Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654
312-836-9500
www.osdchi.com

To: Dana Popish Severinghaus
Director of Insurance
State of Illinois
Illinois Department of Insurance
122 S. Michigan Ave., 19th Floor
Chicago, IL 60603

Board of Directors
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654

From: Jacob Stuckey
Special Deputy Receiver
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654

Date: March 1, 2023

Background

Under Article XIII of the Illinois Insurance Code, the Illinois Director of Insurance ("Director") serves as the statutory conservator, rehabilitator, and liquidator of financially impaired and insolvent Illinois domestic insurers, of unauthorized insurers, and as ancillary receiver of certain foreign or alien insurers doing business in the State of Illinois. In accordance with Section 202 of the Insurance Code, Illinois' Office of the Special Deputy Deceiver ("OSD") assists the Director in performing her duties under Article XIII and serves as the statutory employer of receivership personnel.

OSD Mission

Achieving consumer protection through receivership resolution expertise and the execution of a resolution strategy appropriate to the unique circumstances of each troubled company or receivership estate is the core mission of the OSD. Since the creation of the office in 1991, OSD has served the Director in administering the resolution of 188 Illinois domestic insurance receivership estates and insurance supervisions of insurers and their affiliates, completing, and closing 167 estates as of December 31, 2022. These assignments have included receiverships and supervisions of the following types of insurance entities:

Property & Casualty Insurers	Burial Societies
Group Workers' Comp Pools	Mortgage Guaranty Insurers
Religious & Charitable Risk Pooling Trusts	Captive Insurers
	Life Insurers
Farm Mutual Insurers	Health Insurers
Insurance Exchange Syndicate	HMOs
Unauthorized Insurers	Accident & Health Insurers
Mutual Holding Companies	Fraternal Benefit Societies

2022 Executive Summary

Receivership estate distributions and the expenses associated with their completion are the single most important measure of success for the consumers that are affected by the impairment or insolvency of their insurer. During 2022, the OSD serviced 26 receivership estates for the Director, marshalling and overseeing the distribution of approximately $103.4 million to consumers and other estate creditors. In addition to the direct estate distributions, OSD also facilitated the payment of an additional $61.8 million in benefits paid to consumers by state insurance guaranty associations. OSD's 2022 administrative expenses totaled $10.016 million, exclusive of direct expenses of estates where legacy offices and staff are maintained. OSD's "all-in" average hourly professional services rate, including payroll, benefits, taxes, rent, insurance, and information technology costs, achieved its targeted rate of approximately $113 per hour. The 2022 distributions brought OSD's consumer distribution totals since calendar year 2008 to $3.53 billion.

At the enterprise level during 2022, OSD accomplished several important strategic initiatives in furtherance of its corporate mission, establishing new custodial banking relationships and procedures, developing new information technology and security protocols, enhancing strategies for managing non-liquid estate asset classes, and expediting processes for the re-opening of closed estates to make supplemental estate distributions.

Readiness and the ability to assume the supervision and management of financially troubled insurers is a critical function for state insurance regulators, as is the ability to reform and improve the financial and consumer-oriented results of troubled insurers, preventing against insolvency and providing consumer protection. The OSD stood ready to assist the Director in discharging these responsibilities in 2022, effectively completing the resolution of one estate supervision, placing three others under enhanced supervision, and re-opening four closed estates to make supplemental distributions to consumers.

The OSD currently has 46 full time employees. In addition to OSD staff, through the utilization of OSD's scalable and flexible staffing model, two receivership estates, Triad and Lumbermens, continue to employ legacy personnel in key disciplines who assist the OSD in winding down their former company's operations. During 2022, OSD staff directly handled 4,598 consumer telephone inquiries, registered 16,043 new proofs of claim, distributed 372 consumer notices, reviewed 6,964 policyholder and third-party claims, processed the collection, and offset of $54.3 million in reinsurance cessions, and managed the legal affairs, court proceedings, financial statement, and income tax return preparation for all pending receivership estates. OSD also achieved its annual corporate goal of maintaining a chargeability ratio of 75% (percentage of employee time devoted to estate specific tasks) and a utilization ratio of 66% (percentage of total employee hours, including time off, devoted to estate specific tasks), with those metrics reaching 81% and 67%, respectively.

