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**FILED**

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**Department of Insurance  
State of Idaho**

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE**

**STATE OF IDAHO**

In the Matter of:	)	Docket No. 18-2610-10
	)	
GNIC RUNOFF INSURANCE COMPANY,	)	<b>ORDER GRANTING REQUEST</b>
	)	<b>FOR APPROVAL OF</b>
Certificate of Authority No. 2665 (withdrawn)	)	<b>GNICR DISSOLUTION &amp;</b>
NAIC Co. Code No. 23820	)	<b>RELEASE OF DEPOSIT</b>
	)	
_____	)	

On April 28, 2009, GNIC Runoff Insurance Company (GNICR) filed a Request for Approval of GNICR Dissolution with the Idaho Department of Insurance (Department). As part of the dissolution approval request, GNICR seeks the release of its statutory deposit, \$1,286,282.31 (as of March 31, 2010), pursuant to Idaho Code §§ 41-812(2)(a) and 41-813. The request was subsequently supplemented and resubmitted on August 10, 2009 (Request for Approval). As part of the Request for Approval, GNICR has submitted a Verification dated August 11, 2009, of various facts signed by its President, Stephen W. Doucette.

By its presentation of this order, which, as the Department represents to the Director of the Idaho Department of Insurance (Director), GNICR has had the opportunity to review, the Department staff has indicated that it does not object to GNICR's Request for Approval.

### **FINDINGS OF FACT**

GNICR (formerly known as Great Northwest Insurance Company) is a wholly-owned subsidiary of Great Northwest Holding Company, Inc. (GNHC). GNICR was licensed as an Idaho domiciled property-casualty insurer between June 14, 1993, and December 31, 2000, holding Certificate of Authority No. 2665 and NAIC No. 23820. It also had certificates of authority to transact property-casualty insurance business in the states of Montana and Nevada. Its present business address is 1161 W. River Street, Suite 310, Boise, Idaho 83702-7065. As an Idaho domestic insurer, GNICR made a statutory deposit of assets with US Bank of Idaho (now US Bank) as custodian pursuant to a custody arrangement made through the Director in accordance with the requirements of Idaho Code § 41-804. Pursuant to Nevada law, GNICR also made a statutory deposit of assets with West One Bank, Idaho (now US Bank) as custodian pursuant to a custody arrangement made through the Nevada Insurance Commissioner. The custody agreements governing GNICR's statutory deposits require that all transactions in connection with the withdrawal of securities from the custody accounts shall be upon written direction of both GNICR and the Director or Commissioner (as applicable).

GNICR ceased writing new business in May 2000; entered into an assumption agreement with Clarendon National Insurance Company for 100% of its existing business effective October 1, 2000; and relinquished its Idaho Certificate of Authority effective December 31, 2000.

GNICR is not insolvent. Under the latest financial report filed with the Department, as of December 31, 2009, GNICR reported: assets of \$2,424,313; liabilities of \$85,760; and surplus

as regards policyholders of \$2,338,553 (including \$250,000 of contributed surplus pursuant to a surplus contribution note). Neither the Department nor GNICR sought a formal order of liquidation from the district court under the scope of Chapter 33, Title 41, Idaho Code, because pursuing a formal order of liquidation was determined to be unnecessary for the protection of policyholders, creditors, or the public, given the particular facts and circumstances of GNICR. Further, GNICR has demonstrated that it has provided notice of its dissolution via publication to potential unknown claimants and that GNHC is responsible for claims of unknown claimants against GNICR for a limited period of time in accordance with Chapter 1, Title 30, Idaho Code (Idaho Business Corporation Act).

GNICR ran off its business under a voluntary supervision agreement with the Department since June 6, 2000. The Verification demonstrates that September 30, 2000 is the last date that an occurrence under a GNICR policy would have to have occurred in order to constitute an enforceable claim for which GNICR would be responsible. This view is consistent with that of the Department based on its ongoing supervision of the company. The last remaining known policyholder claims were resolved in 2007. Other than certain obligations to affiliates to be assumed, paid, or reimbursed under the Request for Approval filed with the Director, GNICR has no known creditors. The Verification also sets forth applicable statutes of limitation in Idaho, Montana, and Nevada, and represents that GNICR has no reason to believe that there are any insureds who might have a claim that occurred prior to October 1, 2000, that would not be barred by an applicable statute of limitation. Upon a unique set of facts, however, it is possible that an unknown claimant could have a claim that would not be barred if the claimant was a minor or disabled, due to a period of tolling of an applicable statute of limitations. In late October and early November 2009, GNICR published notice of dissolution pursuant to Idaho Code § 30-1-



1407 in newspapers of general circulation in the principal markets in which it sold insurance policies, including the Idaho Statesman, and a newspaper in each of Billings, Butte and Missoula, Montana, and Las Vegas and Reno, Nevada. The published notices advised former GNICR policyholders or other claimants to submit any claim to a stated address and advised, in accordance with the requirements of the Idaho Business Corporation Act, that claims against GNICR will be barred if a proceeding to enforce the claim is not commenced within two years of the notice publication date.

