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THIRD JUDICIAL DISTRICT COURT
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SALT LAKE DEPARTMENT
BY _____
DEPUTY CLERK

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

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

The Court appointed Liquidator of Wasatch Crest Mutual Insurance Company in Liquidation ("WCMIC"), 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 (2003). The case of Wasatch Crest Mutual Insurance Company (WCMIC) (Civil No. 030915528) is consolidated with the case of Wasatch Crest Insurance Company in Liquidation (WCIC) (Civil No. 030915527).

This report was prepared by the Special Deputy Liquidator and reflects the status of the

liquidation estate. The attached Exhibit "A" is a financial report of assets and liabilities of the WCMIC liquidation estate. The 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.

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

Wasatch Crest Mutual Insurance Company (WCMIC) changed its name in 1994 from Energy Mutual Insurance Company and in 2000 assumed all the accident, health and dental policies of Electric Mutual Benefit Association (a VEBA trust). WCMIC wrote primarily workers compensation insurance, first as a captive for Utah Power and Light (NKA Rocky Mountain Power), then, in 2003, for other businesses. It also assumed insurance from Educators Mutual Insurance Company and from an affiliate, First Continental Life Insurance Company. Other direct lines included appliance warranty, private passenger auto and travel accident and health. Another affiliate, 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 was a subsidiary of Wasatch Crest Group (Group). Group sold WCIC to WCMIC on January 1, 2003. Group also owned First Continental Life Insurance Company which was sold and moved to Texas during the third quarter of 2004.

Administrative Update

Remaining activity relates to processing claims, scanning files and collecting reinsurance. The claim-filing bar date passed on July 31, 2004. The company no longer has any employees and relies

on services provided by consultants and employees of other companies in receivership in Utah and Idaho. Litigation activity and related expenses have ended except for those related to one claim (see Claims section below). Subrogation collections are complete. The office complex has been downsized. WCMIC is scanning all remaining claim files that are in storage to eliminate storage costs.

Claims

The Deputy Liquidator has valued virtually all claims filed in the estate. Guaranty Association (G.A.) claims remain undetermined. The UT and ID G.A.s have significant exposure on WCMIC policies. The UT Property and Casualty Guaranty Association has 45 open claims on WCMIC policies. The Idaho Guaranty Association has two. The first Notices of [Claim] Determinations were sent on January 27, 2004. The Special Deputy sought and received court approval to make a thirty percent distribution of allowed class 3 claims which was made during 2006. No further distributions will be made until available reinsurance has been recovered from WCIC which will come toward the closing of the WCIC estate.

Below is a listing of the payments to the various guaranty associations:

State	Claim amount*	Distribution	Date Pd.	Class
OR	\$1548.90	\$464.67	7/11/06	3
NV	\$2849.56	\$2849.56	2/8/07	2
UT P&C	\$3,033,028.00	\$909,908.40	7/11/06	3
UT L&H	\$1019.45	\$316.03	7/11/06	3
ID P&C**	\$350,000 (deposit)	\$46,649.00	6/9/08	2
ID P&C		\$153,456.00	6/9/08	3
ID L&H	\$82,895.53	\$82,395.53	5/5/10	2
ID L&H	\$300,000	\$90,000	5/5/10	3

* Claims are filed allowing for amendment

** Idaho has a deposit held for payment of claims. The deposit amount is approximate.

During the claim determination process, the Liquidator denied one medical insurance claim based upon the claim being administered by the Idaho Life and Health Insurance Guaranty Association (ILHIGA). The claimants presented their claim to the Idaho Life and Health Insurance Guaranty Association (ILHIGA) which also denied the claim on the same basis as had the company pre-liquidation, that is, there was no coverage. The claimants sued ILHIGA and WCMIC among others. The lawsuit against WCMIC was stayed pursuant to statute but the case against ILHIGA and others continued. The Liquidator's denial resulted in an objection by the claimant.

The Claimants' claim objection as to the Liquidator's denial was heard by a Special Master approved by this court and, in that hearing, the claimant prevailed over the Liquidator regarding coverage. (It is notable that the Liquidator did not issue a Notice of Determination based upon the pre-liquidation coverage dispute.) ILHIGA accepted the Special Master's claim determination that coverage existed and paid its \$300,000.00 limit to the claimant. Sometime thereafter, the Liquidator learned that the Claimants' medical expenses had been paid by Medicaid. Medicaid had not made a claim against the WCMIC estate nor appeared in the lawsuit against ILHIGA and others. Claimant's counsel then made a demand upon the WCMIC estate for amounts exceeding the ILHIGA limit. The Deputy Liquidator issued an Amended Notice of Determination and again denied the claim after learning it had been paid by Medicaid and therefore no unreimbursed loss existed (see 31A-27-335(c)(iii), (2003)). The claimant filed an objection to the denial. The objection was heard by this court on June 14, 2011. A proposed written order has been filed with the court.

