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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR SALT LAKE COUNTY,
STATE OF UTAH, SALT LAKE DEPARTMENT

In re)
)
WASATCH CREST INSURANCE) REPORT ON THE
COMPANY IN LIQUIDATION,) STATUS OF LIQUIDATION
) ESTATE FOR PERIOD ENDING
) June 30, 2011
)
)
) Civil No. 030915527
) (030915528 is consolidated with 030915527)
)
) Judge Kate A. Toomey

The Court appointed Liquidator of Wasatch Crest Insurance Company in Liquidation ("WCIC"), Utah Insurance Commissioner, Neal Gooch, (Liquidator), by and through his Special Deputy Liquidator, Len Stillman, herein files this Report On The Status Of Liquidation Estate For Period Ending June 30, 2011 pursuant to the Liquidation Order issued July 31, 2003, and pursuant to Utah Code Annotated, Section 31A-27-314. The case of Wasatch Crest Mutual Insurance Company (Civil No. 030915528) is consolidated with the case of Wasatch Crest Insurance Company in Liquidation (Civil No. 030915527).

The Liquidator sets forth herein a Report on the status of the liquidation estate and a Financial Report of assets and liabilities of the liquidation estate of WCIC including the current assessment of liabilities for all claims filed against the liquidation estate. The attached Exhibit "A" Financial Report, was prepared by Jackie Muro of Vida Consulting, Inc., Los Angeles, CA under the direction of the Court appointed Special Deputy Liquidator, Len Stillman.

The Liquidator herein reports to the Court regarding significant events and activities in the liquidation of WCIC as follows:

Brief History (This item will continue to appear in these reports for the convenience of the Court.)

Wasatch Crest Insurance Company (WCIC) (FKA Home Fire Insurance Company, Utah Home Fire Insurance Company, Wasatch Crest Casualty Company, TransUnion Casualty) wrote all personal lines except life insurance. WCIC also assumed reinsurance from affiliated companies Wasatch Crest Mutual Insurance Company, (WCM) and First Continental Life Insurance Company (FCL) as well as other non-affiliates. WCIC was a subsidiary of Wasatch Crest Group (Group). Group sold WCIC to Wasatch Crest Mutual Insurance Company on January 1, 2003. Group also owned First Continental Life Insurance Company which it sold in the third quarter of 2004.

Administrative Update

Estate activity related to evaluating claims has been completed (however, see Claims section below).

The Special Deputy is sending claim information to reinsurers and collecting reinsurance. The

company no longer has any employees. Remaining administrative work is done by independent contractors. Litigation activity and related expense not related to claims has ended. The company has downsized its office space. Furniture and equipment owned by the estate has been sold. The claim bar date passed on July 31, 2004.

Claims

Class 3 claims not covered by GAs were paid at 100% of allowed amounts in December 2006. The paid total of those claims is \$254,029.31. GA determined claims are periodically presented to the liquidator for payment (see below).

Only certain Guaranty Association (GA) claims remain undetermined. The particular issues surrounding valuing workers compensation claims involve the long-term nature of payments to injured workers. Certain GAs have yet to finalize their claims in the estate.

There was one objection to the Liquidator's Notice of Claim Determination which had denied the claim because the claim was being administered by the Utah Life and Health Insurance Guaranty Association (ULHIGA). The claimant filed an objection requesting a determination "on the merits" of the claim. The Liquidator then issued an Amended Notice of Determination denying the claim based upon a coverage issue which had been raised by the company pre-liquidation.

The claimant filed another objection with the Liquidator. That objection was heard in July, 2006 by a Special Master. The Liquidator prevailed in that objection as well as in a subsequent appeal to the liquidation court. The claimant then appealed to the Utah Supreme Court. The Utah Life and Health Insurance Guaranty Association appeared in that appeal. After oral argument, the Supreme Court found in favor of the claimant on the coverage issue which was not dispositive of the claim before the Liquidator. The Utah Supreme Court found coverage but made no

determination of either the class of claim, if any, or the amount of the claim as those issues were not before them. To resolve the outstanding issues, the Liquidator then filed a Second Amended Notice of Claim Determination denying the claim. The basis for the denial was that Medicaid had paid all of the claimant's medical expenses and based upon the liquidation statute the claimant was excluded as a policy holder-level claimant. Additionally, since all of the claimant's expenses had been paid by a third party, the claimant suffered no unreimbursed loss. The claimant filed no objection. The Claimant also filed a Motion for Summary Judgment in this court based on the complaint that had originally been filed pre-liquidation in the 4th District Court in Utah. After a hearing, this court held that the Fourth District matter had been stayed but additionally allowed the claim as a class 6 (general creditor) claim although the claimant had not objected to the Liquidator's denial. The claimant appealed the court's order to the Utah Supreme Court. The matter is in the briefing stage.

Affected Guaranty Associations (UT, ID) (MT, NV and CA now closed) are reporting periodically and handling claims in the ordinary course of business. GA proofs-of-claim are filed as "contingent" due to the ongoing claim activity. Guaranty Association claims for administrative expenses (class 2) will be reviewed and paid at 100% of the allowed amount. The Special Deputy made an "early access" distribution to the Utah Property and Casualty Guaranty Association (UPCIGA) in the first quarter of 2005 of \$869,731.50. During the fourth quarter of 2006, the Special Deputy sought and received court approval to make another early access distribution to all affected guaranty associations to the full extent of their approved class 2 and class 3 claims. Another distribution to UPCIGA was also

made recently. Upon review of the current reserves and available reinsurance the Special Deputy does not believe it necessary to tie further distributions to Early Access agreements.