The distribution of proceeds of the liquidation of GNICR between GNHC and certain former shareholders of GNHC is governed by a Stock Redemption Agreement (Agreement) dated April 17, 2001, among GNHC, Stephen W. Doucette, Robert W. Doucette, and GNHC's stockholders at the time: Saint Paul Fire and Marine Insurance Company (St. Paul), ISF Limited Partnership, and MFA Masters Limited Partnership (the latter two being affiliates of Century Capital Management). This Agreement was subject to, and received, the review and approval of the Department as part of its supervision of GNICR. The Agreement sets forth terms detailing how the distributable assets from the liquidation of GNICR are to be apportioned, following the liquidating distribution by GNICR to GNHC, between GNHC and its former shareholders.

The Request for Approval calls for reimbursement of certain expenses itemized on an accompanying Expense Allocation Detail for the period through June 30, 2009, including: (1) certain deferred payables to GNHC that have been carried on the company's books since entering into supervision by the Department (\$85,760); (2) payment of accrued interest on a \$250,000 surplus note payable to Robert W. Doucette from inception through June 30, 2009 (\$190,559), which is subject to the prior approval of the Department by the terms of the note and which, having been approved by the Department, was reflected in the liabilities of GNICR as of

June 30, 2009, and was paid by GNICR on July 22, 2009; and (3) other liquidation expense advances by GNHC on behalf of GNICR but not carried on the company's books as of June 30, 2009 (\$108,539). The Request for Approval provides for these reimbursements to be made as part of the determination of the proceeds of the liquidation, and thus they affect the distributable assets subject to the allocations under the Stock Redemption Agreement. Other than the deferred payables on the company's books which have been carried for some time, the basis of the other reimbursements is outlined in the Expense Allocation Detail and Liquidating Distribution Schedule that accompany the Request for Approval. The Request for Approval contemplates that these Schedules will be updated to a date as near as practicable to the actual date of the final liquidating distribution by GNICR to GNHC.

GNICR has demonstrated that it sent written notice of its intent to informally liquidate and its request for release of the Idaho statutory deposit, as well as its request for release of the Nevada deposit, to the Montana and Nevada insurance regulators, the guaranty associations in the three states in which it was licensed, and the former GNHC Stockholders identified in the Stock Redemption Agreement. GNICR has further demonstrated that none of the former GNHC shareholders objects to the release of the Idaho deposit by providing copies of the following: acknowledgement and notice of non-objection of St. Paul supplementing the March 17, 2010, letter from Mr. Doucette and email dated November 10, 2009, from Century Capital, on behalf of it and its affiliates. As part of the correspondence with St. Paul, GNHC made several representations, including that it will provide St. Paul with updated financial information and liquidation schedule for review prior to the liquidating distributions and will remain in existence for two years. The Department has not been advised of any objections by the three respective guaranty associations. Additionally, the Department also contacted the Montana and Nevada

insurance regulators on March 25, 2010, to advise that it intends to submit to the Director an order to approve the release of the statutory deposit barring any objections. As of April 16, 2010, and May 6, 2010, respectively, the Montana and Nevada insurance regulators have confirmed that they do not object to release of the Idaho deposit to GNICR.

### **CONCLUSIONS OF LAW**

GNICR's statutory deposit was established under Idaho Code § 41-316A(1) for the protection of its policyholders and creditors. GNICR represents that the last remaining policyholder claims were resolved in 2007. GNICR states that it has no known creditors except for its parent, GNHC, which under the terms of the Request for Approval will be reimbursed for liquidation expense advances. GNICR has published notices advising unknown claimants of its dissolution. GNICR represents that, absent circumstances such as an unknown claimant who was a minor or with a disability, the applicable statutes of limitations on actions upon a written contract, that could be successfully raised so as to prevent an enforceable claim on a policy, are as follows: Idaho, five years (Idaho Code § 5-216); Montana, eight years (MCA § 27-2-202(1)); and Nevada, six years (NRS § 11.190(1)(b)). The President of GNICR further represents that he has no reason to believe that there are any GNICR insureds who might have a claim that is not barred by these statutes. The Request for Approval comes now because the last statute of limitation on actions upon a written contract in any of the states where GNICR was licensed (Idaho, Montana, and Nevada) expired on September 30, 2008. Under the Idaho Business Corporation Act, GNICR (if it still has assets) or its shareholder, GNHC, will remain liable for any unknown claims for a period of two years from the date of publication of the dissolution notice pursuant to Idaho Code § 30-1-1407.



