

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION**

**IN THE MATTER OF THE REHABILITATION)
OF AMERICAN MUTUAL REINSURANCE) NO. 88 CH 1595
COMPANY)**

**FINAL REPORT
AND MOTION FOR APPROVAL OF
THE DISSOLUTION OF AMRECO,
TERMINATION OF THE REHABILITATION
PROCEEDINGS AND CLOSING OF THE ESTATE**

Michael T. McRaith, Illinois Director of Insurance (the "Director"), in his capacity as statutory and court-affirmed Rehabilitator (the "Rehabilitator") of American Mutual Reinsurance Company ("Amreco"), submits the following Final Report And Motion For Approval Of The Dissolution Of Amreco, Termination Of The Rehabilitation Proceedings And Closing Of The Estate, including discharging the Rehabilitator, reserving for future administrative expenses, authorizing the transfer of certain assets to the Closed Estate Fund Account, and appointing the Trustee, all pursuant to Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187 *et seq.* and the Second Amended Plan Of Rehabilitation For American Mutual Reinsurance Company (the "Second Amended Plan"), and in support thereof, the Rehabilitator states as follows:

In an order entered on September 2, 2009, this court approved the Rehabilitator's Application For An Order Approving The Final Distribution Of Estate Assets, Consisting Of The Payment Of Accrued Interest On Surplus Drafts And The Fifth And Final Prepayment Of Outstanding Surplus Drafts (the "Application" and the "Final Distribution Order", respectively). On September 4, 2009, the Rehabilitator issued payment of the accrued interest on Surplus

Drafts and the fifth and final prepayment of outstanding Surplus Drafts (collectively, the "Final Distribution"), all as approved by the Final Distribution Order.

Section 13.04 of the Second Amended Plan states,

13.04 After the Rehabilitator has distributed all General Assets remaining under the Rehabilitator's control in accordance with Parts F and G above, the Rehabilitator shall submit a final report to and shall petition the Supervisory Court for Amreco's dissolution pursuant to 215 ILCS 5/192(5), 196, and for a full discharge of all liability and responsibility of the Director as Rehabilitator and his attorneys, senior attorneys, accountants, assistants, consultants, Special Deputy and staff.

Having disbursed the Final Distribution on September 4, 2009, the only general assets remaining are those expressly reserved for administrative expenses, including federal tax liabilities of the estate, pursuant to the Final Distribution Order.¹ All general assets of the estate having been distributed, the Rehabilitator's remaining obligations under the Second Amended Plan are to: (a) submit a final report; and (b) petition this court for Amreco's dissolution and for a full discharge of the Director, as Rehabilitator, and his attorneys, senior attorneys, accountants, assistants, consultants, Special Deputy and staff.

FINAL REPORT

Amreco was a mutual reinsurance company, organized and operated under the laws of the State of Illinois, with offices located in Chicago, Illinois. From its inception in 1941, Amreco operated exclusively as a reinsurance company; that is, Amreco never sold insurance directly to the public, but provided only reinsurance to other insurance companies (the "Treaty Holders").

1. As of September 4, 2009, in addition to the reserved general assets, the Rehabilitator held \$1,161,051 in common account quota share recoveries collected for the benefit of Amreco's pool participants that will be paid to pool participants on or about September 15, 2009.

The Treaty Holders "ceded" or transferred to Amreco a portion of the risks they had underwritten or the losses they had agreed to pay through their own insurance policies.

Amreco experienced financial difficulties and its management was unable to resolve the financial difficulties. On February 22, 1988, the Director filed a verified complaint for Amreco's rehabilitation, pursuant to Section 192(3) of the Code, 215 ILCS 5/192(3). On the same date, the court entered the requested order of rehabilitation instructing the Director, as Rehabilitator, to take immediate possession and control of the property, assets, business, and affairs of Amreco.

When Amreco was placed into rehabilitation, the estate had cash and invested assets in the amount of \$62,466,347. During the pendency of the rehabilitation proceedings, the Rehabilitator settled approximately \$512,876,911 in gross claims (the "Gross Claims"). Amreco paid \$435,643,434 of the Gross Claims in cash and offsets (\$324,432,883 was paid in cash and \$111,210,551 was paid by the assertion of offsets against cash balances due Amreco). The balance of the Gross Claims, \$77,233,477, was paid with interest bearing Surplus Drafts. In addition to the direct payments made on the Gross Claims, the Rehabilitator also made annual interest payments on outstanding Surplus Drafts in the total amount of \$12,142,100. The Rehabilitator has also paid \$1,675,000 on the claims of Amreco's guaranty fund certificate note holders.