The total amounts distributed to GAs are as follows:

| | UT P&C | UT L&H | CA | ID | NV |
|---------|----------------|-------------|--------------|-------------|------------|
| Class 2 | \$108,356.85 | \$50,489.57 | \$108,235.22 | \$9,376.00 | \$2,849.56 |
| Class 3 | \$8,970,600.20 | 0 | \$2,000.00 | \$6,356.00 | 0 |
| Total | \$9,078,957.05 | \$50,489.57 | \$110,235.22 | \$15,732.00 | \$2,849.56 |

Further distributions to both Utah Guaranty Associations are being calculated.

- **Other Claims**

General creditor class claims are not covered by the guaranty associations. All class 6 (general creditor class) claims have been determined except for a Class 6 reinsurance claim which is from Wasatch Crest Mutual Insurance Company (WCMIC), in Liquidation. That claim cannot be valued until all claims in the WCMIC estate are determined. There are no other claims with lower priority. General Creditor claimants will likely see a partial distribution however the timing and amount are uncertain.

- **Records**

The Special Deputy continues reviewing ancient records of the WCIC and its predecessor companies. Records no longer considered necessary for either historical or practical use are being destroyed pursuant to the liquidation order entered in this case.

The Special Deputy Liquidator's staff is scanning the claim files that remain

in storage to eliminate storage costs. These will be provided to the guaranty associations.

Reinsurance

The Special Deputy Liquidator has determined that there is available reinsurance for all remaining direct and assumed business except for the contested claim noted above and is tracking and collecting the recoverable amounts.

Miscellaneous

All public information regarding the liquidation including GA contacts, liquidation orders, financial statements and the semi-annual reports for the estate and other information is available on the Utah Insurance Receivers' Office web site at utinsreceivers.org.

There have been no material changes in the financial position of the company since the last report other than reserve adjustments due to GA activity. Since cash continues to be paid out to claimants, investment income to the estate has been reduced.

The Special Deputy is not able to project a closing date for the estate because it is greatly dependent upon the affected guaranty associations concluding the adjustment and payment of the remaining claims.

Dated this 9th of August, 2011.

Wasatch Crest Insurance Company
In Liquidation



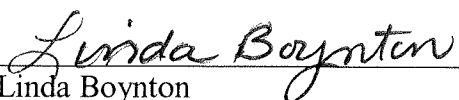
Len Stillman
Special Deputy Liquidator
Wasatch Crest Insurance Company
In Liquidation

CERTIFICATE OF MAILING

I hereby certify that I mailed a true and correct copy of the foregoing Quarterly Report On Status Of Liquidation Estate For Period Ending June 30, 2011, to the following parties who have requested general notice in this case, first class postage prepaid, this 11th day of August, 2011

Utah Insurance Commissioner
Neal Gooch, as Liquidator of WCIC
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84112

Allen Muhlestein
Utah Property & Casualty Insurance Guaranty Association
P.O. Box 1626
Sandy, Utah 84091-1626



Linda Boynton

EXHIBIT A

Wasatch Crest Insurance Company in Liquidation
 Balance Sheet
 As of June 30, 2011

Date of Liquidation - July 31, 2003

Assets

| | |
|------------------------------|---------------------------|
| Invested Assests | |
| Cash | \$ 6,325,103 |
| Total Invested Assets | <u>6,325,103</u> |
| Other Assets | |
| Other Assets | 0 |
| Furniture, Fixtures, Equip | <u>0</u> |
| Total Other Assets | <u>0</u> |
| Receivables | |
| Premiums Receivable | 0 |
| Investment Income Receivable | 17,500 |
| Due From Reinsurers | <u>0</u> |
| Total Receivables | <u>17,500</u> |
| Total Assets | <u><u>\$6,342,603</u></u> |

Liabilities & Capital

| | |
|---------------------------------------|---------------------------|
| Liabilites | |
| Loss and LAE Reserves: | |
| Direct | \$1,156,057 |
| Ceded | (492,197) |
| Assumed | 2,646,749 |
| Other Policyholder Liabilities | 200,000 |
| Payable to Guaranty Associations | 1,718,180 |
| Reinsurance Payable | 6,578,789 |
| Taxes Payable | 0 |
| Accounts Payable | 18,864 |
| Asset Valuation Reserve | 0 |
| Other Liabilities | 844,959 |
| Unclaimed Property | <u>0</u> |
| Total Liabilities | <u>12,671,399</u> |
| Capital | |
| Common Capital Stock | 2,250,000 |
| Gross Paid In and Contributed Surplus | 136,138,143 |
| Unassigned Funds (Surplus) | (144,614,491) |
| Current Period Profit (Loss) | <u>(102,449)</u> |
| Total Capital | <u>(6,328,796)</u> |
| Total Liabilities & Capital | <u><u>\$6,342,603</u></u> |

Note: The information contained in this report is prepared by the liquidator from information available to or known by the liquidator as of the date of the report. The liquidator makes no warranty as to the accuracy of the information which is subject to change