

Office of the Special Deputy

The Director of Insurance as statutory Conservator, Rehabilitator, or Liquidator of companies subject to the provisions of Articles XIII and XIII ½ 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 to ascertain the condition and situation of the company.
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 which 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 distribution of assets as soon as possible to policyholders and other creditors.

For Illinois domiciled or licensed insurers placed into Liquidation, the Illinois Insurance Guaranty Fund, the Illinois Life and Health Insurance 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.

Listed below is a brief report of each active company as of December 31, 2003. Following these reports is a combined statement of cash receipts and disbursements for each company.

AAI Syndicate #1, Ltd.

An Order of Conservation 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 3,351 claims have been filed with the Liquidator.

The litigation referenced in the "Geneva Assurance Syndicate" section of this report is now resolved. On November 16, 2003, the court entered an order approving the INEX Plan of Distribution. Therefore, the Guaranty Fund's assets are available for distribution on a pro rata basis to the policyholders of all syndicate insolvencies who have covered claims under the Guaranty Fund's plan of operation. Distribution will be made when all other open estate issues are at or near completion.

Agora Syndicate, Inc.

An Order of Conservation 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 were adversarial, with Agora contesting the finding of insolvency and the Complaint for Liquidation. The Order of Liquidation was entered over their objections. The company lost both their appeal to the Illinois Appellate Court and their petition for rehearing. Subsequently, their petition for leave to appeal to the Illinois Supreme Court was denied.

The claims filing deadline was November 15, 2001, with a contingent claim date of November 15, 2002. A total of 634 claims have been filed with the Liquidator.

The litigation referenced in the "Geneva Assurance Syndicate" section of this report is now resolved. On November 16, 2003, the court entered an order approving the INEX Plan of Distribution. The Guaranty Fund's assets are available for distribution on a pro rata basis to the policyholders of all syndicate insolvencies who have covered claims under the Guaranty Fund's plan of operation. Distribution will be made when all other open estate issues are at or near completion.

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 3,697 claims have been filed with the Liquidator.

In July of 2001, the Liquidator filed a complaint in the Circuit Court of Cook County against certain former officers, directors and owners of Alliance, as well as the outside auditors, alleging fraud and negligence. The Liquidator and the defendants are now participating in a court ordered mediation, in an effort to reach a settlement. A final settlement was reached with one of the defendants for \$2,750,000.

Early access distributions totaling \$605,875 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

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 December 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.

This conservation was terminated on May 3, 2003.

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 was adversarial. In both the Circuit Court of Cook County and the Illinois Appellate Court, Alpine 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. These issues were appealed by Alpine to the Illinois Supreme Court. On April 4, 2001, the court denied the petition for leave to appeal filed by Alpine's former management.

The claim filing deadline is May 6, 2002, with a contingent claim date of May 6, 2003. A total of 1,294 claims have been filed with the Liquidator. Early access distributions totaling \$71,535 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

A complaint was filed in the United States District Court, Northern District of Illinois, alleging RICO violations, breach of fiduciary duty and conversion. This matter was resolved in 2003 and the estate received \$1.45 million in the settlement.

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, 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 January 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 was November 12, 2001. A total of 3,943 claims have been filed with the Liquidator. Early access distributions totaling \$1,562,768 have been made to the Illinois HMO Guaranty Association for administrative expenses.

A complaint was filed by the Liquidator against the owners of the company alleging breach of fiduciary duty, mismanagement and conversion. A settlement was reached for \$3,000,000, which was divided between the estate and a secured creditor.

American Horizon Insurance Company

American Horizon Insurance Company, a domestic property and casualty insurer, was placed in Liquidation on July 11, 2002. American Horizon is a wholly owned subsidiary of American Holdings Incorporated, a Delaware domiciled insurance company.

The claim filing deadline is July 11, 2003, and the contingent claim date is July 12, 2004. A total of 2,514 claims have been filed with the Liquidator. Early access distributions totaling \$450,000 have been made to various Guaranty Funds for administrative expenses.

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 supervising court entered an order on September 6, 1988, approving the Amended Plan of Rehabilitation for American Mutual Reinsurance Company. The Amended Plan contemplated 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 provided for progressive periodic increases to the cash portion of the payment formula and a corresponding redemption of the surplus drafts.

The first payment under this Amended Plan was made on February 15, 1989. Through 2003, 60 distributions have been made totaling \$255 million in cash and cash offsets, and the remaining \$172 million in surplus drafts.

