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DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
LANSING

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## **AMERICAN FELLOWSHIP MUTUAL INSURANCE COMPANY LIQUIDATION**

### **FREQUENTLY ASKED QUESTIONS**

#### Background

American Fellowship Mutual Insurance Company (“American Fellowship”) was organized in the State of Michigan in 1920. American Fellowship is domiciled in the State of Michigan. American Fellowship is only licensed to write business in the State of Michigan. American Fellowship policies are primarily in southeastern Michigan. American Fellowship wrote primarily auto and homeowner policies. When it became apparent that American Fellowship could not meet all of its obligations to its policyholders and creditors the Director petitioned the Court to have American Fellowship placed into liquidation.

#### The Liquidation Order

When it became apparent that American Fellowship could not meet all of its obligations to its policyholders and creditors, the Department of Insurance and Financial Services petitioned Ingham County Circuit Court to place American Fellowship into liquidation. On June 12, 2013 the Court, under Case number 12-1173-CR appointed R. Kevin Clinton, the Director of the Department of Insurance and Financial Services, as Liquidator and James Gerber as Special Deputy Liquidator to act on his behalf.

The Liquidator is vested with title to, and authorized and directed to take possession of all assets, property, books, records and documents of American Fellowship. The Liquidator is directed to liquidate all the property of American Fellowship pursuant to Chapter 81 of the Michigan Insurance Code and continuing jurisdiction of Ingham County Circuit Court.

The liquidation related documents may be viewed on the Department of Insurance and Financial Services website: [www.michigan.gov/difs](http://www.michigan.gov/difs), the click on the “Who We Regulate” section and then click on American Fellowship.

#### Frequently Asked Questions:

Q: What is Liquidation?

A: When an insurance company is insolvent and unable to meet its obligations to policyholders and creditors all aspects of an insurance company’s liquidation are governed by Chapter 81-

Supervision, Rehabilitation and Liquidation of the Michigan Insurance Code. Insolvent insurance companies are not subject to the jurisdiction of United States Bankruptcy Court.

When the Director of the Department of Insurance and Financial Services determines that a Michigan domiciled insurance company is operating in a hazardous financial condition or is insolvent, the Director files a petition in the Ingham County Circuit Court for an order placing the insurance company into rehabilitation or liquidation. If the Court agrees with the findings in the petition a rehabilitation or liquidation order is issued appointing the Director as Rehabilitator or Liquidator of the insurance company. A hearing may be held. In American Fellowship's case, the Director was appointed as Liquidator on June 12, 2013. The Director may appoint a Special Deputy Liquidator to act as their designee in an insolvent insurer proceeding.

After the Court's Order places the company into liquidation, the Department of Insurance and Financial Services' Receivership Division takes possession of the company's offices, equipment, property and assets. Under the Court's supervision, the Liquidator is responsible for collecting assets, converting them to cash and distributing the proceeds to claimants. In order to receive a distribution those with claims against the company must submit their claims and supporting documentation on a Proof of Claim form by a filing deadline (sometimes referred to as the "bar date"). If you feel you have a claim against American Fellowship it is very important that you file a proof of claim with supporting documentation prior to the bar date of December 12, 2013.

Once all the Proof of Claims forms are received the Liquidator reviews each claim and assigns it a value known as the approved amount. After review the Liquidator notifies each claimant of the determination of whether their claim is approved or not, the priority class of claim and the amount of the claim. Claims are paid based on the priorities set in Section 500.8142 of the Michigan Insurance Code. All claims in a given priority class need to be paid in full before the next class receives any payment amount. Within a priority class, all claims are considered equal and receive a pro rata share of the distribution if there is insufficient funds to pay a given priority class in full.

Once all claimants have been notified of the Liquidator's determination of their claim the Liquidator will file a petition with the Court asking for authority to distribute the cash in accordance with the priority scheme. Depending on the complexity of the company or issues involved the Liquidation can take a year or more before being completed.

Q: I received a letter with a notice of American Fellowship's liquidation. What is this all about?

A: You are receiving the notice of liquidation pursuant to Section 500.8122 (d) of the Michigan Insurance Code which requires that notice of liquidation be mailed to all persons who may reasonably have claims against American Fellowship including all current in force policyholders. American Fellowship records indicate you are an in force policyholder, and this is why you received the notice of liquidation. In addition to policyholders, the Liquidator sent notice of the liquidation to all American Fellowship insurance agents, insurance brokers, vendors, taxing authorities, and the Michigan Property and Casualty Guaranty Association that may become obligated as result of American Fellowship's liquidation. The Liquidator has requested that

American Fellowship agents and brokers also notify their American Fellowship policyholders of the liquidation.

