

**Illinois Department of Financial  
and Professional Regulation  
Division of Insurance**

**2008 Annual Report  
to the Governor**



Pat Quinn, Governor  
Michael T. McRaith, Director



# Illinois Department of Insurance

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PAT QUINN  
Governor

MICHAEL T. McRAITH  
Director

Honorable Pat Quinn  
Governor  
State of Illinois  
Springfield, Illinois

Re: 2008 Annual Report

Dear Governor Quinn:

On June 1, 2009 and by Governor's Executive Order 09-04, the Illinois Department of Insurance (Department) was re-established as a government agency separate from the Illinois Department of Financial and Professional Regulation – Division of Insurance. However, to remain consistent with the legal status of the Department during 2008, the Department will be referred to as the Division of Insurance in the 2008 Annual Report.

I hereby submit the Annual Report for the Division of Insurance for 2008. The Report summarizes the Division's activities and fiscal operations for 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael T. McRaith".

Michael T. McRaith  
Director, Department of Insurance

## **Office of the Special Deputy Receiver (OSD)**

Pursuant to provisions of Article XIII and XIII ½ of the Illinois Insurance Code, the Director is appointed as statutory Conservator, Rehabilitator or Liquidator of a company 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.

OSD's mission is to maximize assets of estates under its management, fairly dispose of claims, and timely deliver assets to claimants. OSD achieved a great deal in 2008 to further that mission. These accomplishments are broken down into two large categories: OSD corporate accomplishments and estate-by-estate accomplishments. Of course, the OSD Corporation exists to service the estates, but it is helpful to distinguish corporate level accomplishments that benefit all estates, and estate-by-estate accomplishments that benefit particular estates.

## OSD CORPORATE ACCOMPLISHMENTS 2008

### ASSESSMENT & PLANNING

1. Completed operational and strategic business assessment.
2. Completed comprehensive “Due Diligence” – type corporate review.
3. Actively joined national dialogue on best practices, strategic planning, and how best to serve consumers.
4. Broadened mandate of outside auditor to include internal controls and processes.
5. Initiated information technology assessment to analyze systems and identify improvements and efficiencies.

### CULTURE

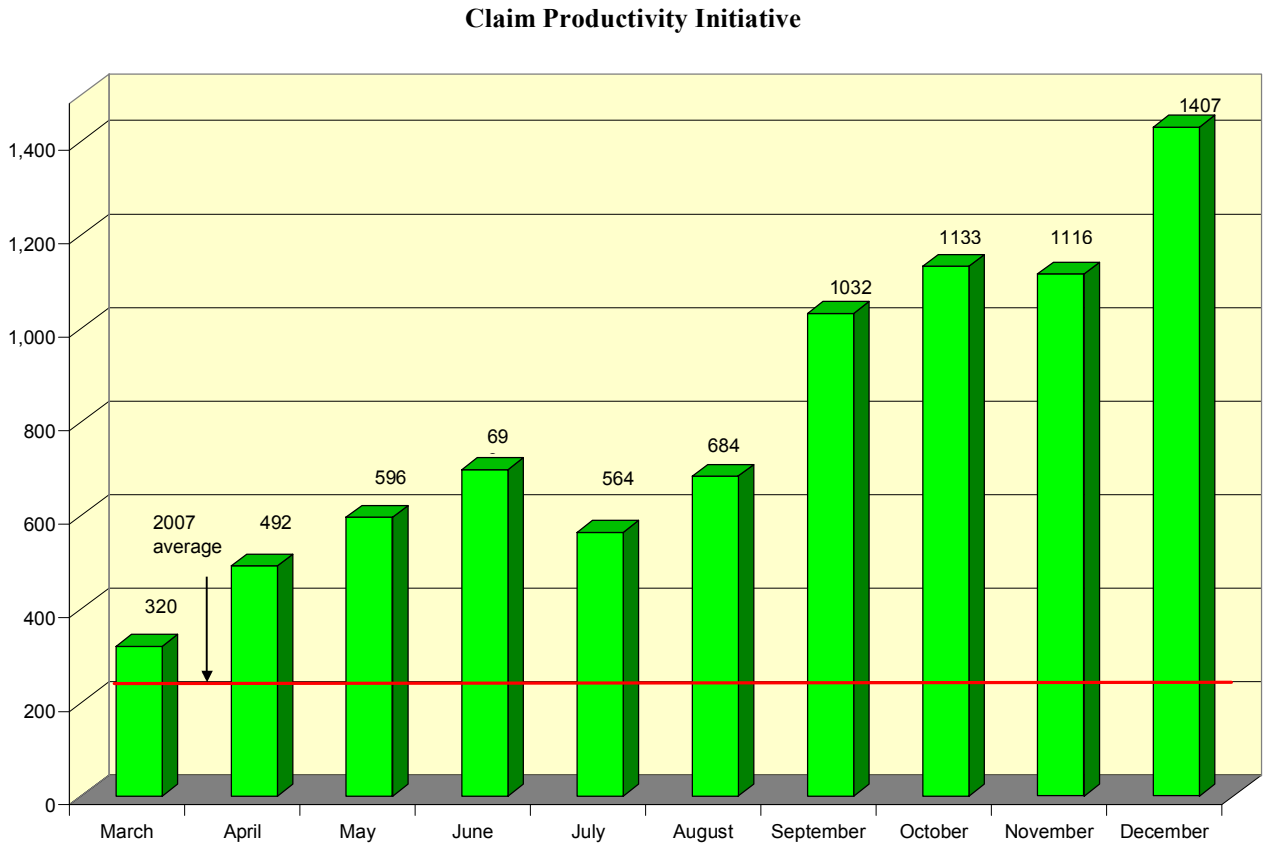
1. Corporate cultural challenges addressed.
  - Adopted first set of corporate business principles and communicated them to all staff.
  - Focus on estates interests through enhanced strategic planning.
  - Emphasize productivity and accountability through measurement and communication of results.
  - Internal communication and employee initiative improved.
2. In-service training on internal controls; corporate-wide review of risks, internal controls and policies.
3. Reconfigured existing work space for more interactive, practical environment; management and other staff are now in the same work area.

### PRODUCTIVITY & ACCOUNTABILITY

1. Initiated dash boarding for estate planning - set deliverables for *every estate* through *every phase*, including closing.