Consistent with favorable experience to date, the Rehabilitator determined it was in the best interest of all concerned to accelerate the claims and adjudication process and wind up the estate. On December 21, 2001, the Supervisory Court entered an order approving the Second Amended Plan of Rehabilitation for American Mutual Reinsurance Company. The Rehabilitator shall continue making quarterly distributions from general assets on allowed claims pursuant to the formula for payment (presently, 49.25% cash and 50.75% surplus draft), and to issue quarterly billings as was done under the First Amended Plan.

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 was December 27, 2001. A total of 2,481 claims have been filed with the Liquidator. Early access distributions totaling \$181,073 have been made to the Illinois Life and Health Insurance Guaranty Association for administrative expenses.

Associated Physicians Insurance Company

An Agreed Order of Liquidation with a Finding of Insolvency was entered against Associated Physicians Insurance Company on August 16, 2001. This domestic property and casualty company is a wholly-owned subsidiary of Associated Physicians Capital, Incorporated.

The claim filing deadline was January 6, 2003, with a contingent claim date of January 6, 2004. A total of 30 claims have been filed with the Liquidator. Early access distributions totaling \$191,484 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

Back of the Yards Risk Management Association, Inc.

The Association was organized in 1993, pursuant to the State of 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. On January 22, 2001, the Association was placed in Liquidation.

The claim filing deadline was January 22, 2002, with a contingent claim date of January 22, 2003. A total of 338 claims have been filed with the Liquidator.

Contractual assessments have been issued by the Liquidator to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation has been required to collect the assessments from many of the Association's members. That litigation is proceeding in various Illinois state courts.

The State of Illinois has also issued a statutory assessment against members of the Association.

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. At the time of its rehabilitation, the company was 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. The plan is completed; an agreement was reached with 20 insureds for total settlements of \$12,076,099. This resulted 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 approved by the court on December 8, 2000. 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. A total of 12,350 proof-of-claim forms were mailed and 1,987 were timely filed with the Liquidator. The claim filing and update deadline have passed. The resolution of objections and adjudication of claims is ongoing.

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 18,621 claims were filed with the Liquidator. Distributions totaling \$2,574,999 have been made to the various Guaranty Funds for reimbursement of administrative expenses.

On December 8, 1998, the Liquidator filed a federal RICO complaint in the United States District Court, Northern District of Illinois against certain former officers and directors of Coronet. Settlement agreements totaling \$5.2 million have been reached with five defendants and two additional non-parties. Various settlement negotiations with core defendants took place over a period of years without resolution. A settlement has recently been reached; final documents are being prepared for court approval.

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 Liquidation on December 24, 1996, while National Assurance Indemnity Company'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 1,007 claims were filed with the Liquidator. Early access distributions of \$56,242 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

Delta Casualty Company

This domestic property and casualty company was placed under an Order of Liquidation with a Finding of Insolvency on December 4, 2001, by the Circuit Court of Cook County, Illinois.

The claim filing deadline was December 4, 2002, with a contingent claim date of December 4, 2003. A total of 2,109 claims have been filed with the Liquidator. An early access distribution totaling \$316,122 has been made to the Illinois Insurance Guaranty Fund for administrative expenses.

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 Circuit Court of Cook County, Illinois, 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 11,129 claims were filed with the Liquidator.

The litigation referenced in the "Geneva Assurance Syndicate" section of this report is now resolved. On November 16, 2003, the court entered an order approving the INEX Plan of Distribution. Therefore, the Guaranty Fund's assets are available for distribution on a pro rata basis to the policyholders of all syndicate insolvencies who have covered claims under the Guaranty Fund's plan of operation. Distribution will be made when all other open estate issues are at or near completion.

Gallant Insurance Company

On February 25, 2002, an Order of Conservation was entered against Gallant Insurance Company and its subsidiary, Valor Insurance Company, both being domestic property and casualty companies. Gallant is a wholly-owned subsidiary of J and P Holdings Incorporated and a member of the Warrior Insurance Group.

The Director's motion for judgement on the pleadings was granted by the Circuit Court on August 7, 2002, based upon a duly authorized consent to Liquidation executed by Gallant's Board of Directors, which the owner subsequently refused to honor. However, the court declined to enter a Finding of Insolvency on the motion because of disputed fact issues. An Order of Liquidation against Valor and Gallant was entered by the Circuit Court of Cook County, Illinois, on August 9, 2002, subject to a fourteen-day stay until August 23, 2002. The Order of Liquidation was appealed. Pursuant to a settlement agreement, the Court entered a Finding of Insolvency on March 14, 2003, and the appeal of the Order of Liquidation was dismissed, which triggered the applicable state insurance Guaranty Funds.