Quarterly statutory financial reports for all pending receivership estates were prepared and filed with the Supervising Court, published on the OSD's website, and audited by the independent public and governmental firm of Kerber, Eck and Braeckel. Annual financial statements for each estate were also reported to the NAIC's Global Receivership Information Database.

OSD assisted the Director at the National Association of Insurance Commissioners ("NAIC") through participation in the work of the NAIC's Financial Analysis Working Group, Receivership & Insolvency Task Force, Receivership Financial Analysis Working Group, Receivership Model Law Working Group, and the Receiver's Handbook drafting committee.

Excluding confidential conservations and supervisions, the following receivership estates were serviced by the Director during 2022:

1. Affirmative Insurance Co., In Liquidation
2. American Manufacturers Mutual Insurance Co., In Liquidation
3. American Motorists Insurance Co., In Liquidation
4. American Country Insurance Co., In Liquidation
5. American Service Insurance Co., In Liquidation
6. Family Health Network, In Rehabilitation
7. Gateway Insurance Co., In Liquidation
8. Gallant Insurance Company, In Liquidation – Re-opened
9. Illinois Comprehensive Health Insurance Plan, In Rehabilitation
10. Illinois Movers & Warehousemen's Risk Mgmt. Group, In Liquidation
11. Land of Lincoln Mutual Health Insurance Co., In Liquidation
12. Legion Indemnity Co., In Liquidation
13. Lumbermens Mutual Casualty Co., In Liquidation
14. Merit Casualty Company, In Liquidation – Re-opened
15. Millers Classified Insurance Company, In Rehabilitation
16. Millers First Insurance Co., In Liquidation
17. Next Level Health Partners, Inc., In Conservation
18. Pine Top Insurance Company, In Liquidation – Re-opened
19. Public Service Insurance Co., In Rehabilitation
20. Public Service Mutual Holding Co., In Rehabilitation
21. Triad Guaranty Assurance Corp., In Rehabilitation
22. Triad Guaranty Insurance Corp., In Rehabilitation
23. Valor Insurance Company, In Liquidation – Re-opened

State insurance guaranty associations serve as a vital component of the resolution process for insolvent insurers, providing consumer protection and replacement benefits for certain covered insurance lines. Nine of the receivership estates administered during 2022 triggered guaranty association protection for consumers in Illinois and other states. The OSD effectively coordinated with the guaranty associations in each state, as well as their national organizations, the National

Organization of Life & Health Insurance Guaranty Associations, and the National Conference of Insurance Guaranty Funds where appropriate. OSD completed the preparation and transfer of electronic policyholder and claim records in the data formats required by the guaranty associations to assure immediate protection to consumers in the 50 states that have been impacted by the liquidations of their former companies. Claim payment and information sharing technology established between the OSD and the guaranty associations is in place in each of the pending liquidations to facilitate accurate financial reporting, reinsurance recovery, guaranty association claim reimbursement, and large deductible collateral need establishment, release, recovery, and reimbursement.

The OSD and the pending receivership estates are subject to an annual statutory audit by an independent outside certified public accountant engaged in the conduct of audits under the State Auditing Act. The Auditor General of the State of Illinois, pursuant to an agreed-upon procedure, further reviews the audit work papers of OSD's outside auditor and approves the audit for adequacy. The OSD and the receivership estates it administered on behalf of the Director were audited in 2022 for the year ending December 31, 2021 by the audit firm of Kerber Eck & Braeckel ("KEB"). KEB rendered clean audit opinions on the financial statements of the OSD and in each of the audits it completed of the pending receivership estates, finding that the financial statements as prepared present fairly, in all material respects, the assets, liabilities, revenue and expenses as of December 31, 2021. Copies of KEB's annual audit report for the OSD as well as each pending receivership estate are posted on the OSD website at www.osdchi.com