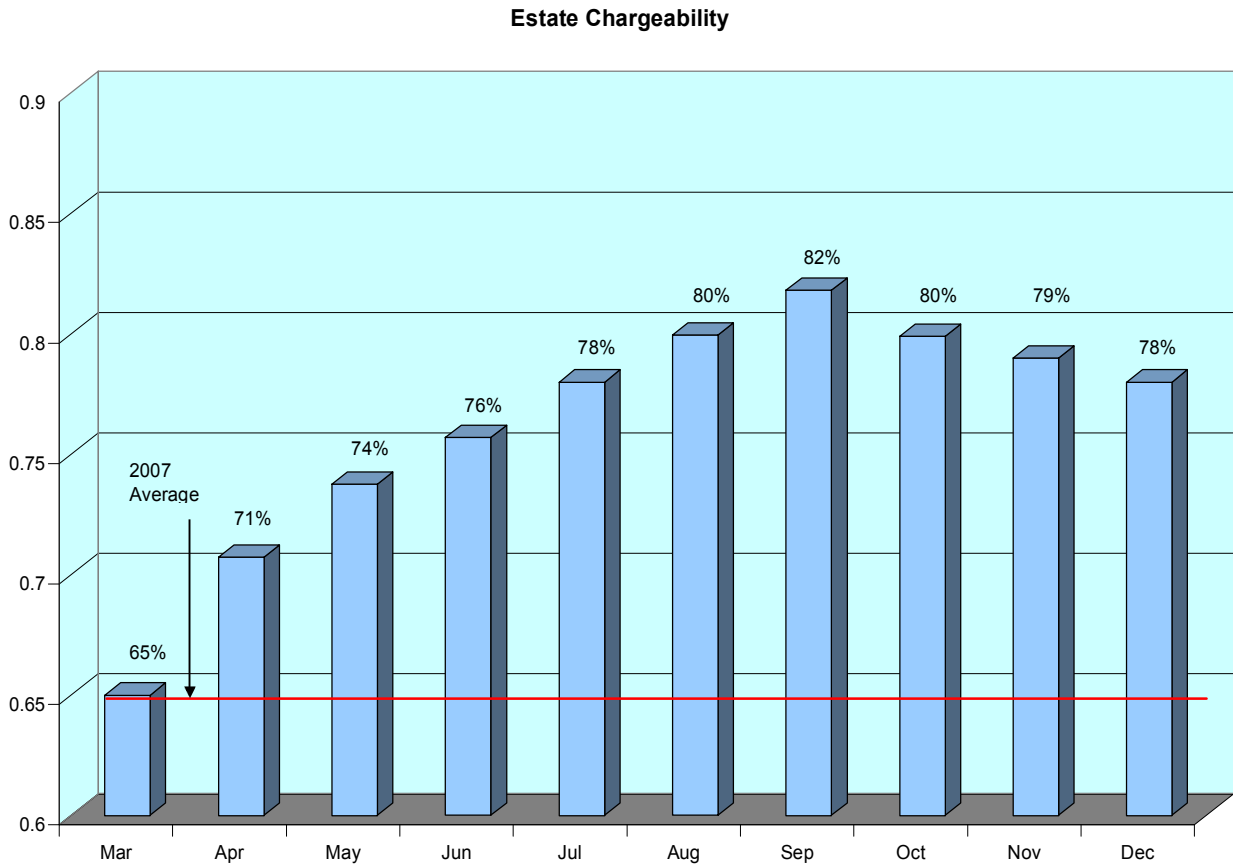
2. Consumer Claim Productivity Initiative.

- 641% increase in claims staff productivity (December 2008 claim production compared to 2007 monthly average).



### 3. Time Accounting Initiative.

- Achieved improvement in estate chargeability as shown in the chart below.



### 4. Reinsurance Productivity Initiative.

- \$62mm billed in 2008; \$18.4mm collected or set off final number.
- Greater reliance on external and internal technology provides faster reporting, adjudication, billing, collection and finalization of reinsured claims, also allows for timely support in litigation cases of such claims.

### 5. Consumer-oriented communication with claimants.

- Improved mailing protocols to increase consumer response rate.
- Enhanced procedures for keeping contact with consumers; more aggressive attempts to find claimants to resolve claims and deliver funds.

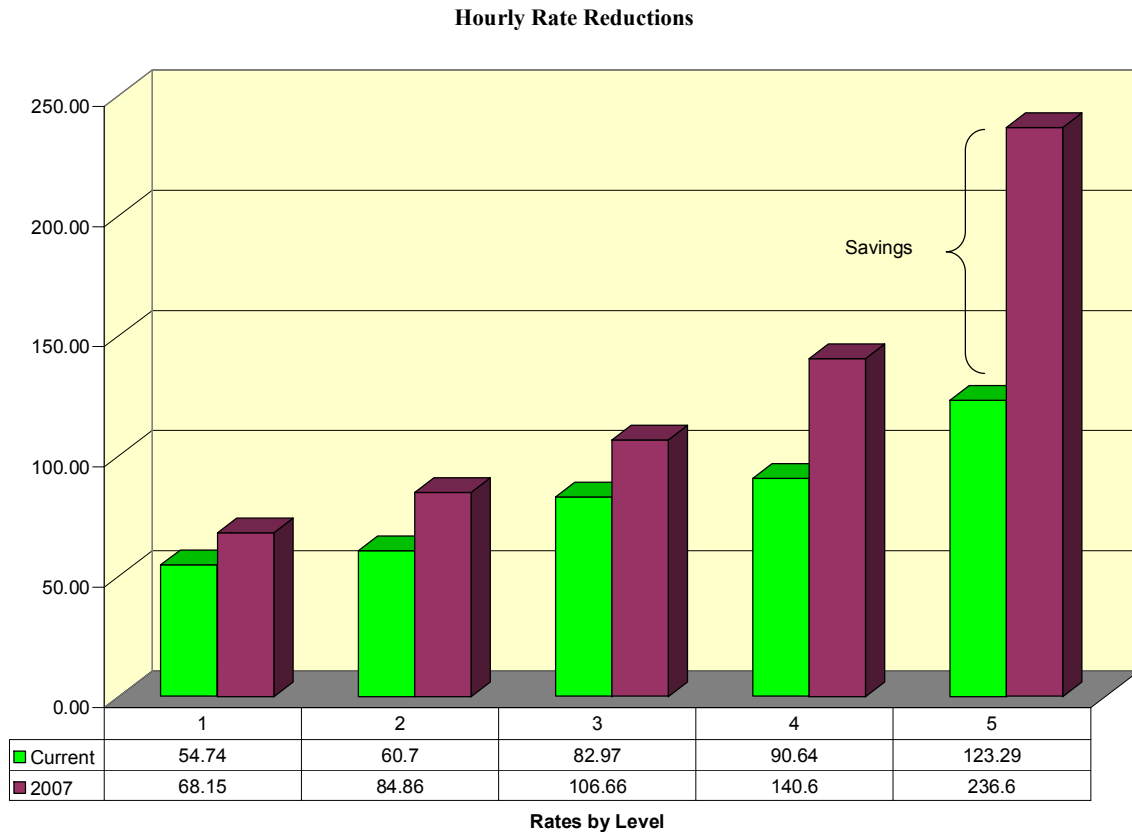
### 6. Quarterly estate strategic planning process in place; first quarter meetings produced estate dashboards.

## FINANCES

### 1. Adopted employee benefit adjustments yielding

- 10 full-time equivalent employees at no estate cost (from reducing paid time off).
- Removal of significant unfunded liabilities.
- *Performance*-driven compensation model, including compensation conditional on benchmarks.
- More current accounting that yields more equitable distribution of costs to estates.

### 2. Achieved reductions in all five OSD hourly billing rate levels through efficiency initiatives as shown in the chart below.



3. Instituted budget projection process on corporate and estate level; imposed financial analysis on estate planning.
4. Reduced overhead administrative expenses (5.5% decrease between 2007 and 2008 excluding extraordinary charges).
5. Review and update of procurement and ethics policies (including RFP web posting, committee-driven procurement decisions, and further tracking of state law on procurement and ethics); specifically assigned attorney to monitor procurement and ethics compliance.

## **STRUCTURE**

1. Headcount reduction of 17% in 2008 (124 to 102).
2. Management restructuring increased focus on output- 20% improvement in ratio of managers and supervisors to line staff (improved from 1:4 to 1:5).
3. Redeployed personnel to emphasize production rather than support functions, while maintaining expertise. Twelve employees in redeployment program. 15% of December 2008 claims productivity due to redeployed staff.