The claim filing deadline was February 23, 2004, with the contingent claim date being August 23, 2004. A total of 3,653 claims were filed with the Liquidator.

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 2,022 claims 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 had also been involved in litigation with the INEX Guaranty Fund to determine the amount of funds available for distribution to the claimants of not only Geneva, but also the other syndicates in liquidation. This matter was resolved pending the court's approval of a proposed plan of distribution of the INEX Guaranty Fund's available assets. On November 16, 2003, the court entered an order approving the plan. Therefore, the Guaranty Fund's assets are available for distribution on a pro rata basis to the policyholders of all syndicate insolvencies who have covered claims under the Guaranty Fund's plan of operation. Distribution will be made when all other open estate issues are at or near completion.

Illinois Earth Care Workers Compensation Trust

The Trust was organized in December 1992, pursuant to the State of 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 was October 26, 2001, with the contingent claim date being October 28, 2002. A total of 755 claims have been filed with the Liquidator.

A 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. Settlements of the claims in the underlying case have been reached, subject to the availability of insurance coverage. Both the D&O and E&O insurance carriers have declined coverage and the question of the availability of coverage is in litigation.

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 has also issued statutory assessments against members of the Trust.

Illinois Electrical Employers Workers Compensation Association, Inc.

The Association was organized in 1995, pursuant to the State of 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 was November 5, 2001, with the contingent claim date being November 4, 2002. A total of 109 claims have been filed with the Liquidator.

A lawsuit has been filed against the former administrator alleging negligence and mismanagement. A settlement has been reached subject to the availability of insurance coverage. The E&O insurance carrier has declined coverage and the question of availability of the coverage is in litigation.

Contractual assessments have been issued by the Liquidator to all members of the Association in order to fund the Association's outstanding claim and policy obligations. Litigation has been required to collect the assessments from many of the Association's members. That litigation is proceeding in various Illinois state courts.

Illinois Environmental Service Workers Compensation Trust

The Trust was organized in 1991, pursuant to the State of 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. On March 22, 2001, an Order of Liquidation was entered.

The claim deadline was March 22, 2002, with the contingent claim date being March 24, 2003. A total of 327 claims have been filed with the Liquidator. A lawsuit has been filed against the former administrator alleging negligence and mismanagement. A settlement has been reached, subject to the availability of insurance coverage. The E&O insurance carrier has declined coverage and the question of the availability of coverage is in litigation.

Contractual assessments have been issued by the Liquidator 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. The litigation is proceeding in many Illinois state courts.

Illinois Healthcare 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 was December 28, 2001. A total of 6,142 claims have been filed with the Liquidator. Early access distributions totaling \$1,930,181 have been made to various Life and Health Guaranty Associations for both administrative expenses and claim benefits.

Illinois Insurance Company

An Agreed Order of Liquidation with Finding of Insolvency was obtained against Illinois Insurance Company on July 9, 1999. The company, a domestic property and casualty company, is owned by North American Holdings, Inc., which acquired the company from North American Warranty Services in 1994, who 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 641 claims have been filed with the Liquidator. Early access distributions totaling \$1,155,378 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

Inland American Insurance Company

On September 11, 1997, Inland American Insurance Company, a domestic property and casualty company, was placed under an 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 1,443 claims were filed with the Liquidator. Early access distributions of \$1,522,278 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, Illinois, 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 and the State of Illinois since an Order of Conservation was entered on October 25, 1991.

A 100% class A distribution was made in an amount of \$4,855,744. At class D, the Guaranty associations received a 31.2785% distribution of \$43,550,660. The class D distribution to policyholders not covered by Guaranty Associations was 35.0526% in the amount of \$21,948,184. The estate was closed on September 6, 2003.

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. A total of 70,125 proof-of-claim forms were mailed, of which 23,131 have been filed with the Liquidator. Early access distributions of \$13,866,688 have been made to various guaranty funds for both administrative expenses and claim benefits.

Legion Indemnity Company

Legion Indemnity Company, a domestic property and casualty insurer, was placed in Conservation on April 3, 2002. Legion Indemnity is a wholly-owned subsidiary of Legion Financial Corporation, which in turn is owned by Mutual Group, Ltd., of Delaware. The ultimate holding company for all of the insurance operations is Mutual Risk Management, Ltd., a Bermuda corporation.

This was a contested receivership proceeding. After one year of court proceedings, the company was placed in Liquidation on April 9, 2003.

The claim filing deadline is October 11, 2004, with a contingent date of April 10, 2006. A total of 770 claims have been filed with the Liquidator. Early access distributions totaling \$194,907 have been made to the Illinois Insurance Guaranty Fund 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.

