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CONTACT:
Scott Edelen or Mike Silva
(916) 492-3566

REVISED SCHEDULE ANNOUNCED FOR COURT HEARINGS ON REHABILITATION PLAN FOR THE SUPERIOR NATIONAL INSURANCE COMPANIES IN CONSERVATION

SACRAMENTO – The California Department of Insurance (CDI) announced today that the Los Angeles County Superior Court has set the date and time for final hearings on the Commissioner’s applications to approve a rehabilitation plan for the insurance businesses of the five Superior National Insurance Companies. The hearings will be held on Monday, September 25, 2000 at 1:30 p.m.

The Superior National companies have been under the Insurance Commissioner’s supervision and conservation since the beginning of March. At the hearing, the Superior Court will consider three separate applications relating to the Rehabilitation Plan. The Commissioner’s applications ask the Superior Court to approve a final and comprehensive plan for rehabilitating the insurance businesses of the Superior National Insurance Companies and seek a number of Court Orders that are required to assist the Commissioner in conducting an orderly liquidation and winding-up of the remaining affairs of these failed workers’ compensation insurers. The applications also request that the Court make formal findings of insolvency for each of the five insurers, which will protect claimants and injured workers by triggering the claims payment benefits provided by the California Insurance Guarantee Association (CIGA) and similar guarantee associations in other states that the Superior National companies did business.

“I am pleased that we are poised to resolve on an expedited basis the difficult problems presented by the failure of the Superior National companies,” said newly inaugurated Insurance Commissioner Harry Low. “The Department’s ultimate objective throughout the conservation process has always been to protect policyholders and ensure the timely payment of benefits to injured workers. If we obtain the necessary approvals on September 25th, we will be able to substantially meet all of our objectives.”

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On June 30, 2000, the Superior Court approved the Commissioner's designation of the Kemper Insurance Companies as the prevailing bidder for the Superior National Companies' insurance business and certain operating assets. Under the Kemper proposal, Kemper will acquire the policy renewal rights for the entire Superior National book of business. Kemper will also contract with the Commissioner and CIGA to perform claims administration services on all claims arising under old Superior National policies. Finally, Kemper is acquiring the Superior National operating assets necessary for renewals of the Superior National insurance business and for performing claims administration duties. As a result of these agreements, Kemper will be in a position to offer new employment opportunities to hundreds of Superior National's current employees.

The June 30 Order authorized the Commissioner to negotiate and prepare final rehabilitation plan agreements with Kemper and other parties to finalize the Kemper proposal. The Rehabilitation Plan agreements were completed and signed in the latter part of August by all involved parties, including the Acting Commissioner, Kemper and CIGA. The Commissioner has submitted the final agreements to the Court and applied for an Order approving these agreements and authorizing the closing of the Rehabilitation Plan transactions.

The Commissioner's Rehabilitation Plan also contemplates that the five insurance companies be placed into formal liquidation proceedings in order to trigger the benefits of CIGA and other States' insurance guarantee associations. Accordingly, the Commissioner has applied for orders of liquidation for each of the five Superior National insurance companies. Upon entry of the liquidation orders, CIGA and the other state guarantee associations will assume responsibility for paying covered claims. The Commissioner's application to place the insurers into liquidation will also be heard on September 25, 2000.

Finally, the Commissioner has applied to the Court for approval of a settlement agreement with the Superior National Insurance Group, Inc. ("Holding Company"), and its bankrupt affiliates that had operated the Superior National Insurance Companies prior to the March, 2000 conservation. The settlement agreement resolves a multitude of issues that arose in the separate administration of the Superior National insurance companies' conservation and in the Holding Company's bankruptcy case. If approved by the Superior Court and the bankruptcy court, the settlement agreement will pave the way for the prompt completion of the Rehabilitation Plan transaction with Kemper. The settlement agreement also puts to rest various disputes between the Commissioner and the Holding Company, including a dispute involving more than \$60 million in insurance company

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premiums that were being retained by the Holding Company. Under the settlement, the Holding Company obtains access to and control over certain assets for its use in reorganizing its separate business through its Chapter 11 bankruptcy case.

“On the whole, the settlement agreement brings great value to the estates of the conserved Superior National insurance companies and their beneficiaries by eliminating uncertainty and ensuring adequate control over the operating assets, facilities and computer systems that are essential to the Rehabilitation Plan, the liquidation and the proper administration of the estate,” said Richard Krenz, the Special Deputy Insurance Commissioner supervising the conserved insurance companies. “The transaction with Kemper is of particular importance to the Commissioner because it represents the best means of preserving and protecting our ability to properly administer claims and to make sure that benefits to injured workers are paid accurately and promptly. The settlement agreement was the final agreement necessary to complete our agreement with Kemper and I am gratified that we are bringing this to a conclusion.”

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