## **2008 ESTATE ACCOMPLISHMENTS**

### **OVERVIEW OF CLOSINGS AND DISTRIBUTIONS**

During 2008, a record seven estates were closed, and over \$74mm was distributed to creditors. Following is a brief synopsis of the highlights, which are also displayed in chart format on the “2008 Estate Distribution and Closing” dashboard, which is attached at the end of this report.

Interim Distributions to Creditors of Open Estates: \$45.3mm

Centaur: \$18.7mm  
 Alliance: \$16.6mm  
 Alpine: \$ 9.5mm  
 Delta: \$480,000  
 NAIC: \$ 18,337 (Second interim distribution)

Early Access Distributions on 19 estates, to Guaranty Funds and Associations, as reimbursement for claims paid and administrative expenses: \$17.4mm.

Distributions in two estates that were reopened because additional assets were marshaled:

Agora: \$1.2mm  
 RCA: \$927,352

Final distributions in seven estates which were closed: \$9.4mm

BYRMA:	\$3.5mm (Second distribution)
IL Environmental:	\$2mm (Second distribution)
Illinois Healthcare:	\$1.4mm
Security:	\$1.1mm
ATLA:	\$995,086
Illinois Electrical:	\$344,743
Associated Physicians:	\$ 1,057 (Second distribution)

In addition to the above, there were other significant estate related accomplishments. The Information Technology Department developed a database that the Estate Strategic Planning Department used to help create dashboards for each estate. These one page summaries of estate activities include completion dates for all interim estate activities as well as closing goals for the estates. This is the framework used to realize our goal of returning the maximum amount of assets possible to the largest number of creditors possible, as soon as possible. Within this framework, all departments at OSD have made major contributions, by both initiating and implementing new ideas to expedite estate closures and distributions.

## **Estate Accomplishments by Department**

### **CLAIMS**

Estate Claim Reviews Completed: 10

Claimants reviewed: 8,493

Claimants noticed: 8,211

Checks issued to creditors: 5,044

The Legion claims initiative is an outgrowth of our determination to meet our new goals. Legion has over 5,000 policyholder level claims which need to be reviewed. In order for the claim reviews on all estates to be completed in a timely manner, it was decided that temporary claims examiners would be engaged for the Legion claims project. This engagement will not only accelerate the Legion claim review process, but will also allow us to keep pace with the claim reviews in all other estates.

Another initiative to expedite the review of claims was the redeployment of twelve OSD employees to the Claims Department. These individuals were trained to complete a variety of tasks, principally the evaluation of loss claims. This redeployment effort, along with the streamlining of several claims handling procedures, will facilitate closing estates earlier than previously thought possible.

### **REINSURANCE**

Billed to Reinsurers and Retrocessionaires: \$62,157,986

Cash collections: \$10,333,732

Collections by way of offsets: \$8,125,672

The Reinsurance Department implemented a reinsurance billing procedure via the usage of Uniform Data Standard (UDS) information on the Statewide estate, resulting in the collection of \$1,309,122 on claims that otherwise would not have been processed until returned by the various Guaranty Funds and reviewed by OSD. As a result, the decision was made to apply this procedure to certain other UDS compliant estates, such as Gallant, Valor and United Capitol.

The Information Technology Department finalized the programming of the Pine Top retrocessional database, which resulted in the generation of a \$43,788,165 billing to retrocessionaires. We anticipate that the collection efforts stemming from these billings will be the last major project before closing the estate.

## **LEGAL**

Claim recommendations (allowances and denials) approved by the court: 5,552

Total number of contested claims, all of which the Liquidator either prevailed at hearing or settled prior to hearing: 14

Federal priority release requests negotiated with the U.S. Department of Justice: 5

Transactions negotiated and effectuated, *i.e.* settlements, distributions, estate closings: 16

The Liquidator prevailed before the trial court in the declaratory judgment action brought by Arrowhead General Agency seeking a cut-through against Legion Indemnity's reinsurers. If Arrowhead prevailed, this would have impaired the estates ability to recover approximately \$3,000,000 in contingent reinsurance commissions.

In the Alpine estate, the Liquidator determined that a four month claim filing period (as opposed to the traditional six months) could be effectively used for the second claim filing deadline. The petition will be filed in January.

## **TAX AND COMPLIANCE**

Federal income tax returns filed with IRS or parent company: 79 for estates or subsidiaries

State income tax returns filed: 53 for estates or subsidiaries

Requests for prompt assessment of returns, federal and state: 65

Release of three state special deposits, totaling \$484,285

MICA is a new estate (2007) but now has the potential to close in 2009. The IRS is permitted by law to take up to three years to complete a review of an estate's tax returns. In many cases they will agree to an expedited review of 18 months, but even this is a long time frame, if other estate issues are completed and we are just waiting for the time to pass before we can make a distribution to the creditors. We have recently approached the Taxpayer Advocate's Office of the IRS and asked them to consider further reducing the time frame for their tax return review process. If we are successful with MICA, we can make the same request for other estates as well.

## **SPECIAL PROJECTS**

Search for creditors on Delta Return to Sender project, involving 12,840 second filing deadline notices.

In handling the claim evaluation for American Unified Life and Health Insurance Company, an estate with limited assets, in order to maximize the distribution to the creditors a special claims process was implemented significantly reducing the administrative expenses for the estate. The Information Technology Department modified the Liquidator System to eliminate the notice of determination process for claims where the amount recommended by OSD was equal to the amount claimed by the claimant on the proof of claim. Where the Guaranty Association paid a timely-filed claim, the claim was processed more efficiently.

## **INFORMATION TECHNOLOGY**

A year-end report was developed that summarizes salvage and subrogation information by company and loss year. The resulting time saving output is also included as a spreadsheet which is used by the Tax and Compliance Department for tax reporting for each estate.

A set of reports was developed, based on information obtained from the Liquidator and the Early Access Systems, which were used to report estate activity to the NAIC.

## **CLAIMS SERVICES**

Proof of claim forms mailed: 22,181

Boxes of records destroyed: 5,266

In addition to mailing proofs and managing the destruction of records, Claims Services inventoried 402 boxes of AEG records and entered these into the Archive system. These boxes were housed at OSD instead of offsite, in order to save on storage retrieval and other miscellaneous expenses.

## **ESTATE REPORTS**

Below is a brief report on each active company as of December 31, 2008, as well as those companies that were closed in 2008. Following these reports is a combined statement of cash receipts and disbursements for each company.

### **Administrative Employer Group, Inc.**

On April 21, 2008 an Order of Liquidation with a finding of insolvency was entered against The Administrative Employer Group, Inc. (AEG). The liquidation proceedings follow the commencement of a conservation proceeding on August 27, 2007. These actions were taken following the Division's determination that the company was transacting the unauthorized business of insurance and was insolvent. On November 17, 2008, an Order was entered approving claim filing deadlines and procedures. Claims must be asserted by way of a proof of claim form.

AEG is wholly owned by Professional Employer Holdings, L.L.C., a Delaware limited liability corporation. Although AEG was licensed in Illinois as a professional employer organization (PEO), it was never licensed for purposes of transacting the business of insurance. Pursuant to its statutory obligations as PEO, AEG provided its client companies with workers' compensation coverage. Commencing in late 2004, AEG obtained workers' compensation coverage from the Reinsurance Company of America (RCA). In February of 2005, RCA issued a 10-day notice of cancellation for the non-payment of premium. AEG and certain affiliated entities commenced litigation against RCA in New Jersey state court. That court ultimately entered an order holding that the RCA policy was cancelled effective August 19, 2005. Although the policy issued by RCA was cancelled, AEG continued issuing certificates of insurance purporting to provide workers' compensation coverage under the RCA policy until on or about August of 2007. Because AEG's issuance of the certificates of insurance constitutes the unauthorized transaction of the business of insurance, Guaranty Fund coverage is not available.