Financial Status of Amreco, In Rehabilitation

The following is the Rehabilitator's unaudited Statement of Cash and Invested Assets as of September 4, 2009, for the period of February 23, 1988 through September 4, 2009:

Beginning Cash & Invested Assets	\$ 62,466,347
Cash Receipts:	
Investment Income	\$ 64,333,063
Gain or Loss on Sale of Investments	3,081,114
Dividends	30,989
Salvage and Subrogation	4,869,752
Reinsurance Receipts	234,521,039
Settlements	323,130
Tax Refunds	61,122
LOC Drawdowns	136,961
Release of Escrow Funds	21,153,419
Foreign Exchange	922,743
Release of Statutory Deposit	4,421,138
Proceeds from Sale of F&E	9,750
Other Income	247,066
Total Cash Receipts	\$ 334,111,286
Cash Disbursements:	
Professional Fees:	
Legal Fees & Expenses	\$ 4,166,071
Audit Fees	469,802
Consulting Fees	1,712,198
Compensation:	
Salaries	13,353,033
Employee Benefits	2,020,220
Payroll Taxes	871,117
Other Expenses of Administration of Company and its Property:	
Loss and Loss Adjustment Expense	29,877
Rent and Rent Items	2,796,798
Equipment Expenses	109,813
Travel and Travel Items	92,986
Postage and Freight	66,334
Office Expenses	297,452
Data Processing	823,026
Investment Expenses	321,153
Federal Income Tax	501,816
Foreign Exchange	553,095
Other Expenses	932,422
All Other Disbursements:	
LOC Drawdowns Disbursements	9,613,386
Employee Withholdings	(724)
Transfer of Assets	19,942,664
Guaranty Fund Certificate Note Holders Settlement	1,675,000
Interest on Surplus Drafts	12,142,100
Reinsurance Payments	322,454,699
Reserved Expenses:	
Incurred But Not Paid Expenses	140,403
Federal Income Tax Payment	240,000
Reinsurance Payments to Pool Participants	1,161,051
Post-Closing Expenses	91,841
Total Cash Disbursements	\$ 396,577,633
Ending Cash & Invested Assets	\$ 0

Amreco's operating expenses, including all costs and expenses of the administration of the estate through June 30, 2009, have been reported by the Rehabilitator in quarterly reports to the court (and, where appropriate, by separate petition), and are contained in the court record.

**MOTION FOR APPROVAL OF THE DISSOLUTION OF
AMRECO, TERMINATION OF THE REHABILITATION
PROCEEDINGS AND CLOSING OF THE ESTATE**

The Rehabilitator, having distributed the estate's general assets and submitted his Final Report, has completed his obligations and responsibilities under the Second Amended Plan. Section 13.04 of the Second Amended Plan, *supra.*, and Sections 192(5), 196, 210 and 211.1 of the Code, 215 ILCS 5/192(5), 196, 210 and 211.1, provide that the court may enter an order:

- (a) dissolving American Mutual Reinsurance Company;
- (b) discharging all liability and responsibility of the Director, as Rehabilitator, and his attorneys, senior attorneys, accountants, assistants, consultants, Special Deputy and staff;
- (c) authorizing the Director, after the completion of all post-closure activities for which funds were reserved (*see*, the Final Distribution Order), to destroy company records and documents notwithstanding any other applicable statutes;
- (d) authorizing the Director, his agents, successors and assigns, as Trustee, pursuant to Sections 210(4) and 211.1(b) of the Code, 215 ILCS 5/210(4) and 5/211.1(b), and as Director, to administer the post-closing obligations set forth in this motion, until such time as such obligations have been completed; and
- (e) authorizing the Director, subsequent to the destruction of company records, to deposit into a segregated account known as the Closed Estate Fund Trust Account any remaining

reserved assets that are provided for in the Final Distribution Order and that may not be practicably or economically distributed to claimants.

CONCLUSION

WHEREFORE, the Rehabilitator requests that this court enter an order:

1. Approving the Rehabilitator's Final Report;
2. Dissolving Amreco's charter pursuant to Section 13.04 of the Second Amended Plan and Section 196 of the Code, 215 ILCS 5/196
3. Terminating the rehabilitation proceedings, closing the Amreco estate, and dismissing these proceedings without prejudice;
4. Discharging Michael T. McRaith, Director of Insurance of the State of Illinois, in his capacity as Rehabilitator of Amreco, and his Special Deputy Receiver, and their respective agents, attorneys, assistants, predecessors, successors and assignees, from all liability and responsibility relating to the administration of the Amreco pursuant to Section 13.04 of the Second Amended Plan;