A total of 2,064 claims were filed with the Liquidator. The claims filing 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 of Merit Casualty over a six-year period. To this end, a new Merit Insurance Company was formed. The profits of this company were being 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 1,500 claims were filed with the Liquidator. Early access distributions of \$2,496,247 have been made to various Guaranty funds for both administrative expenses and claim benefits.

Millers National Insurance Company

An Order of Conservation was entered against Millers National Insurance Company on May 17, 1990. An Agreed Order of Rehabilitation was entered against Millers, a domestic fire, property and casualty company, on February 4, 1992. Subsequently, a petition for an Order of Liquidation was filed February 17, 1993. 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 (OH) and Petrosurance Casualty Company (OK). Subsequently, Petrosurance was sold to outside parties and taken out of Liquidation. Millers' wholly-owned subsidiary, Illinois Insurance Company, was placed into Conservation simultaneously with Millers, and subsequently sold.

A 100% distribution was made at class A in the amount of \$2,102,048. At class D, \$7,585,181 was paid out, also a 100% distribution. In addition, class E was paid at 100% in the amount of \$25,000. Class G was paid at 58.3410% in the amount of \$7,459,421. The estate was closed on November 12, 2003.

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, 1996. 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 claims filing deadline was January 5, 1998, with a contingent claim date of January 5, 1999. A total of 444 claims were filed with the Liquidator. Early access distributions of \$14,989 have been made to the Illinois Guaranty Fund for administrative expenses.

Oak Casualty Insurance Company

Oak Casualty Insurance Company, a domestic property and casualty insurance company, was placed into Liquidation on November 19, 2002. Oak Casualty is a wholly-owned subsidiary of Preferred Casualty Holdings, Inc., a privately held Illinois holding company.

The claim filing deadline was November 19, 2002, with a contingent claim date of November 19, 2004. A total of 4,655 claims were filed with the Liquidator.

Optimum Insurance Company

Optimum Insurance Company of Illinois, a domestic property and casualty insurance company, was placed into 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 the State of New York on December 26, 1984, and was placed 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.

Class A was paid at 100%, in the amount of \$5,227,296. Class D was paid at 7.4384%, in the amount of \$1,548,740. The estate was closed on November 19, 2003.

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 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.

A total of 21,988 claims 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 \$3,245,260 have been made to various Guaranty Funds for administrative expenses and claim benefits.

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. On June 30, 2003, a 100% level E distribution was made in the amount of \$18,910,705.33.

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 an 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 10,105 claims have been filed with the Liquidator. The claims filing deadline was July 26, 1995, and the contingent claims filing deadline was July 26, 1996. Early access distributions of \$10,802,726 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 was June 5, 2001. A total of 220 claims have been filed with the Liquidator.

The litigation referenced in the "Geneva Assurance Syndicate" section of this report is now resolved. On November 16, 2003, the court entered an order approving the INEX Plan of Distribution. Therefore, the Guaranty Fund's assets are available for distribution on a pro rata basis to the policyholders of all syndicate insolvencies who have covered claims under the Guaranty Fund's plan of operation. Distribution will be made when all other estate issues are at or near completion.

State Security Insurance Company

On April 29, 1993, an 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 claims filing deadline was July 16, 1995. A total of 5,176 claims have been filed with the Liquidator. Early access distributions of \$850,000 have been made to various guaranty funds for administrative expenses.

United Capitol Insurance Company

United Capitol Insurance Company, a domestic property and casualty insurer, was placed in Liquidation on November 14, 2001. United Capitol is a wholly-owned subsidiary of United Capitol Holding Company, Incorporated, a Delaware insurance holding corporation, which in turn is wholly-owned by Frontier Insurance Company of Rock Hill, New York. Frontier was placed into Rehabilitation by the New York Department of Insurance on August 27, 2001. Both companies are members of Frontier Insurance Group.

The claims filing deadline was November 14, 2002, and the contingent claim date was November 14, 2003. A total of 3,155 claims have been filed with the Liquidator. Early access distributions have been made to various guaranty funds totaling \$448,096 for administrative expenses.

A complaint against the former directors and officers of the company has been filed alleging breach of fiduciary duty and reckless mismanagement. Discovery is ongoing.

Valor Insurance Company

On February 25, 2002, an Order of Conservation was entered against Valor Insurance Company and its parent, Gallant Insurance Company, both being domestic property and casualty companies. Valor is a wholly-owned subsidiary of Gallant, which in turn is owned by J and P Holdings. Valor is a member of the Warrior Insurance Group.

