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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
GENERAL EQUITY PART-MERCER COUNTY
Docket No.: C-086-04

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I/M/O the Rehabilitation :
of MIIX Insurance Company :
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PETITION FOR LIQUIDATION
OF MIIX INSURANCE

TO:

CLERK OF THE COURT

ALL PARTIES ON ATTACHED LIST

PLEASE TAKE NOTICE that as soon as counsel may be heard, Anne Milgram, Attorney General of New Jersey, by Emerald Erickson Kuepper, Senior Deputy Attorney General, attorney for the Commissioner of Banking and Insurance, Rehabilitator of MIIX Insurance Company in Rehabilitation will move before the Court at a date and time to be set by the Honorable Neil H. Shuster, P.J. Ch. Div. for (1) an Order to Show Cause with Temporary Restraints and (2) an Order approving liquidation of MIIX Insurance Company; and

PLEASE TAKE FURTHER NOTICE that in support of this application, the Rehabilitator will rely upon the Letter Brief and

Certifications of Director Donald Bryan and Assistant Deputy Rehabilitator Kenneth A. Watson which are submitted with this Petition.

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY

By: *Emerald E. Kuepper*
Emerald Erickson Kuepper
Senior Deputy Attorney General

Dated: *February 7, 2008*

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I/M/O the Rehabilitation :
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:
_____:

Civil Action

CERTIFICATION
of
DONALD BRYAN

Donald Bryan, of full age, hereby certifies and says:

(1) I am the Director of the Division of Insurance of the New Jersey Department of Banking and Insurance. As Director of Insurance, my staff and I have carefully monitored the financial condition of MIIX during the rehabilitation. Accordingly, I make this certification in support of the petition for liquidation.

(2) In October 2004, at the time MIIX was placed in rehabilitation, an actuarial study determined that MIIX had a negative surplus of over \$306,000,000. At that time, the MIIX rehabilitation staff developed a rehabilitation plan, subsequently approved by the Court, in an attempt to achieve a solvent runoff of MIIX' liabilities.

(3) Since approval of the plan, MIIX has continued to operate in rehabilitation and has continued to utilize the settlement

criteria set forth in the rehabilitation plan. Unfortunately, the original actuarial study did not accurately predict the high number of new claims received during rehabilitation. As a result, the deficit was closer to \$400 million rather than the \$300 million quoted in the study.


(4) The unaudited financial statements of MIIX show that as of December 31, 2007, MIIX had net assets valued at approximately \$30 million. Current projections indicate that given the trials scheduled and the severity of the remaining cases, MIIX is likely to exhaust all of its assets during the early months of 2008.

(5) The Department recommends liquidation at this time because that will utilize the remaining assets in such a way as to provide relief to the largest number of remaining claimants by transferring the reserves to the various guaranty associations to handle the claims within their statutory frameworks. Given the current assets and the number of existing and potential future claims against MIIX, we are hopeful that there will be a minimal impact on the various state guaranty associations if MIIX is ordered into liquidation now. A stay during the show cause period is also necessary to preserve the assets pending an order of liquidation.

(6) Accordingly, for all the above reasons, the Commissioner has determined that further efforts to rehabilitate MIIX Insurance Company will be useless and will unnecessarily waste the assets of

the estate. Therefore, we make this application to the Court to place MIIX Insurance Company into liquidation.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.


Donald Bryan
Director, Division of Insurance

Dated: February 7, 2008

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
22 South Clinton Avenue
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Attorney for Plaintiff, Commissioner of the
Department of Banking and Insurance

By: Emerald Erickson Kuepper
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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION-MERCER COUNTY
DOCKET NO. C-086-04

I/M/O the Rehabilitation :
of MIIX Insurance Company:

Civil Action

: **CERTIFICATION**
: of
: **KENNETH A. WATSON**

Kenneth A. Watson, of full age, certifies and says:

(1) I am Assistant Deputy Rehabilitator of MIIX Insurance Company in Rehabilitation ("MIIX"). In October, 2004 I was named Assistant Deputy Rehabilitator of MIIX Insurance Company in Rehabilitation ("MIIX") by the then Commissioner of Banking and Insurance (Commissioner), in her capacity as the Rehabilitator of MIIX and acting pursuant to N.J.S.A. 17:30C-17. I make this certification in support of the Commissioner's petition to place MIIX in Liquidation. As Assistant Deputy Rehabilitator, I have been responsible for

overseeing the day-to-day operations of MIIX and I am fully familiar with the facts set forth herein.

(2) In October 2004, at the time MIIX was placed in rehabilitation, an actuarial study determined that MIIX had a negative surplus of over \$306,000,000. At that time, we endeavored to develop a rehabilitation plan to attempt to reduce the deficit. A plan was developed, it was approved by this Court and implemented during 2005. Under the plan, MIIX personnel reviewed every pending case and made a determination, where possible, as to whether a settlement offer should be made on the case under a settlement dollar matrix developed by MIIX. Five hundred fifty three (553) cases were settled under the program which represented an 83% acceptance rate of the offers made. The resultant payout was approximately \$188 million.

(3) For the remainder of 2005 and throughout 2006 and 2007, MIIX has continued to operate in rehabilitation and has continued to use the parameters developed under the settlement dollar matrix. MIIX has successfully continued to maintain settlement averages lower than those from the rehabilitation plan mailing and has significantly reduced expenses every year since 2004. The original actuarial study did not accurately contemplate the high number of new claims received during

rehabilitation. As a result, the deficit was closer to \$400 million rather than the \$300 million quoted in the study.

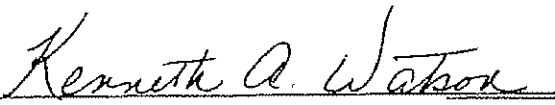
(4) When MIIX was placed in rehabilitation in October 2004, MIIX had over 2,900 open cases. In the ensuing 39 months MIIX has settled close to 1,400 cases. That means almost 1,400 claimants were not subject to the recovery limitations of a state guaranty association. Countless numbers of insured physicians have also avoided the increased risk of personal exposure in New Jersey and some of the other venues in which MIIX has claims. The rehabilitation has been successful to the many claimants and insured physicians whose claims have been successfully resolved.

(5) The unaudited financial statements of MIIX show that as of December 31, 2007, MIIX had less than 500 cases and net assets valued at approximately \$30 million. Current projections indicate that given the trials scheduled and the severity of the remaining cases, MIIX could likely exhaust all of its assets during the early months of 2008.

(6) I recommend liquidation at this time because I believe the remaining assets can provide relief to the largest number of claimants if the assets are put to use within the guaranty associations' payment parameters. Given the current assets and the number of existing and potential future claims against MIIX, we are hopeful that there will be a minimal

impact on the various state guaranty associations if MIIX is ordered into liquidation now. A stay during the show cause period is also necessary to preserve the assets pending an order of liquidation.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.


Kenneth A. Watson
Kenneth A. Watson
Assistant Deputy Rehabilitator

Dated: January 25, 2008