In conjunction with a due diligence of possible causes of action undertaken on behalf of an affiliated company (Employers Consortium V, Inc. in Liquidation), a decision was made to retain Clausen Miller for purposes of pursuing claims against a company, Leading Edge Group Holdings, Inc., owned by AEG's controlling person (Allen Hilly). The causes of action relate to the transfer of funds from AEG to Leading Edge Group Holdings, Inc. over an 11-month period during 2006. Allen Hilly is under federal

indictment in New Jersey with respect to these transfers.

### **Alliance General Insurance Company**

A wholly owned subsidiary of Alliance Insurance Group, Inc., (Alliance) was incorporated in 1984 and began business on January 1, 1985. Alliance operated on a licensed basis in Illinois and on an excess and surplus line basis in 39 other states and the Virgin Islands. Alliance wrote commercial liability and property liability exposure. Prior to being placed into liquidation, Alliance's last financial statement reflected approximately \$13.7 million in direct as well as assumed reinsurance premiums for the period ending December 31, 1998. No new direct business was written after the third quarter of 1998.

An Agreed Order of Liquidation with a finding of insolvency was entered against Alliance on January 7, 2000. The claim filing deadline was January 8, 2001, with a contingent claim date of January 8, 2002.

The Liquidator filed a lawsuit against certain former officers and directors of Alliance and its outside auditors, alleging, among other things, negligence and breach of duty. A final settlement was reached with one of the defendants for \$2,750,000. Settlement was also reached with the officers, directors and owners for \$5,000,000. The suit against the outside auditors was settled for \$10,000,000. The Liquidator's suit against one remaining defendant was settled in 2007.

Early access distributions totaling \$1,453,137 have been made to the Illinois Insurance Guaranty Fund for administrative expenses and claim benefits. On September 22, 2008, an order was entered approving the Liquidator's plan to distribute 100% dividend to all claimants whose timely-filed claims are allowed at priority level (d) of the statutory priority schedule. The amount of distribution was \$16,622,605.

### **Alpine Insurance Company**

Alpine Insurance Company (Alpine) commenced business in 1986, operating on a licensed basis in Illinois and on an excess and surplus line basis in 42 other jurisdictions. Alpine principally wrote commercial casualty liability coverages, as well as professional liability coverages for architects and engineers.

On January 8, 1999, Alpine, a domestic P&C company, was placed under an Agreed Order of Conservation. The company's first direct parent is Alpine Holdings, Inc. (formerly Transco Syndicate #1, Ltd.), and the ultimate parent is Exstar Financial Corporation. Alpine Holdings Inc., a former member of the Illinois Insurance Exchange (n/k/a INEX), was placed in conservation on March 18, 1999.

An Order of Liquidation was entered on June 28, 2000, for reasons of insolvency. On December 21, 2000, the Illinois Appellate Court affirmed the trial court's Order of Liquidation, and on April 4, 2001, the Illinois Supreme Court denied a petition for leave to appeal. The claim filing deadline was May 6, 2002, with a contingent claim date of

May 6, 2003. Early access distributions totaling \$93,433 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

On August 2, 2001, the Liquidator filed a lawsuit against certain former officers, directors and affiliated companies alleging, among other things, violations of federal RICO laws, negligence and breaches of fiduciary duty. The lawsuit was settled in October 2003 for \$1,450,000 and payment was received in December 2003.

On March 7, 2007, the Supervisory Court entered an order approving a 100% distribution on all allowed claims arising from liabilities assumed from Transco Syndicate #1, Ltd. A distribution was then made on these claims out of assets held in trust by Alpine for liabilities assumed from Transco Syndicate #1, Ltd.

On December 16, 2008, the Supervisory Court entered an order approving a 100% distribution on timely filed claims allowed at level (d) and (g) of the priority schedule. A total of \$3,504,118 was distributed. Following the distribution, there was a surplus of funds remaining in the estates. Pursuant to the requirements of Section 210 of the Illinois Insurance Code (215 ILCS 5/210), the Liquidator prepared for the filing, in January 2009, of a petition for an order establishing a second claim filing deadline.

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

An Order of Conservation was entered against American Health Care Providers, Inc. and its affiliate American Unified Life and Health Company on February 2, 2000, by the Circuit Court of Cook County, Illinois. An Order of Liquidation with a finding of insolvency was entered on May 11, 2000, after a trial on the Director's liquidation complaint. The company was incorporated on October 30, 1982 and certified as a health maintenance organization (HMO) on January 13, 1984. American Health Care Providers was a wholly owned subsidiary of the First American Group of Companies.

The claim filing deadline was November 21, 2001. Early access distributions totaling \$2,720,753 have been made to the Illinois HMO Guaranty Association for administrative expenses and claim benefits.

#### **American Horizon Insurance Company**

American Horizon Insurance Company was a wholly owned subsidiary of American Horizon Holdings, Incorporated, a Delaware domiciled insurance holding company. The company commenced operations in June 1999 when American Horizon Holdings, Inc., acquired Arcadia General Insurance Company. The current name was adopted in conjunction with that transaction. The company was licensed in 13 states, concentrating its writing primarily in private passenger automobile coverages. Originally domiciled in Arizona, American Horizon Insurance Company re-domesticated to Illinois on December 21, 2001, and simultaneously merged with American Horizon Property and Casualty Insurance Company, an Illinois domestic affiliate. American Horizon Insurance Company was the surviving entity. The company went into runoff in June 2001 and wrote no new business during 2002.

On July 11, 2002, an Agreed Order of Liquidation with a finding of insolvency was entered against American Horizon Insurance Company. The action was taken following the Department of Insurance's determination that the company was insolvent by more than \$2.5 million and in concurrence with the March 31, 2002, financial statement filed by the company indicating a negative policyholder surplus of \$2.8 million.

The claim filing deadline was July 11, 2003, with a contingent claim date of July 12, 2004. Early access distributions totaling \$2,125,172 have been made to various Guaranty Funds for administrative expenses.

### **American Mutual Reinsurance Company**

American Mutual Reinsurance Company (AMRECO), a domestic mutual insurance company, consented to an Order of Rehabilitation issued by the Circuit Court of Cook County, Illinois, on February 22, 1988. Since its inception in 1941, the company operated exclusively as a professional reinsurance company, providing only reinsurance to other insurance companies. Those insurance companies ceded to AMRECO a portion of the risks they had underwritten and AMRECO, in turn, retrocede a portion of the risks assumed to other insurance and reinsurance companies through the company's reinsurance pool. The company has no direct policyholders.

The court supervising the rehabilitation entered an Order on September 6, 1988, approving an Amended Plan of Rehabilitation (Amended Plan) for AMRECO. The Amended Plan contemplated the payment in cash of a fixed percentage of all outstanding claims presented in the ordinary course of business and the payment of the balance of each such claim with interest bearing surplus drafts. The Amended Plan also provided for progressive periodic increases to the cash portion of the payment formula and a corresponding redemption of the surplus drafts.