A summary of the status of each of the pending receivership estates is presented below, excluding confidential conservations and supervisions. Additional information on the OSD as well as the pending and closed receivership estates, including the Receiver's court filings and other pleadings, can be found at www.osdchi.com

Receivership Estate Summary

AFFIRMATIVE INSURANCE COMPANY ("AIC"), IN LIQUIDATION

AIC was placed in rehabilitation in September of 2015 after the company was required to record more than $40 million in adverse development on pending claim reserves. The company was subsequently placed in liquidation in March of 2016 after the completion of a further review of its financial condition and the adequacy of its reserves, triggering guaranty association protection for consumers in 15 states. At the time of its rehabilitation, AIC had 174,224 policies in force. Non-renewal notices were issued during rehabilitation to the company's policyholders in accordance with applicable state law, prior to the policy anniversary, minimizing the impact of policy cancellations at liquidation. Several asset recovery actions commenced by the Liquidator are now settled, including a $15 million settlement agreement reached with the company's former managing general agent, Confie Seguros Holding II Co. ("Confie") in connection with Confie's contingent liability to the company under the terms of a June 30, 2015 purchase agreement, a $2.65 million settlement of an adversary proceeding pending in the chapter 7 bankruptcy proceedings of AIC's former holding company related to funds set aside for AIC's benefit to secure holding company obligations to AIC under a tax allocation agreement, and a $4.75 million settlement in a multi-party mediation of claims against AIC's former directors and officers.

The bar date for presenting timely-filed claims against the estate of August 28, 2017, and the deadline of August 28, 2018 for liquidating timely-filed contingent claims have now expired. 5,116 "covered claims" were sent to 11 state insurance guaranty associations for handling and payment. Early access agreements permitting early estate distributions to guaranty associations for expense and claim reimbursement have been put in place. Inception to date, claim payments, loss adjustment and other expenses incurred by the guaranty associations total $60 million. Early access distributions to the guaranty associations by the Liquidator total $32.7 million. 48 of the covered claims remain to be resolved by guaranty associations and returned to the Liquidator for final settlement and adjudication. Claims not covered by the guaranty associations are in the process of being resolved and adjudicated by the Liquidator's staff and will be entitled to participate in prorated distributions of the estate's assets at the policyholder priority level.

AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY ("AMM"), AMERICAN MOTORISTS INSURANCE COMPANY ("AMICO"), and LUMBERMENS MUTUAL CASUALTY COMPANY ("LMC"), IN LIQUIDAION

AMM, AMICO and LMC were placed in liquidation in May of 2013. All three estates were substantively consolidated for purposes of the equitable distribution of the companies' consolidated assets. The bar date for presenting timely-filed claims against the estates was November 10, 2014. The deadline for liquidating timely-filed contingent claims expired on November 10, 2017.

21,107 timely-filed policyholder priority claims have been asserted against the consolidated estates and are undergoing final settlement negotiation and adjudication before the Supervisory Court. 517 of these claims remain to be reviewed by the Liquidator. 3,904 policyholder claims remain pending with state insurance guaranty associations and net-worth excluded insureds. Inception to date claim payments and loss adjustment expenses paid by guaranty associations total $575 million. 41 policyholder claims, which were subject to a reinsurance cut through arrangement with National Indemnity Company, continue to be administered and paid in the ordinary course of business by the Liquidator's staff.

The LMC estate carries approximately $174 million in net reinsurance recoveries after credit for permitted offsets as of December 31, 2022, which will come due as claims are allowed against AMM, AMICO or LMC estates or paid by the guaranty associations. Inception to date reinsurance cessions total $173.8 million, with $142.5 million or 82% of amounts due settled to date.