Q: I have heard that there may be guaranty fund coverage for American Fellowship policy related claims?

A: Yes. Each state has a statute that provides guaranty fund/association coverage for property and casualty insurance claims up each state's guaranty fund statutory limits and subject to some exclusions. In Michigan, the Michigan Property and Casualty Guaranty Association provide coverage for insolvent property and casualty insurers. Subject to certain conditions the Michigan Property and Casualty Guaranty Association covers claims up to a maximum of \$5,690,000 and unearned premium funds up to a maximum of \$1,432. Please note the amount of the unearned premium claim must exceed \$50 before the Michigan Property and Casualty Guaranty Association takes effect. For more information please go to: [www.mpcga.com](http://www.mpcga.com). The Michigan Property and Casualty Guaranty Association will be responsible for adjusting and adjudicating your claim pursuant to the insurance contract issued by American Fellowship and as well as the Association's statutory coverage under Chapter 79 of the Michigan Insurance Code.

Q: What is a guaranty fund or association?

A: Every state as well as Puerto Rico and the District of Columbia has a property and casualty guaranty fund or association. These guaranty funds or associations are entities created by state statutes to protect policyholders of an insolvent insurance company usually in the company's individual state. All insurance companies licensed to sell property or casualty insurance in a given state must be members of that state's guaranty fund or association. Most guaranty funds or associations provide coverage based on the residency of the policyholder. Guaranty funds/associations are not state or federal agencies. They are not-for-profit organizations that are funded through an assessment mechanism on their individual insurance company members. All property and casualty guaranty funds/associations are members of the National Conference of Insurance Guaranty Funds (NCIGF). For more information please see NCIGF's website: [www.ncigf.org](http://www.ncigf.org)

Q: What if I have a claim that is more than the guaranty fund/association limit or is not covered by the guaranty fund/association?

A: In time covered claims will be paid by the guaranty fund/association up to the guaranty fund/association's statutory cap and coverage limits. If the amount of the claim exceeds the limits or is not a covered claim the amounts exceeding the coverage limit or not covered will need to be submitted to the Liquidator on a Proof of Claim form by the bar date in order to be considered for a potential distribution from the liquidation estate. The bar date is a deadline set by the Court for Proof of Claims and supporting documentation to be filed with the liquidation estate. Once the Proof of Claims is adjudicated the Liquidator will make a recommendation to the Court for approval of claims. Once the claims have been approved the Liquidator will file a recommendation for distribution with the Court. Once Court approval is obtained claimants may receive a distribution on allowed Proof of Claims after the company assets are liquidated.

Q: How do I get my claims paid?

A: You should file a Proof of Claim form with the Liquidator along with any supporting documentation prior to the bar date. If you have previously submitted claims information to American Fellowship and the claim has NOT been paid you will need to resubmit the claims information along with the Proof of Claim to the Liquidator.

Q: How do I file a new claim?

A: You should call American Fellowship and report the claim and a Proof of Claim will be sent to you to complete and return. We will contact the Michigan Property and Casualty Guaranty Association on your behalf and provide you with additional instructions.

Q: Should I get coverage with a new insurance company?

A: Yes. Your present coverage will terminate automatically 30 days after the Liquidation Order issue date of June 12, 2013 (July 12, 2013). You should make arrangements with another carrier to provide you with coverage as soon as possible. You may wish to contact your agent to review your coverage options. If you are owed a premium refund due to the cancellation of your policy you will need to file a Proof of Claim with the Liquidator.

Q: How do I keep informed about the American Fellowship liquidation?

A: The Liquidation Order and related court documents can be found at the Department of Insurance and Financial Services at [www.michigan.gov/difs](http://www.michigan.gov/difs). Once you are at the Department of Insurance and Financial Services homepage please select "Who We Regulate" and then select American Fellowship.

Any person or party with a question about the liquidation order may call the Department of Insurance and Financial Services at 877-999-6442 or call the liquidation staff at 800-648-6329. Please do not call the Liquidation Court, as the Court will refer you back to the Department of Insurance and Financial Services.

Our mailing address for Proof of Claim and other inquiries are:

American Fellowship Mutual Insurance Company  
Suite 200  
25925 Telegraph Road  
Southfield, MI 48033

Fax: 248-352-4921

E-Mail: [proofofclaim@afmico.com](mailto:proofofclaim@afmico.com)