5. Authorizing Michael T. McRaith, Director of Insurance of the State of Illinois, his agents, successors and assigns, pursuant to Section 211.1(b) of the Code, 215 ILCS 5/211.1(b), to administer the post-closing obligations set forth in the Final Distribution Order, until such time as such obligations have been completed;
6. Authorizing Michael T. McRaith, Director of Insurance of the State of Illinois, his agents, successors and assigns, as Trustee, pursuant to Section 210(4) of the Code, 215 ILCS 5/210(4) to administer dividends remaining unclaimed or unpaid and to escheat said unclaimed or unpaid dividends all as set forth in Section 210(4) of the Code, *id.*;
7. Providing that the Director maintain and store Amreco's records in his possession and control for a period of one (1) year from the date of entry of the order closing the Amreco estate, and thereafter destroy the records pursuant to Section 211.1(b) of the Code, 215 ILCS 5/211.1(b);
8. Providing that, upon the completion of all post-closing obligations, any residual assets from the reserve for the payment of the final post-closing administrative expenses or monies received by Amreco post-closing, which pursuant to Section 211.1(b) of the Code, 215 ILCS 5/211.1(b), cannot be practicably or economically distributed to the Surplus Draft holders shall be deposited into the Closed Estate Fund Trust Account; and

9. Retaining jurisdiction in this cause for the purpose of granting such further relief as the nature of this cause and the interests of the Treaty Holders and creditors of Amreco, or the public, may require, pursuant to Section 211.1(c) of the Code, 215 ILCS 5/211.1(c).

Respectfully submitted,

MICHAEL T. McRAITH
Director of Insurance for the State of Illinois, as
Rehabilitator of American Mutual Reinsurance
Company

BY: 

One of his attorneys

D. Daniel Barr
Daniel A. Guberman
Counsel to the Receiver
222 Merchandise Mart Plaza
Suite 1450
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION
OF AMERICAN MUTUAL REINSURANCE
COMPANY



NO. 88 CH 1595

2009 SEP -9 11:00 AM
CLERK OF COURT
COURT HOUSE
CHICAGO, ILLINOIS

NOTICE OF MOTION

To: See Attached Service List

On September 16, 2009, at 10:00 a.m. or as soon thereafter as counsel
may be heard, I shall appear before the Honorable Mary Anne Mason or any Judge sitting in that
Judge's stead, in the courtroom usually occupied by him/her, located in room 2510 of the Richard J. Daley Center,
50 W. Washington Street, Chicago, Illinois, and present
the attached petition at which time you may appear.

Name	<u>Daniel A. Guberman</u>	Atty. No.	<u>16819</u>
Address	<u>222 Merchandise Mart Plaza, Suite 1450</u>	Attorney for	<u>Plaintiff/Rehabilitator</u>
Telephone	<u>312-836-9500</u>	City/Zip	<u>Chicago, IL 60654</u>

PROOF OF SERVICE BY DELIVERY

I, _____, the attorney/non attorney* certify that on the _____ day of _____
(*strike one)

_____, I served this notice by delivering a copy personally to each person to whom it is directed.

Under penalties as provided by law pursuant to 735 ILCS 5/1-109

Date _____

I certify that the statements set forth herein are true and correct.

Signature/Certification

PROOF OF SERVICE BY MAIL

I, Richard C. Abron, the non attorney* certify that I served this notice by mailing
(*strike one)

a copy to each party listed at their respective addresses
(address on envelope)

and depositing the same in the U.S. Mail at Merchandise Mart Plaza, Suite 1450, Chicago, Illinois
(place of mailing)

at, or before, 4:30 p.m. on the 9th day of September, 2009, with proper postage prepaid.

Under penalties as provided by law pursuant to 735 ILCS 5/1-109

Date September 9, 2009

I certify that the statements set forth herein are true and correct.

Richard C. Abron
Signature/Certification

NOTE: If more than one person served by mail, additional proof of service may be on the reverse side.

Copy received _____, at _____ a.m./p.m.

SERVICE LIST

AMERICAN MUTUAL REINSURANCE COMPANY
(No. 88 CH 01595)

DAVID M. RAIM, ESQ.
DONALD J. MROS, ESQ.
CHADBOURNE & PARKE LLP
1200 NEW HAMPSHIRE AVE. NW
SUITE 300
WASHINGTON, D.C. 20036
(COUNSEL TO EMLICO)

JAMES K. BORCIA, ESQ.
TRESSLER SODERSTROM MALONEY
& PRIESS, LLP
SEARS TOWER-22ND FLOOR
233 SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606

MARY CANNON VEED, ESQ.
ARNSTEIN & LEHR LLP
120 RIVERSIDE PLAZA
SUITE 1200
CHICAGO, ILLINOIS 60606

MITCHELL A. ORPETT, ESQ.
TRIBLER ORPETT & MEYER PC
225 W. WASHINGTON STREET
SUITE 1300
CHICAGO, ILLINOIS 60606

FRITZ K. HUSZAGH, ESQ.
HINSHAW & CULBERTSON LLP
222 NORTH LASALLE STREET
SUITE 300
CHICAGO, ILLINOIS 60601

COURTESY COPY TO:

THE HONORABLE JUDGE MARY ANNE MASON
ROOM 2510
THE RICHARD J. DALEY CENTER
50 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60602