/91 (L)	12/14/00	Dec. 2001
United Savings Life Ins. Co.	08/27/86 (L)	12/28/88	Nov. 1995
Unity HMO	10/04/91 (L)	12/20/94	Feb. 1999
University Life Insurance Company	09/23/83 (L)	08/23/89	No Company Records
Yorktown Indemnity Company	02/07/89 (L)	09/29/95	June 1999

The transactions Summary of Cash and Invested Assets represent cash and invested assets of companies in receivership during the calendar year ending December 31, 2000. These tabular listings are presented in accordance with the methods of accounting employed by the Office of the Special Deputy Receiv-

er and are not in accordance with Generally Accepted Accounting Principals (GAAP). Special reports, audited in accordance with Generally Accepted Audited Standards (GAAS), are issued separately annually, as provided by Article XIII of the Illinois Insurance Code.

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