Collateral need review and collection activity for 600 large deductible policyholder accounts remain pending. Escrow administration also continues for 47 additional policyholder accounts that were subject to pre-receivership large deductible buy-up agreements. With the December 2020 closing of the sale of Specialty Surplus Insurance Company, four solvent subsidiaries of the LMC estate, also including Long Grove Insurance Company of Australia, Lumbermens Casualty Insurance Company, and the Delta Wetlands water reclamation project, have now all been sold.

2022 estate distributions totaled $57.3 million to AMM, AMICO or LMC policyholders, guaranty associations and other estate creditors through the adjustment and return of excess collateral, payment of guaranty association administrative and loss adjustment expenses, early access distributions to guaranty associations for covered claims obligations, large deductible reimbursements, and the payment of policyholder claims on fully collateralized business segments.

AMERICAN COUNTRY INSURANCE COMPANY ("ACIC"), AMERICAN SERVICE INSURANCE COMPANY ("ASIC") AND GATEWAY INSURANCE COMPANY ("GATEWAY"), IN REHABILITATION

Agreed Orders of Liquidation were entered against Gateway in June of 2020, and against ACIC and ASIC in August 2020, converting each of these rehabilitation estates into liquidations. The liquidations were necessitated based upon the findings of the IDOI and company actuaries identifying at least $85 million of net consolidated reserve deficiency.

The Liquidator filed a motion seeking the substantive consolidation of the three liquidation estates, based in part upon their mutual participation in a pooling agreement (the "ASI Pool") under which the three companies pooled their assets and insurance liabilities for purposes of paying claims according to an agreed upon allocation schedule. The intended effect of the substantive consolidation was to achieve an equitable allocation of the assets and liabilities of the ASI Pool, consistent with their pre-liquidation operations and policyholder expectations. The Liquidator provided notice of the motion by mail to approximately 9,800 interested parties, and by publication both in newspaper of national circulation and on the website maintained by OSD for the liquidation estates. The Illinois Insurance Guaranty Fund also intervened in support of substantive consolidation. After holding a full hearing on the motion, the Supervising Court granted the Liquidator's motion, and substantively consolidated the estates by an order entered on October 30, 2020.

The bar date for presenting timely-filed claims against the estates expired on December 10, 2021. A deadline June 10, 2022 for liquidating timely-filed contingent claims also expired during the past year.

During rehabilitation, the Rehabilitator worked with the companies' corporate parent, Atlas Financial Holdings, Inc. and its wholly owned managing general agency to transition the company's existing policyholders to alternative insurance markets and secured a financial commitment to receive 49% of the proceeds of the agency's prospective sale to support the resolution of the policyholder obligations of the ASI Pool. That interest was monetized through a transaction and sale that closed during 2022.

The Rehabilitator entered into "stalking horse" bids to sell Gateway, ASIC and ACIC's corporate charters and state insurance licenses to Buckle Corp., and in connection therewith posted invitations for bids to generate the best purchase price for potential bidders. The sale of Gateway's corporate charter and state licenses to Buckle Corp. closed in June of 2020, netting $4.2 million for its liquidation estate. The sale of ASIC and ACIC's corporate charters and state licenses to Buckle Corp. closed in May of 2021, netting $3.5 million for their liquidation estates.

Claims by and against Gateway, ASIC and ACIC's former policyholders have been sent to 49 state insurance guaranty associations for handling, defense and payment. Early access agreements permitting early estate distributions to guaranty associations for expense and claim reimbursement are in place. Policyholder priority claims that are not covered by the guaranty associations will be entitled to participate in pro-rated distributions of the consolidated estate's assets.