Rocky Mountain Power (FKA PacifiCorp) opted out of the Guaranty Fund system and is handling

all of the claims that attached to its policies. WCMIC settled the PacifiCorp claims several years ago for a lump sum amount. A pro-rata distribution has been made as noted above.

Future distributions are possible but timing and amount are speculative, again, subject to reinsurance collections from WCIC.

- **Remaining Affected G.A.s** (Utah, Idaho) are reporting periodically and paying claims in the ordinary course of business. G.A. proofs-of-claim are periodically amended due to ongoing claim activity. Claim development as reported by the G.A.s have not yet been fully valued due to the time it takes for remaining workers compensation claims to develop. The Idaho Property and Casualty Insurance G.A. has an Ancillary Proceeding against the estate in Idaho to obtain reimbursement from a special deposit for its payment to a claimant. The Special Deputy has stipulated to the proceeding and payment in the amount of \$200,104.38 which is inclusive of losses and expenses. The balance of the deposit, about \$150,000 remains with the Ancillary Receiver pending resolution of its remaining claim(s). Idaho has proposed no time for conclusion of that matter.

- **Workers comp. business written after April 2003:**

This business covered by the G.A.s was being administered by WCMIC on behalf of the G.A.s but was transitioned to the G.A.s due to the departure of the last of the WCMIC employees.

- **Appliance Warranty: Hassle Free and Triad Warranty**

Hassle Free was a policy issued to PacifiCorp (“PC”) by WCMIC and covered water

heater repairs for subscribers. This program was terminated by PC. All claims have been determined on this business and approved by the court.

Triad Warranty Program claims have all been determined and approved by the court.

- **Other Claims**

There are general creditor claims, all of which have been determined. As of the date of this report, there will be no distributions to creditors with a higher priority than class 3.

There have been no material changes in the financial position of the company. However, since significant funds previously held by the company have been distributed to claimants, investment income has been reduced.

Reinsurance

The only reinsurance available to the estate is with its affiliate, WCIC, in Liquidation. As noted above, what, if any, reinsurance will be collected is unknown given ongoing operations and claim disputes in the WCIC liquidation estate.

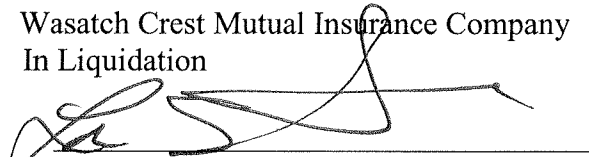
As always, after filing, these court reports are available on the Liquidator's website,

www.utreceivers.org.

Detailed analysis or additional information regarding any estate function is available to the Court upon the Court's request. Ongoing issues affecting the WCMIC estate may be brought to the Court's attention on an as-needed basis.

Dated this 10th of August, 2011.

Wasatch Crest Mutual Insurance Company
In Liquidation



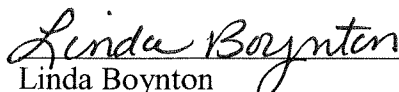
Len Stillman, Esq., C.I.R., M/L
Special Deputy Liquidator

CERTIFICATE OF MAILING

I hereby certify that I mailed a true and correct copy of the foregoing Quarterly Report On The Status Of The 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 10th day of August, 2011:

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

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



Linda Boynton
Assistant to the Special Deputy

EXHIBIT A

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

Date of Liquidation - July 31, 2003

Assets

Invested Assests	
Cash Deposit Held by Idaho Insurance Department	\$ 137,528
Cash	2,337,984
Total Invested Assets	<u>2,475,512</u>
Other Assets	
Other Assets	0
Furniture, Fixtures, Equip	5,233
Total Other Assets	<u>5,233</u>
Receivables	
Premiums Receivable	0
Investment Income Receivable	6,000
Due From Reinsurers	2,979,771
Other Receivable	0
Taxes Recoverable	0
Total Receivables	<u>2,985,771</u>
Total Assets	<u><u>\$5,466,516</u></u>

Liabilities & Capital

Liabilites	
Loss and LAE Reserves:	
Direct	\$9,214,040
Ceded	(6,427,989)
Other Policyholder Liabilities	5,771,744
Payable to Guaranty Associations	5,023,817
Reinsurance Payable	0
Taxes Payable	1,495
Accounts Payable	22,516
Other Liabilities	571,015
Total Liabilities	<u>14,176,638</u>
Capital	
Aggregate Write-Ins for other than Special Surplus Funds	0
Unassigned Funds (Surplus)	(8,530,138)
Current Period Profit (Loss)	(179,984)
Total Capital	<u>(8,710,122)</u>
Total Liabilities & Capital	<u><u>\$5,466,516</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