Consistent with favorable loss experience during the rehabilitation, 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 AMRECO. Key provisions of the Second Amended Plan include, but are not limited to: (1) All claims of cedent creditors shall be valued as of June 30, 2001 (or earlier if a cedent fails to provide information as of that date); (2) March 21, 2002, was the final date by which the Rehabilitator may accept both new proofs of claim, as well as updates to existing proofs of claim; (3) cedent creditors could include as part of their claims reserves their incurred but not reported claims (IBNR), as reflected on their books and records on or before June 30, 2001, provided that they also submit work papers supporting the derivation of claimed amounts of IBNR; and (4) the Rehabilitator shall continue making quarterly distributions from general assets on allowed claims pursuant to the formula for payment (presently, 60% cash and 40% surplus draft), and to issue quarterly billings as was done under the First Amended Plan.

The first payment under the Amended Plan was made February 1989, and the

Rehabilitator has since made 68 consecutive quarterly payments. The final claim payment, made under the Second Amended Plan, was made on November 11, 2005. During the claim payment phase of the rehabilitation proceeding, claims liabilities in the amount of \$513 million were paid as follows: \$246.4 million in cash and offsets, and \$166.6 million with surplus drafts.

In 2006, the Rehabilitator filed a petition seeking leave to distribute substantially all of the estate's assets to surplus draft holders, while retaining a portion for purposes of funding continued collection activities. One surplus draft holder, EMLICO, objected on the grounds that the Rehabilitator's petition excluded \$23,000,000 in surplus drafts it held from participation. In January 2007, the supervisory court held that EMLICO's surplus drafts would not be subordinated in a final distribution of estate assets, and the court entered an Order denying the Rehabilitator's petition.

In May 2007, the Rehabilitator sought approval of procedures for a final distribution to surplus draft holders (approximately a 50% dividend), consistent with the court's January 2007 Order. Four lower priority claimants, holders of guaranty fund certificate notes, objected (this lower class, as a whole, has a \$13,000,000 claim), arguing surplus draft holders would be overpaid and the court should require either a present value discount or the estate remain open until 2041. In late 2007, the court found the Rehabilitator's plan was reasonable and did not constitute an abuse of discretion, and entered an Order overruling the objections. An appeal was filed that is still being briefed.

### **American Unified Life and Health Company**

American Unified Life and Health Company (American Unified) a domestic life, accident and health company, along with its affiliate, American Health Care Providers, Inc. (AHCP), 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 company commenced business in 1997 and wrote a companion PPO product exclusively for its affiliate, AHCP, and was licensed in Illinois and Indiana.

The claim filing deadline was December 27, 2001. Early access distributions totaling \$643,863 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 P&C company is a wholly owned subsidiary of Associated Physicians Capital, Incorporated.

Classes A through G were paid at 100%, as follows: Class A received \$423,889; Class D received \$321,057; Class E received \$10,000; Class G received \$411,576. The

estate closed on December 9, 2008.

### **Association of Trial Lawyers Assurance**

On October 14, 2004, an Agreed Order of Liquidation with a finding of insolvency was entered against the Association of Trial Lawyers Assurance (ATLA Mutual). This mutual insurance company was a Risk Retention Group qualified under the Federal Liability Risk Retention act of 1986.

A 100% distribution was made to Class C in the amount of \$2,000. There was a 43.3178% distribution at Class D, for \$993,086.90. The estate closed on December 10, 2008.

### **Automotive Professionals, Inc.**

On March 2, 2007, Automotive Professionals, Inc. (API), and its successor in interest, API Creditors Trust were placed under an Order of Conservation by the Circuit Court of Cook County, Illinois. On March 6, 2007, an Agreed Order vacating sequestration of the conservation was approved by the Supervising Court.

On April 4, 2007, the Director filed a Verified Complaint for Rehabilitation against the Defendants.

On April 13, 2007, API filed a Voluntary Petition for Bankruptcy in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (Bankruptcy Court), which was opposed by the Director.

On June 12, 2007, the Bankruptcy Court denied the Director's motion to dismiss. The Director's motion for leave to appeal was denied by the District Court. The conservation was dismissed on June 5, 2008.

## **Back of the Yards Neighborhood Council Risk Management Association (Association)**

The Association was organized in 1993, pursuant to the State of Illinois Workers' Compensation Act and Section 305/4a 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.

100% dividend distributions were completed at year end 2006 to Classes D, E and G. The total paid to Class D was \$2,584,912.93. The Class E distribution was 53,215.70. The distribution to Class G was \$739,637.19. Following a second proofing and claim review at Class D, a 46.0190% distribution was made in the amount of \$123,908. The estate closed on May 19, 2008.

## **Centaur Insurance Company**

Centaur Insurance Company, an Illinois 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 Second Revised Plan of Rehabilitation was entered and approved by the Supervisory Court on December 8, 2000.

Centaur wrote general liability, as well as general P&C lines of business on a primary or excess basis. In addition, Centaur wrote assumed reinsurance. Centaur was licensed in D.C. and all states except AZ, CT, HI, KS, NH, SD, VT and WY, in which it wrote on a surplus line or non-admitted basis.

The Rehabilitator has paid \$118,376 in direct claims and related loss adjustment expenses since the inception of the receivership proceedings.

On August 16, 1999, the Supervisory Court approved a plan for the Rehabilitator to pursue policy buy-backs with insureds. The plan has been completed; an agreement was reached with 20 insureds for total settlements of \$12,076,099. This resulted in a reduction in case reserves to Centaur of \$20,102,432.

The Rehabilitator has engaged in negotiations with Centaur's reinsurers and reinsureds, both domestic and international, resulting in numerous commutations which were approved by the Supervisory Court.

On November 13, 2006, the Supervisory Court entered an Order approving a 100% first dividend on all claims allowed and approved by the Supervisory Court for distribution at statutory priority level pursuant to 215 ILCS 5/205(1)(e). The Supervisory Court further authorized the Rehabilitator to make distributions of estate assets necessary to effectuate the first dividend on allowed and court approved claims. The Supervisory

Court's approved dividend and distribution of estate assets applies to claims which have, to date, been allowed and approved in the rehabilitation proceedings as well as to claims which may in the future be allowed and approved at statutory levels pursuant to 215 ILCS 5/205(1)(d) and 215 ILCS 5/205(1)(e).

### **Coronet Insurance Company**

On December 10, 1996, an Order of Conservation was entered against Coronet Insurance Company (Coronet), 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 with a finding of insolvency was entered. Coronet, an Illinois domestic property and casualty company, is a wholly owned subsidiary of Normandy Holding Company and commenced business in 1963.

The company's principle business consists of non-standard private passenger automobile coverages, both liability and physical damage, as well as a small amount of homeowners and other coverages on a direct and assumed basis. Although licensed in 11 states, the company primarily wrote in IL, AZ, NV, TN and OH.

The claim filing deadline was December 24, 1997, with a contingent claim date of December 24, 1998. Early access distributions of \$6,695,005 have been made to various guaranty funds for administrative expenses.

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. After years of litigation, settlement agreements were reached with all defendants, and the case was dismissed.

A complaint was filed against the former auditors of the company for negligence and breach of contract. Both parties filed appeals in this matter. The Liquidator received a favorable appellate decision. A motion for rehearing is pending.

### **Crown Casualty Company**

Crown Casualty Company (Crown), an Illinois domestic P&C 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 with a finding of insolvency 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 (National Assurance), which in turn is owned by Coronet Insurance Company. The company commenced business in 1990. National Assurance and Coronet were also placed in conservation on December 10, 1996, and NAIC's liquidation date was January 3, 1997.

Licensed only in Illinois, this company primarily assumed business from its ultimate parent, Coronet. It also wrote a small amount of automobile coverages on a direct basis.