FAMILY HEALTH NETWORK ("FHN") AND COMMUNITY CARE ALLIANCE OF ILLINOIS ("CCAI"), IN REHABILITATION

FHN and CCAI, two affiliated health maintenance organizations, were placed in rehabilitation in March of 2019. FHN was running off Medicaid business written in 2017 and prior years. CCAI was actively writing Medicare Advantage business and covered approximately 5,000 Illinois residents at the time of its placement in rehabilitation. Given that both companies only wrote Medicaid and Medicare Advantage business, coverage by the Illinois Life and Health Insurance Guaranty Association was not available and was not triggered by entry of their rehabilitation orders. The Rehabilitator undertook an expedited bid process to sell CCAI to a counterparty that was willing to recapitalize the company and continue the coverage of its Medicare Advantage enrollees. $2 million in proceeds was generated by the sale and used to support the resolution and payment of all FHN's remaining unpaid medical provider claims. A claim filing deadline expired in October of 2019. The final settlement of all outstanding provider claims was completed by October of 2020, permitting the issuance of a 100% dividend that was approved by the Supervising Court and distributed to the claimants. Claims asserted by the federal government and general creditors have been adjudicated. A final distribution to the estate's general creditors and the estate closing is expected to occur in the second quarter of 2023, upon receipt of a pending release of federal claims from the United States Department of Justice.

ILLINOIS MOVERS' & WAREHOUSEMEN'S RISK MANAGEMENT GROUP ("ILLINOIS MOVERS"), IN LIQUIDATION

Illinois Movers was an Illinois domestic qualified group workers' compensation pool that was placed in liquidation in 2012. Based on its licensing status, traditional guaranty association protection was not available to its policyholder members or their workers' compensation claimants. A limited guaranty fund mechanism administered by the Illinois Department of Insurance known as the Illinois Group Self-Insurers Insolvency Fund ("GSIIF") was available to make up the shortfall that injured workers received on their distributions from the liquidation estate. A total of 349 policyholder priority claims were presented, settled, or otherwise adjudicated before the Supervising Court by December of 2020. An interim dividend in the amount of 18% was distributed in 2019 on all allowed claims, with the balance of 82% remaining to be paid on such claims transferred to the GSIIF for payment under state law. The GSIIF lacked sufficient funds to discharge 10 of the transferred claims. However, its claim payments on the others facilitated the Rehabilitator's ability to marshal inuring excess insurance on paid claims. Recovery of the insuring excess insurance facilitated the Rehabilitator's ability to discharge the remaining policyholder priority claims in full in June of 2022. General creditor claims asserted against the estate were also resolved and adjudicated during 2022. A final prorated dividend on general creditor claims will be calculated and distributed upon receipt of the pending federal priority release requested from the United States Department of Justice. The estate is expected to close in the second quarter of 2023.

ILLINOIS COMPREHENSIVE HEALTH INSURANCE PLAN ("ICHIP"), IN REHABILITATION

ICHIP was s state health benefits program created by the Illinois Comprehensive Health Insurance Plan Act. ICHIP was established to provide an alternative market for health insurance for certain uninsurable Illinois residents and an acceptable alternative mechanism as described in the federal Health Insurance Portability and Accountability Act of 1996 for providing portable and accessible individual health insurance coverage for federally eligible individuals as defined in the Act. The necessity of ICHIP's health plan offerings was supplanted by the federal Affordable Care Act ("ACA"), health plans offered thereunder, and the growth of the ACA marketplace in Illinois. As ICHIP wound-down to issuing a minimal number of policies to Illinois residents, coverage under its remaining plans ceased as a matter of state law on December 31, 2021. ICHIP was also placed in rehabilitation on that date to facilitate the discharge of its remaining claims, and to distribute its remaining assets to creditors pursuant to state law. A bar date of June 30, 2022 for the presentation of timely-filed claims was established by the Supervising Court. All remaining claims were discharged in full during calendar year 2022, pursuant to the provisions of the Order of Rehabilitation. The ICHIP estate is expected to close in the first quarter of 2023, after the completion of the Rehabilitator's issuance of assessment refunds from its remaining surplus to ICHIP's industry assessees and its final accounting.

LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY ("LLH"), IN LIQUIDATION

LLH was established in 2013 under the Affordable Care Act as a consumer-oriented and operated health plan. The United States federal government ultimately contributed $160 million to LLH through a start-up loan in the amount of $16 million, which was converted to a surplus note in February of 2016, and access to $144 million in additional surplus notes that had been fully drawn by February of 2016. Under the express terms of the surplus notes, repayment of LLH's federal obligations were subordinate to claims of policyholders and other general creditors.

LLH lost more than $160 million during its first three years of operation from 2014 through 2016. The company was determined to be insolvent as of June 30, 2016, based on the calculation of its 2015 risk adjustment liability under section 1343 of the Affordable Care Act. The company was accordingly placed in rehabilitation by the Circuit Court of Cook County, Illinois on July 14, 2016, and in liquidation on September 29, 2016. During rehabilitation a special enrollment period was created to transition LLH's approximately 40,000 existing policyholders to new insurers, prior to the cancellation of their coverage upon liquidation.

Liquidation of the company triggered the Illinois Life and Health Insurance Guaranty Association, which became responsible for the payment of covered claims and for providing continuing coverage to those policyholders that had not transferred or otherwise cancelled their coverage during the special enrollment period. The Guaranty Association's continuing coverage obligations concluded on November 15, 2016, for group business and on December 31, 2016, for individuals.

In June 2016, LLH filed a lawsuit against the United States in the Federal Court of Claims seeking recovery arising from the United States' failure to make full risk corridor payments due Land of Lincoln under the Affordable Care Act for calendar years 2014-16, totaling approximately $160 million. In November 2016, the Court of Claims entered an order granting the United States' motion for judgment on the administrative record. The Court of Claims' decision was subsequently affirmed on appeal by the Court of Appeals for the Federal Circuit. The Liquidator's petition for certiorari to the U.S. Supreme Court was granted in June of 2019, and on April 27, 2020, the U.S. Supreme Court reversed the decisions of the lower courts, ruling that the Liquidator could recover LLH's risk corridor receivables due from the United States through the Court of Claims and remanded the proceedings for judgment consistent with its ruling. On June 17, 2020, the Liquidator filed an unopposed motion to remand to the Court of Claims for disposition. Judgment in the amount of $90,804,578.29, net of Land of Lincoln's mutual obligations due the United States, was entered on July 20, 2020, and paid to the Land of Lincoln estate on August 7, 2020, facilitating the estate's ability to distribute 100% dividends to claimants with timely-filed claims falling within priority levels "a" through "g" of Illinois statutory distribution scheme.

During the liquidation, the Liquidator assisted the Guaranty Association by retaining staff, systems, and office space to discharge its obligation to process and pay the covered claims of LLH's policyholders. All timely-filed claims have now been resolved. Throughout the course of the liquidation, the Guaranty Association discharged $48.6 million in claim payments and incurred $6.8 million in administrative expenses. The LLH Estate further discharged an additional $5 million in policyholder and provider claims that were not covered by the Guaranty Association. 100% dividends were approved in December 2020 and distributed on all timely-filed policyholder priority claims.

Surplus assets remained in the LLH estate after all timely-filed claims at priorities "a" through "g" had been discharged. The Supervising Court accordingly established a second claim filing deadline of August 19, 2021, pursuant to the applicable provisions of the Insurance Code for the presentation of late-filed claims. All late-filed claims presented at both the policyholder and general creditor priorities were settled, adjudicated before the Supervising Court, and paid in full during 2022. Upon receipt of a pending federal priority release from the United States Department of Justice and the settlement of any final state and federal taxes due, the remaining surplus of the LLH estate will be distributed to the United States as the sole priority level "h" surplus note claimant against the LLH estate.

LEGION INDEMNITY COMPANY ("LEGION INDEMNITY"), IN LIQUIDATION

Legion Indemnity was placed in liquidation in 2003 on or about the time that its affiliate Legion Insurance Co. entered liquidation in Pennsylvania. Primarily writing as a surplus lines insurer, guaranty fund coverage was not available to policyholders and claimants residing outside of the states of Illinois and New Jersey where Legion Indemnity had been licensed.