The Director's motion for judgement on the pleadings was granted by the Circuit Court of Cook County, Illinois, on August 7, 2002, based upon a duly authorized consent to liquidation executed by Gallant's Board of Directors, which the owner subsequently refused to honor. However, the court declined to enter a Finding of Insolvency on the motion because of the disputed fact issues. An Order of Liquidation against Valor and Gallant was entered by the Circuit Court of Cook County, Illinois, on August 9, 2002, subject to a fourteen-day stay until August 23, 2002. The Order of Liquidation was appealed. Pursuant to a settlement agreement, the Court entered a finding of insolvency on March 14, 2003, and the appeal of the Order of Liquidation was dismissed, which triggered the applicable state insurance guaranty funds.

The claim filing deadline is February 23, 2004, with the contingent claim date being August 23, 2004. A total of 4,671 claims have been filed with the Liquidator.

Western Specialty Insurance Company

Western Specialty Insurance Company, a domestic property and casualty insurer, was placed in Liquidation on May 6, 2002. Western Specialty is a wholly-owned subsidiary of Western Holdings Incorporated.

The claim filing deadline is May 6, 2003, with a contingent claim date of May 6, 2004. A total of 1,878 claims were filed with the Liquidator. Early access distributions totaling \$377,413 have been made to various guaranty funds for administrative expenses.

Closed Companies

	Conservation (C), Liquidation (L), or Ancillary Receivership (A)	Dismissal Date	Destruction of Records Date
Amalgamated Labor Life Ins. Co.	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 Ins. Co.	03/09/89 (A)	05/18/93	No Company Records
American United Casualty Co., 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
Edison Insurance Company	02/20/91 (L)	02/23/02	Feb., 2004
Equity Funding Life Ins. Co.	10/10/74 (L)	10/12/87	No Company Records
Equity General Insurance Co.	11/20/89 (L)	12/12/02	Feb., 2004
Fidelity General Insurance Co.	12/04/70 (L)	12/14/89	Feb., 1995
Georgetown Life Insurance Co.	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)	03/14/00	Mar., 2003
Homeowners Insurance Company	04/07/71 (L)	04/24/89	Feb., 1995
Ideal Mutual Insurance Company	02/07/85 (A)	11/24/93	No Company Records
Industrial Fire and Casualty Co.	03/06/91 (L)	12/03/97	Dec., 2000
Inter-American Insurance Company of Illinois	12/31/91 (L)	09/16/03	Sept., 2006
Iowa State Travelers Mutual Assurance Company	02/23/83 (A)	05/21/91	No Company Records
Kenilworth Insurance Company	04/20/82 (L)	02/07/01	March, 2002
LaSalle Nat'l Insurance Company	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

	Conservation (C), Liquidation (L), or Ancillary Receivership (A)	Dismissal Date	Destruction of Records Date
Mile Square Health Plan of IL	01/25/89 (L)	09/01/93	Nov., 1996
Millers National Insurance Co.	05/11/93 (L)	11/12/03	Nov., 2004
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
Optimum Insurance Company of IL	05/05/86 (L)	11/19/03	Nov., 2004
Patriot Life Insurance Company	08/23/89 (L)	06/19/95	June, 1999
Penta-Plan/Share	02/03/88 (L)	02/11/92	June, 1999
Progressive General Ins. Co.	03/20/68 (L)	03/26/81	March, 1995
Provident Insurance Company	01/09/91 (L)	12/28/94	June, 1999
Prudence Mutual Casualty Co.	02/07/70 (L)	05/21/91	Feb., 1995
Reserve Insurance Company	05/29/79 (L)	10/20/98	Mar., 2000
Resure, Inc.	02/27/97 (L)	12/19/02	Dec., 2005
River Forest Insurance Company	03/18/94 (L)	12/21/01	Nov., 2002
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 Fire Insurance Company	03/03/89 (L)	06/22/01	June, 2002
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 Co.	09/23/83 (L)	08/23/89	No Company Records
Yorktown Indemnity Company	02/07/89 (L)	09/29/95	June, 1999

The Summary of Cash and Invested Assets represents cash and invested assets of companies in receivership during the calendar year ending December 31, 2003. These tabular listings are presented in accordance with the methods of accounting employed by the Office of the Special Deputy Receiver and are not in accordance with Generally Accepted Accounting Principles (GAAP). Special reports, audited in accordance with Generally Accepted Audited Standards (GAAS), are issued separately on a yearly basis, as provided by Article XIII of the Illinois Insurance Code.

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