The claim filing deadline was February 2, 1998, with a contingent claim filing date of February 2, 1999. Early access distributions of \$556,242 have been made to the Illinois Insurance Guaranty Fund for administrative expenses.

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. After years of litigation settlement agreements were reached with all defendants and the case was dismissed.

A complaint was filed against the former auditors of the company for negligence and breach of contract. Both parties filed appeals in this matter. The Liquidator received a favorable appellate decision. A motion for rehearing is pending.

### **Delta Casualty Company**

Delta Casualty began business in 1967 and was licensed in Illinois, Florida and Iowa. The company primarily wrote commercial automobile liability, physical damage and workers' compensation coverages for cab companies in the Chicago metropolitan area, as well as nonstandard private passenger automobile business in the state of Florida. The company discontinued all of its commercial cab business in December 2000 and its nonstandard Florida automobile business in March 2001.

On December 4, 2001, an Order of Liquidation with a finding of insolvency was entered against Delta Casualty Company. Delta Casualty Company was a privately held, domestic property and casualty company. The claim filing deadline was December 4, 2002, with a contingent claim date of December 4, 2003. Early access distributions totaling \$2,920,298 have been made to various guaranty funds for administrative expenses and claim benefits.

On February 20, 2008, the Supervising Court entered an Order approving the Liquidator's application for the payment of a 100% dividend on all timely-filed claims allowed at priority levels (a)-(g) of the distribution schedule. A total of \$480,173 was distributed. Following payment of the dividend, there was a surplus, and the Liquidator filed a petition pursuant to Section 210 of the Illinois Insurance Code (215 ILCS 5/210) for purposes of requesting the setting of a second bar date for the filing of proofs of claim. On March 20, 2008, the Supervising Court entered an Order establishing a new claim filing deadline of December 22, 2008.

### **Employer's Consortium V, Inc. (ECI)**

In late 2005, ECI was purchased by Professional Employer Holdings, L.L.C., a Delaware limited liability corporation (PEH). Although ECI was licensed in Illinois as a professional employer organization (PEO), it was never licensed for purposes of transacting the business of insurance. Pursuant to its statutory obligations as a PEO, ECI provided its client companies with workers' compensation coverage. Subsequent to its purchase by PEH, ECI commenced issuing certificates of insurance for workers' compensation coverage under a policy of workers' compensation insurance issued by

the Reinsurance Company of America (RCA) to another PEO owned by PEH, The Administrative Employers Group, Inc. (AEG) in 2004. The RCA policy issued to AEG, under which ECI was issuing its certificates of insurance, had been cancelled effective August 19, 2005, prior to purchase of ECI by PEH. Because ECI's issuance of the certificates of insurance constitutes the unauthorized transaction of the business of insurance, guaranty fund coverage is not available.

On April 21, 2008, an Order of Liquidation with a finding of insolvency was entered against ECI. The liquidation proceeding follows the commencement of a conservation proceeding on August 27, 2007. These actions were taken following the Division's determination that the company was transacting the unauthorized business of insurance and was insolvent.

Subsequent to ECI being placed into liquidation, in July 2008 a former officer and director (against whom a petition for rule to show cause was pending) filed a Chapter 7 bankruptcy petition on behalf of ECI. This was dismissed on the motion of the US Trustee on the ground that the petition has not been signed by an attorney. In November, on the same date as a hearing before the liquidation court on the rule to show cause, the officer and director caused a second Chapter 7 bankruptcy petition to be filed on behalf of ECI. The US Trustee learned that the attorney's signature on the second filing had been forged. As of the end of the year, the US Trustee was preparing to file a motion to dismiss the petition on the ground that it was not properly signed by an attorney.

Subject to the possibility of future litigation recoverables, ECI is a no asset estate. Prior to filing a motion to close the liquidation estate, the Rehabilitator obtained the services of an outside counsel, Clausen Miller, to undertake a due diligence review of possible causes of action. A potential cause of action was identified arising from fraudulent transfers effectuated during the course of the 2006 calendar year by ECI's ultimately controlling person (against whom federal indictment was issued in New Jersey for the same activity). A decision was made to retain Clausen Miller on a contingent fee basis, there being no assets in the estate with which to pay the firm on a current basis. Prior to the Liquidator being able to obtain the necessary court approval of the proposed fee agreement, the second bankruptcy petition was filed, one effect of which was to stay the liquidation of ECI. Both approval of the proposed fee arrangement and the filing of the complaint were pending at the end of the year.

## **Gallant Insurance Company**

On February 25, 2002, an Order of Conservation was entered against Gallant Insurance Company (Gallant) following the Division's determination that Gallant was insolvent by more than \$21 million.

An Order of Liquidation was entered by the Circuit Court of Cook County, Illinois, against Gallant on August 9, 2002, subject to a 14 day stay until August 23, 2002. The Order of Liquidation was entered on the Director's motion for Judgment on the Pleadings, which 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. On August 14, 2002, Gallant filed a Notice of Appeal of the Order of Liquidation.

An Agreed Order was entered by the Circuit Court of Cook County, Illinois on March 13, 2003, which contains a finding of insolvency and waives all rights to appeal, and further requires Gallant to dismiss with prejudice its pending appeal of the Court's Order of Liquidation issued on August 9, 2002. The Appeal was dismissed on March 27, 2003 and as of that date the Liquidation Order and finding of insolvency became final.

The Division has previously approved an arrangement for Affirmative Insurance Company (Affirmative) to assume or reinsure all in-force business of Gallant effective January 1, 2002. As such, Affirmative is responsible for policy claims which occurred on or after that date. Affirmative is an Illinois domestic carrier and member of the Vesta Insurance Group of Birmingham, AL, and is licensed in 25 states including Illinois and Indiana.

Gallant is a wholly owned subsidiary of JP Holding Incorporated and a member of the Warrior Insurance Group of Bedford Park, Illinois. Gallant was originally incorporated in November 1977 as the Allied American Insurance Company. The current name was adopted in July 1995.

The company was licensed in the state of Illinois and Indiana, and primarily wrote non-standard passenger automobile liability and physical damage coverage.

The claim filing deadline was February 23, 2004. The deadline for liquidating timely filed contingent claims was August 23, 2004. Early access distributions totaling \$11,206,564 have been made to various guaranty funds for administrative expenses and claim benefits.

On July 25, 2006, the supervisory court entered an order approving the Liquidator's recommendation of a 100% dividend distribution to priority level (b) secured creditors.

### **Illinois Electrical Employers Workers' Compensation Association, Inc. (Association)**

The Association was organized in 1995, pursuant to Section 305/4a of the State of Illinois Workers' Compensation Act and 215 ILCS 5/4 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.

A partial Class D policyholder level distribution of 43.5678% was made in 2005, totaling \$205,000. A second partial distribution was made in February 2007. This was a 12.7515% distribution in the amount of \$59,999.74. Following a second proofing and claim review at Class D, a 73.267% distribution was made in the amount of \$344,743.74. The estate closed on June 30, 2008.

### **Illinois Environmental Service Workers' Compensation Trust (Trust)**

The Trust was organized in 1991, pursuant to Section 305/4a of the State of Illinois Workers' Compensation Act and 215 ILCS 5/4 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.

One hundred percent of the distributions were completed by November 8, 2006 to Classes D, E and G. The total paid to Class D was \$1,352,665. The Class E distribution was \$149,495 and the distribution to Class G was \$181,791. Following a second proofing and claim review, another 100% distribution was made on December 19, 2007 to Classes D, E and G. The total paid to Class D was \$231,732. The Class E distribution was \$23,885 and distribution to Class G was \$750. In addition, assessment refunds totaling \$90,173 were made on April 29, 2008. The estate closed on April 23, 2008.