Claim payments totaling $121.36 million, representing 100% of the amount due on timely-filed claims by policyholders and general creditors, and 80% of the amount due on late-filed policyholder priority claims, have been distributed by the Liquidator on timely and late-filed claims. The late-filed policyholder priority claims total $24.9 million and will be entitled to share in additional *pro rata* distributions of the estate's remaining assets. The estate is expected to close after an appeal of a final outstanding reinsurance dispute has been resolved by the Illinois Appellate Courts, and final state and federal income tax returns are settled.

MILLERS FIRST INSURANCE COMPANY ("MFIC"), IN LIQUIDATION AND MILLERS CLASSIFIED INSURANCE COMPANY ("MCIC"), IN REHABILITATION

MFIC was a wholly owned subsidiary of Affiliated Mutual Holding Company ("AMHC"). Under its mutual holding company structure, the assets of AMHC were held in trust and were utilized in the liquidation to discharge the claims of MFIC's policyholders and creditors.

MFIC entered rehabilitation in 2012, based upon its failure to meet Illinois' minimum capital and surplus requirements after experiencing significant catastrophe storm losses during 2010 to 2012 in its key markets in Missouri and Illinois. Upon entering rehabilitation, the Rehabilitator ceased writing new and renewal business. MFIC's last policy of insurance expired on or about July of 2013.

At the commencement of the rehabilitation, MFIC's primary business focus had shifted to personal lines insurance, but it was continuing to service the run-off of discontinued operations that included long-tail workers' compensation claims. MFIC was subsequently placed into liquidation on August 30, 2017, based on a determination that liabilities associated with its discontinued operations rendered the company insolvent. The order of liquidation triggered the state insurance guaranty associations to administer and pay MFIC's remaining long-tail workers' compensation exposures, which in turn are supported by reinsurance attaching to those claims that remain subject to cession and collection by the Liquidator. Inception to date claim payments and loss adjustment expenses paid by guaranty associations total $1.03 million.

MFIC supported a traditional defined benefit pension plan for its former employees. Although the pension plan had been frozen several years prior to MFIC's rehabilitation, legacy administrative and financial obligations remained. Administration of the pension plan was transitioned by the Rehabilitator to a third-party pension plan servicer, Principal Financial Group, in early 2015. Shortly after that transition had been completed, the Pension Benefit Guaranty Corp. ("PBGC") invoked involuntary termination of the pension plan and assumed all plan assets and liabilities as of September 30, 2015. MFIC's liability for funding its terminated pension plan remains a priority level "f" creditor obligation of its estate, subordinate to the payment of policyholder obligations that the estate is not projected to be capable of fully discharging.

MFIC’s wholly owned subsidiary, MCIC, was also placed in rehabilitation in 2015, after its re-domestication from Wisconsin to Illinois. MCIC’s pending policyholder claims were resolved and paid in full during the rehabilitation. The Rehabilitator entered into a settlement agreement with the PBGC in 2019, resolving the estate’s liability as a member of the MFIC control group for MFIC’s undischarged pension liability to the PBGC. MCIC’s remaining surplus was contributed to the MFIC estate through a legal merger of the two companies that was completed in 2021. After the merger, the MCIC estate was closed in February of 2022.

PUBLIC SERVICE MUTUAL HOLDING COMPANY (“PSMHC”) AND PUBLIC SERVICE INSURANCE COMPANY (“PSIC”), IN REHABILITATION

PSMHC and PSIC were placed in rehabilitation in March of 2017 after PSIC was not able to formulate a satisfactory RBC action plan to address its Risk Based Capital deficiencies under section 5/35A-15 of the Insurance Code. PSIC was an Illinois domestic stock property & casualty insurance company located in New York City, New York. PSIC was previously organized as a mutual insurance company, and upon its conversion to a stock company became a subsidiary of its mutual holding company, PSMHC. In accordance with the provisions of the Agreed Order of Rehabilitation, the Rehabilitator cancelled all PSIC’s in-force policies as of June 30, 2017, and continued the administration and payment of policyholder claims, while suspending payment of lower priority general creditor claims.

