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Board of Directors
Office of the Special Deputy Receiver
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From: Jacob Stuckey
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Date: March 1, 2024

2023 Executive Summary

During 2023, OSD serviced 27 receivership estates and supervisions for the Director, marshalling and overseeing the distribution of approximately \$120.5 million to consumers and other estate creditors. OSD also facilitated an additional \$75.6 million in benefits paid to consumers by state insurance guaranty associations. In sum, the 2023 estate distributions totaled \$196.1 million. OSD's 2023 administrative expenses totaled \$10.0 million, exclusive of direct expenses of estates where legacy offices and staff are maintained, for a total distribution to expense ratio of 5%. OSD's "all-in" average hourly professional services rate, including payroll, benefits, taxes, rent, insurance, and information technology costs was \$118.70 per hour. The 2023 distributions brought OSD's consumer distribution totals since calendar year 2008 to \$3.6 billion.

At the enterprise level during 2023, OSD accomplished several important strategic initiatives in furtherance of its corporate mission, establishing new risk-focused management and board level committees and charter, improving custodial banking relationships and procedures, enhancing its information technology and security protocols, deploying new strategies for managing illiquid estate asset classes, augmenting its staffing model with strategic partners, and expediting processes for the re-opening of closed estates to distribute supplemental asset recoveries.

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 assisted the Director in discharging these responsibilities in 2023, completing the resolution of two estate supervisions, placing three new insurers under enhanced supervision, and re-opening three closed estates to make supplemental distributions to consumers and other creditors.

OSD Background & Mission

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.

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 190 Illinois domestic insurance receivership estates and insurance supervisions of insurers and their affiliates, completing, and closing 171 estates as of December 31, 2023. 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	Captive Insurers
Trusts	Life Insurers
Farm Mutual Insurers	Health Insurers
Insurance Exchange Syndicate	HMOs
Unauthorized Insurers	Accident & Health Insurers
Mutual Holding Companies	Fraternal Benefit Societies

2023 Accomplishments

OSD currently has 45 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. In addition to the \$196.1 million distributed to policyholders and creditors during 2023, OSD staff directly handled 7,978 consumer telephone inquiries, registered 2325 new proofs of claim, distributed 1,039 consumer notices, reviewed 26,228 policyholder and third-party claims, processed the collection of \$37.4 million in reinsurance cessions, and managed the assets, 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 78% and 66%, 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 prepared for independent audit. 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 2023:

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. Illinois Comprehensive Health Insurance Plan, In Rehabilitation
9. Illinois Movers & Warehousemen's Risk Mgmt. Group, In Liquidation
10. Land of Lincoln Mutual Health Insurance Co., In Liquidation
11. Legion Indemnity Co., In Liquidation
12. Lumbermens Mutual Casualty Co., In Liquidation
13. Merit Casualty Company, In Liquidation – Re-opened
14. Millers First Insurance Co., In Liquidation
15. Millers National Insurance Company, Re-opened
16. Next Level Health Partners, Inc., In Conservation
17. Public Service Insurance Co., In Rehabilitation
18. Reinsurance Company of America, Re-opened
19. Triad Guaranty Assurance Corp., In Rehabilitation
20. Triad Guaranty Insurance Corp., In Rehabilitation

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. Eight of the receivership estates administered during 2023 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 2023 for the year ending December 31, 2022 by the audit firm of Kerber Eck & Braeckel ("KEB"). KEB rendered clean audit opinions on the financial statements of the OSD and each 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, 2022. 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 administered by OSD on behalf of the Director, excluding confidential conservations and supervisions, and additional estate information, including the Receiver's court filings and other pleadings, can be found on OSD's website at: www.osdchi.com.