### **Illinois Healthcare Insurance Company**

This life, accident and health company was placed under an Agreed Order of Liquidation with a finding of insolvency on June 30, 2000.

One hundred percent distribution totaling \$3,197 was made to Class C in March 2007. At closing a 100% distribution was made to Class D, in the amount of \$1,158,379.35. A 63.4977% pro rata distribution was made in the amount of \$219,672.47 to Class G. The estate closed on December 17, 2008.

### **JRSO, Inc.**

An Order of Conservation was obtained against JRSO, Inc. on August 27, 2007. On this same date, affiliated entities Administrative Employer Group, Inc., Employer's Consortium V, Inc. and Michael A. Ward were also placed in conservation. The company was released from conservation on February 15, 2008.

### **Legion Indemnity Company**

On April 3, 2002, an Order of Conservation was entered against Legion Indemnity Company (Legion Indemnity). On April 9, 2003, upon the Director's Verified Complaint for Liquidation, the Circuit Court of Cook County entered an Order of Liquidation with a finding of insolvency against Legion Indemnity.

The Illinois Property and Casualty Guaranty Fund, as well as the New Jersey Surplus Lines Guaranty Association were triggered for covered claims of residents of their respective states only. In addition, the Illinois Life and Health Guaranty Association was triggered for covered accident and health claims of Illinois residents, as well as certain other states.

Legion Indemnity is licensed only in the state of Illinois; however, it operated on a surplus lines or non-admitted basis in the District of Columbia, U.S. Virgin Islands and 49 other jurisdictions. On December 31, 2001, the company reported direct written premium of \$89,307,000, and assumed reinsurance premium of \$11,500,000.

Legion Indemnity was originally incorporated in January 1987 as the Wacker-Randolph Insurance Company. The name was changed to Dearborn Insurance Company in March 1987 and changed to its current name in May 1996. Legion Indemnity is a wholly owned subsidiary of Legion Financial Corporation, which is in turn 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.

The claim filing deadline was October 11, 2004 and the deadline for liquidation of timely-filed contingent claims was April 10, 2006. Early access distributions totaling \$10,949,290 have been made to various guaranty funds for administrative expenses and claim benefits.

### **Michael A. Ward**

This individual was placed in Conservation on August 27, 2007 along with three of the companies of which he was a principal, Administrative Employer Group, Inc., Employer's Consortium V, Inc. and JRSO, Inc.

## **Municipal Insurance Company of America (MICA)**

MICA, an Illinois domestic LAH insurance company was placed under an Agreed Order of Liquidation with a finding of insolvency on October 24, 2007, by order of the Circuit Court of Cook County.

MICA was located in Arlington Heights, IL. It was licensed to do business in Illinois and Indiana. However, substantially all of its existing business was in Illinois. MICA wrote primarily small group life, accident and health insurance.

A claim filing deadline of October 24, 2008 was established by the liquidation court. Early access distributions of \$6,500,000 have been made to the Illinois and Indiana Guaranty Funds for administrative expenses and claims benefits.

## **National Assurance Indemnity Company**

National Assurance Indemnity Company (National Assurance), an Illinois domestic P&C company, and a member of the Coronet Insurance Group, was ordered into conservation on December 10, 1996. National Assurance, which commenced business in 1998, 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, 1997 and January 31, 1997, respectively, National Assurance and Crown Casualty were placed in liquidation. The liquidation orders were not agreed, but rather non-contested defaults.

Licensed only in Illinois, the company primarily assumed business from its parent, Coronet, and also wrote a small amount of private passenger automobile business.

The claim filing deadline was January 5, 1998, with a contingent claim date of January 5, 1999. Early access distributions of \$680,714 have been made to the Illinois Guaranty Fund for administrative expenses and claim benefits.

After years of litigation, settlement agreements were reached with all defendants and the case was dismissed.

A complaint was filed against former auditors of the company. Both parties have filed appeals in this matter. A date for oral argument will be set by the Appellate Court.

On August 21, 2007, the Supervisory Court entered an Order approving a 100% dividend on claims recommended for allowance and approved by orders of the court for distribution at statutory priority levels (d) thru (g); and further authorized the Liquidator to make a distribution of National Assurance Indemnity Company's estate assets necessary to effectuate the dividend on allowed and court approved claims.

After payment of these claims, a surplus of estate assets remained. Therefore, by an Order dated October 9, 2007, the court established a new claim filing deadline of

February 1, 2008 to afford claimants who might still have claims not previously filed with the Liquidator, or who filed a proof of claim after the original claim filing deadline (late claims), an opportunity to share in subsequent distribution of National Assurance's surplus assets. In December, 2008 a 100% supplemental distribution in the amount of \$20,337 was made.

### **Oak Casualty Insurance Company**

On November 19, 2002, an Agreed Order of Liquidation with a finding of insolvency was entered against Oak Casualty Insurance Company (Oak Casualty). This action was taken following the Department of Insurance's determination that the company was insolvent by more than \$2.5 million.

Oak Casualty began business in June 1988 as a Florida domiciled insurance company. Prior to 1997, the company was 60% owned by Industrial Casualty Insurance Company, (Industrial Casualty) an Illinois Life and Accident and Health Mutual Legal Reserve Company. In 1997, Industrial Casualty was demutualized and converted to a property and casualty company. Simultaneously, Oak Casualty was re-domesticated to Illinois and merged with Industrial Casualty, with Oak Casualty continuing as the surviving entity. Oak Casualty is a wholly owned subsidiary of Preferred Casualty Holdings, Inc., a privately held Illinois holding company.

Licensed in the states of Illinois, Indiana, Florida and West Virginia, the company wrote primarily private passenger non-standard automobile liability, and physical damage policies, as well as individual accident and health hospital/medical disability coverage. The company was in runoff and wrote no new business after August 2002.

The claim filing deadline was November 19, 2003, with a contingent claim date of November 19, 2004. Early Access distributions totaling \$5,991,556 have been made to various guaranty funds for administrative expenses and claim benefits.

### **Pine Top Insurance Company**

Pine Top Insurance Company (Pine Top) commenced business in 1973. Its sole stockholder was Greyhound Corporation (Dial Corp). Pine Top was licensed in three states (IL, AZ and MT). It also operated on an excess and surplus lines or non-admitted basis in 43 additional jurisdictions. Pine Top primarily wrote general liability, umbrella and excess liability, primary and excess fire, as well as a significant amount of assumed reinsurance and facultative coverages.

Pine Top was placed in conservation by a court order entered on June 18, 1986. On June 23, 1986, Pine Top was placed in rehabilitation. 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.

The final date for filing proofs of claim with the Liquidator was January 17, 1989. The contingent claim liquidation date was extended to January 17, 1992. Early access

distributions in the amount of \$3,246,229 have been made to various guaranty funds for administrative expenses and claim benefits.

On October 19, 1993, the Supervisory Court entered an order approving procedures for the final valuation of cedent creditor claims. Final update forms were mailed to all cedents.

Beginning in 1996, a 50% partial policyholder distribution of approximately \$13 million was made. A second 50% distribution in the amount of \$13,415,677.55 was made on December 30, 1999. On June 30, 2003 a 100% Class E distribution was made in the amount of \$18,910,705.33 and another \$4,900,000 was paid in 2005. Pursuant to an Order entered by the Supervisory Court in May of 2003, all timely filed policyholder claims allowed at level (e) of the priority schedule have been paid in full. Evaluations are still pending for claims at level (g).