Pursuant to the Agreement for Supervision of Great Northwest Insurance Company dated June 6, 2000, and the extension of that agreement by Addendum to Agreement for Supervision of Great Northwest Insurance Company dated December 13, 2000, the Department's approval is required prior to disposing of any of GNICR's assets. The Department has no objections to the Request for Approval as submitted nor does the Department disagree with the factual representations of GNICR.

Idaho Code § 41-813(1) provides that, before authorizing or permitting the release of any deposit or excess portion thereof to the insurer, as provided in section 41-812, Idaho Code, the director shall require the insurer to file with him a written statement in such form and with such verification as he deems advisable, setting forth the facts upon which it bases its entitlement to such release. The Request for Approval, accompanying Verification by GNICR's President, and additional information submitted to the Department collectively satisfy this requirement.

Idaho Code § 41-813(3) provides that, if release of the deposit is claimed by a domestic insurer upon the ground that all its liabilities, as to which the deposit was held, have been terminated other than by reinsurance, the director shall make an examination of the affairs of the insurer for determination of the actuality of such termination. Idaho Code § 41-813(4) provides that, upon being satisfied by such statement and reinsurance contract, or examination of the insurer if required under § 41-813(3), and by such other examination, if any, of the affairs of the insurer as he deems advisable to make, that the insurer is entitled to the release of its deposit or excess portion thereof as provided in section 41-812, Idaho Code, the director shall release the deposit or excess portion thereof to the insurer or its authorized representative.

In light of the ongoing supervision of GNICR by the Department, and in reliance upon the Request for Approval, the Verification and all of the additional material submitted to the

Department in support of GNICR's request, the Department staff recommends approval of the request. Upon review of the foregoing, and in view of GNICR's compliance with the applicable provisions of the Idaho Business Corporation Act relating to dissolution and resolution of known and unknown claims and the non-objections by Montana and Nevada insurance regulators, applicable guaranty funds and GNHC's former shareholders, the Director concludes that GNICR has extinguished all liability of the insurer for the security of which the Idaho statutory deposit has been held and that GNICR is therefore entitled to release and return of its Idaho statutory deposit pursuant to Idaho Code § 41-812(2)(a).

### **ORDER**

NOW, THEREFORE, based upon the foregoing and for good cause, IT IS HEREBY ORDERED that GNICR's Request for Approval of GNICR Dissolution and its request for release and return of the Idaho statutory deposit is hereby approved. Following entry of this order granting the Request for Approval, the Department will assist and cooperate with GNICR in obtaining the release and return of the Idaho statutory deposit from the custodial institution (including execution and delivery of such documents as may reasonably be required by the custodial institution and/or the custody agreement). The custodial institution holding the Idaho statutory deposit may rely on a certified copy of this Order as the Director's written authorization and instruction, as required by the custody agreement, to release and return to GNICR the cash and/or securities constituting GNICR's statutory deposit.

IT IS FURTHER HEREBY ORDERED that GNICR may make its final liquidating distribution of all remaining assets of GNICR as soon as practicable in accordance with the Expense Allocation Detail and Liquidating Distribution Schedule accompanying the Request for



Approval, as updated prior to such distribution and subject to compliance with the terms of GNICR's March 17, 2010 letter agreement with St. Paul.

### NOTIFICATION OF RIGHTS


This constitutes a final order of the agency. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The agency will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See Idaho Code § 67-5246(4).*

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located.

An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order, or (b) an order denying a petition for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See Idaho Code § 67-5273.*

The filing of a petition for judicial review to the district court does not itself stay the effectiveness or enforcement of the order under appeal.

DATED and EFFECTIVE this 7<sup>TH</sup> day of May 2010.

  
WILLIAM W. DEAL  
Director

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have on this 7<sup>th</sup> day of May 2010, caused a true and correct copy of the foregoing document, to be served upon the following by the designated means:

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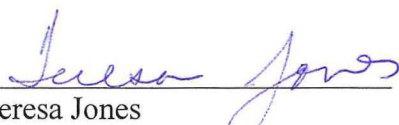
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