The Rehabilitator’s first Plan of Rehabilitation was presented to the Supervising Court and to estate creditors in September of 2017. That plan included the transfer of all PSIC’s remaining policyholder-priority obligations to another licensed direct insurer, which was the winning bidder selected after an auction process. The transaction failed to close, effectively ending the first Plan of Rehabilitation.

The Rehabilitator filed an Amended Plan of Rehabilitation for presentation to the Supervisory Court in September of 2018. The Amended Plan of Rehabilitation contemplated a stock purchase agreement (“SPA”) of 100% of the stock of PSIC by Premia Holdings, Inc., a partial resumption of PSIC’s business, as well as the channeling of all PSIC’s remaining policyholder priority obligations to the resumptive and recapitalized PSIC. After notice, comment, and hearing, the Supervising Court approved the SPA and the Amended Plan of Rehabilitation on December 3, 2018. The transaction closed on January 9, 2019.

The transfer of 100% of PSIC’s policyholder liabilities under the transaction eliminated the need to liquidate PSIC and trigger state insurance guaranty associations to protect PSIC’s policyholders. The transaction and the Amended Plan of Rehabilitation facilitated the Rehabilitator’s ability to preserve the pensions of the company’s former employees through a pension risk transfer and pension plan termination transaction. The pension risk transfer was completed in June of 2019, and the pension plan termination was completed and approved by the PBGC in 2020. The remaining estate assets will be used to resolve the claims of the PSIC Estate’s general creditor class of claimants, which include assumed reinsurance claims of other insurers and executive severance compensation.

TRIAD GUARANTY INSURANCE CORPORATION (“TGIC”) AND TRIAD GUARANTY ASSURANCE CORPORATION (“TGAC”), IN REHABILITATION

TGIC and its wholly owned subsidiary TGAC were placed in rehabilitation in December of 2012. The companies are based in Winston-Salem, North Carolina and were authorized to transact the business of mortgage guaranty insurance. After encountering financial troubles stemming from the historic national housing collapse that began in 2007, the companies ceased issuing new insurance commitments in 2008 and were operating in run-off under corrective orders issued by the Director in 2009. The corrective orders provided that TGIC could only pay 60% of the amount due on mortgage insurance claims and required TGIC to hold escrow funds for the remaining 40%. In early 2012, due to its further financial deterioration, TGIC sought relief from the provision in the corrective order that required the 40% escrow. In connection with TGIC’s request for relief from the escrow requirement of the corrective order, the Director conducted a public administrative hearing, which resulted in the Director’s denial of relief from the escrow requirement and the placement of TGIC and TGAC in rehabilitation.

The Rehabilitator’s Plan of Rehabilitation was approved by the Supervising Court in October of 2013. As of year-end 2022, approximately $1.106 billion had been distributed to policyholders under the Plan of Rehabilitation. Claims continue to be paid in the ordinary course of business at a rate of 75% of the amount due, with a deferred payment obligation created and carried as a liability of the estate for the remaining 25%. Due to the nature of mortgage guaranty insurance, approximately 80% of TGIC’s obligations ultimately inure to the benefit of Fannie Mae and Freddie Mac as federal participants in the mortgage-backed security business. At year-end 2022, TGIC had 15,971 policyholder certificates in force, insurance in force of approximately $2.597 billion, risk in force of $678.1 million, and outstanding loss reserves of $36.6 million.

RE-OPENED ESTATES

Several previously closed estates were re-opened in 2022 in order to distribute supplemental dividends to their estate’s policyholders and creditors, based on the recovery of additional monies received by the Director on behalf of due to their estates by other insolvent insurers and reinsurers. The liquidation estates of Gallant Insurance Company, Merit Casualty Company, Pine Top Insurance Company, and Valor Insurance Company were all re-opened and closed during 2022 for purposes of completing these supplemental distributions.