### **Security Insurance Company, Ltd.**

On July 22, 2005, Security Insurance Company, Ltd. (Security Ltd.) was placed under an Order of Conservation. On July 26, 2005, an Agreed Order vacating sequestration of the Conservation Order was approved by the Supervisory Court.

On August 9, 2005, Security Ltd. was placed into rehabilitation under an Agreed Order of Rehabilitation entered by the Circuit Court of Cook County, Illinois.

A 90.9578% distribution was made in the amount of \$1,157,259.02. The estate was closed on March 17, 2008.

### **Statewide Insurance Company**

On January 6, 2004, an Agreed Order of Liquidation with a finding of insolvency, was entered against Statewide Insurance Company (Statewide) in the Circuit Court of Cook County, Illinois. Statewide's board of directors consented to the order, which was entered based on the Director's complaint that Statewide's policyholder surplus was impaired in an amount in excess of \$21 million.

Located in Waukegan, Illinois, Statewide, a wholly-owned subsidiary of Statewide Holding Corporation, was incorporated in 1979. Statewide was licensed in 26 states and wrote commercial multiple peril, commercial auto, general liability, umbrella coverage, workers' compensation, inland marine and fidelity and surety bond business. The policies were primarily marketed to small general contractors and artisans in the Midwest and Western states.

The claim filing deadline was January 6, 2005. The deadline for liquidating timely-filed contingent claims was January 6, 2006. Early access distributions totaling \$14,474,551 have been made to various guaranty funds for administration expenses and claim benefits.

## **United Capitol Insurance Company**

On September 12, 2001, United Capitol Insurance Company (United Capital), an Illinois domestic property and casualty company, was placed under an Order of Conservation. An Order of Liquidation with a finding of insolvency was entered on November 14, 2001.

United Capitol is a wholly owned subsidiary of United Capitol Holding Company, Inc., a Delaware insurance holding company, which is in turn 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 the Frontier Insurance Group.

United Capitol was originally incorporated in February 1981 as the Great Southwest Surplus Lines Insurance Company. The current name was adopted in June 1986, and the company was acquired by the Frontier Insurance Group through its subsidiary Frontier Insurance Company in May 1996.

The company is licensed in three states (AZ, IL and WI), and operated on a surplus line or a non-admitted basis in D.C., Puerto Rico, the U.S. Virgin Islands and all other states.

The claim filing deadline was November 14, 2002, with a contingent claim date of November 14, 2003. Early access distributions totaling \$3,909,804 have been made to the various guaranty funds for administrative expenses and claim benefits.

A complaint against the former directors and officers of the company alleging breach of fiduciary duty and reckless mismanagement was settled for \$6,250,000.

## **Valor Insurance Company**

On February 25, 2002, an Order of Conservation was entered against Valor Insurance Company (Valor) following the Department of Insurance's determination that Valor was insolvent by more than \$15 million.

An Order of Liquidation was entered by the Circuit Court of Cook County, Illinois, against Valor on August 9, 2002, subject to a 14 day stay until August 23, 2002. The Order of Liquidation was entered on the Director's motion for Judgment on the Pleadings, which was granted by the Circuit Court on August 7, 2002 based upon a duly authorized Consent to Liquidation executed by Valor's board of directors which the owner subsequently refused to honor. On August 14, 2002, Valor filed a Notice of Appeal of the Order of Liquidation.

An Agreed Order, which contains a finding of insolvency and waives all rights to appeal, was entered by the Circuit Court of Cook County, Illinois on March 13, 2002, and further requires Valor to dismiss with prejudice its pending appeal of the Court's Order of Liquidation issued August 9, 2002. The Appeal was dismissed on March 27, 2003 and as of that date, the Liquidation Order and finding of insolvency became final.

The Division had previously approved an arrangement for Affirmative Insurance Company to assume or reinsure all in-force business of Valor effective January 1, 2002. As such, Affirmative is responsible for policy claims which occurred on or after that date. Affirmative is an Illinois domestic carrier and member of the Vesta Insurance Group of Birmingham, AL, and is licensed in 25 states including Illinois and Indiana.

Valor is a wholly owned subsidiary of Gallant Insurance Company, both of which are in liquidation, which in turn is wholly owned by J and P Holdings Incorporated, and a member of the Warrior Insurance Group of Bedford Park, Illinois. Valor was originally incorporated in December 1989 as the Unicorn Insurance Company. Its name was changed in 1992 to Hallberg Direct Insurance Company and to Valor in July 1995.

The company is licensed in the states of Illinois and Indiana, and primarily wrote non-standard passenger automobile liability and physical damage coverages.

The claim filing deadline was February 23, 2004. The deadline for liquidating timely-filed contingent claims was August 23, 2004. Early access distributions totaling \$18,075,189 have been made to the Guaranty Fund for administrative expenses and claim benefits.

### **Cash and Invested Assets**

The following summary of cash and invested assets represents cash and invested assets of companies in receivership during the calendar year ending December 31, 2008. These tabular listings are presented in accordance with the methods of accounting employed by the OSD 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 (215 ILCS 5/187 *et seq.*).

**OFFICE OF THE SPECIAL DEPUTY RECEIVER  
STATEMENT OF CHANGES OF CASH AND INVESTED ASSETS  
DECEMBER 31, 2007 THROUGH DECEMBER 31, 2008**

<u>Company Name</u>	<u>Cash &amp; Invested Assets @ 12/31/07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash &amp; Invested Assets @ 12/31/08</u>
Administrative Employer Group, Inc.	\$1,469,702	\$16,573	\$265,025	1,221,250
Alliance General Insurance Company	22,359,138	863,627	17,147,468	6,075,297
Alpine Insurance Company	7,241,010	5,285,259	10,013,523	2,512,746
American Health Care Provider, Inc.	8,030,150	282,990	1,428,584	6,884,556
American Horizon Insurance Company	1,842,031	191,513	571,716	1,461,828
American Mutual Reinsurance Company	84,901,005	4,692,890	2,836,505	86,757,390
American Unified Life & Health Company	1,076,512	45,308	260,578	861,242
Centaur Insurance Company	83,160,204	6,922,508	19,932,308	70,150,404
Coronet Insurance Company	2,969,196	98,992	1,131,696	1,936,492
Crown Casualty Company	773,788	25,031	315,872	482,947
Delta Casualty Company	3,326,903	123,803	913,080	2,537,626
Gallant Insurance Company	6,344,511	512,978	834,939	6,022,550
Legion Indemnity Company	58,619,437	5,652,495	6,466,778	57,805,154
Municipal Insurance Company of America	10,105,519	318,381	8,667,910	1,755,990
National Assurance Indemnity Company	3,638,743	150,338	191,242	3,597,839
Oak Casualty Insurance Company	5,705,469	663,071	831,364	5,537,176
Pine Top Insurance Company	45,820,304	2,011,566	1,071,568	46,760,302
Statewide Insurance Company	17,488,766	2,319,478	5,349,499	14,458,745

United Capitol Insurance Company	31,397,632	2,467,685	2,816,778	31,048,539
Valor Insurance Company	<u>5,066,664</u>	<u>225,241</u>	<u>727,533</u>	<u>4,564,372</u>
<b>Total</b>	<u>\$393,019,428</u>	<u>33,847,840</u>	<u>82,116,567</u>	<u>352,432,445</u>