

IN THE CIRCUIT COURT OF THE
SECOND JUDICIAL CIRCUIT, IN
AND FOR LEON COUNTY, FLORIDA

IN RE: The Receivership of
AEQUICAP INSURANCE COMPANY,
a Florida corporation.

CASE NO.: 2011-CA-0494

**DEPARTMENT'S MOTION FOR APPROVAL OF THIRD DISTRIBUTION
REPORT AND DISTRIBUTION ACCOUNTING, AND FOR ORDER
AUTHORIZING THIRD DISTRIBUTION**

The Florida Department of Financial Services, in its capacity as Receiver for Aequicap Insurance Company, hereby files this Motion for Approval of Third Claims Distribution Report, Third Distribution Accounting, and for Order Authorizing Third Distribution, and states as follows:

1. On March 7, 2011, the Department of Financial Services was appointed as Receiver in liquidation for Aequicap Insurance Company ("Department" or "AIC").
2. This Court has jurisdiction over the AIC Receivership and is "authorized to make all necessary or proper orders to carry out the purposes of the Florida Insurers Rehabilitation and Liquidation Act", Section 631.021, Florida Statutes.
3. AIC was a Florida property and casualty insurer that provided primarily workers compensation and commercial vehicle coverage.
4. The Department's First Interim Claims Report addressing 3,181 claims across several classes was approved in an Order entered on July 8, 2014.
5. The Department's Second Interim Claims Report consisting only of non-guaranty association claimants was approved on November 16, 2015.

6. The Department's Third Interim Claims Report consisting only of guaranty association claims was approved on November 13, 2017.

7. The Motion to approve the Final Claims Report, distribution accounting and distribution report, and authorizing distribution in full to Class 1 and pro rata to Class 2 claimants was filed on December 12, 2017, with an Order approving same entered on December 13, 2017. The Department distributed \$6,271,552.72, with 100% paid in full to Class 1 claimants, and a pro rata distribution of 13.311% to Class 2 claimants.

8. The Motion to approve a second distribution was filed on June 21, 2018, with an Order approving same entered on June 25, 2018. The Department distributed approximately \$1,167,564.11 to Class 2 claimants, representing a pro rata distribution of 1.3059%.

9. The Department now seeks to make a third distribution to Class 2 claimants, again on a pro rata basis in accordance with the Third Claims Distribution Report ("CDR") summary page, dated August 28, 2018 (Exhibit A). The CDR lists all claims where an approved amount has been recommended in the Final Claims Report (previously filed with the December Motion) for distribution at this time and is in accordance with section 631.271, Florida Statutes.

10. Based upon the *Distribution Accounting – Projected for September 2018* (Composite Exhibit B), the Department is prepared to make a distribution of \$477,469.83 to Class 2 claimants. This distribution represents an approximate .05341% distribution of the recommended claim amount for Class 2 claims. The final pro-rata calculation and the amount distributed may have a slight variance due to rounding at the time of check processing.

11. The Department recommends that the Third Claims Distribution Report and the Distribution Accounting be approved.

12. Despite the Department's best efforts, some approved claims may have inadequate current address information, and/or may not have provided the Department with a W-9 form, required by the Internal Revenue Service. The distribution amounts that go unclaimed and/or the checks for the claimants that are returned to the Department will be verified in an unclaimed property report. The Department asks the Court for authority to remit the funds due to these claimants to the appropriate divisions of unclaimed property in the appropriate states.

13. In an ongoing effort to maintain accuracy and efficiency, the Department proactively works to update its records to reflect change of address information for interested parties (i.e. agents, claimants, creditors, policyholders, etc.) before mailing notifications and distribution checks. The Department has access to databases and other publicly available information which provide updated information. The Department recommends that it have the authority to search for change of address information when applicable and to use said information for future mailings without further direction of the Court.

14. In order to ensure the validity of claim assignments and that the processing of assignments does not create an undue burden on estate assets, the Department does not recognize or accept any assignment of claim by the claimant of record when a distribution motion or petition has been filed with the Receivership Court. The Department recommends that any assignment on the claims referenced in this Motion that

are received after the filing of the December Motion to approve the Final Claims Report be rejected.

15. The Department may seek authority to make additional distribution(s) or to remit the funds to the guaranty association(s) for disbursement should there be any future reinsurance collected or other recoveries either prior or subsequent to discharge of the AIC receivership estate, as described in the Motion for One-Month Extension of Discharge Date in Order to Distribute Reinsurance Proceeds filed on August 23, 2018. Discharge is now scheduled for November 30, 2018.

WHEREFORE the Department respectfully requests this Court grant this Motion and enter an Order:

- A. Approving the Third Claims Distribution Report and Claims Distribution Accounting;
- B. Directing the Department to make the above referenced distribution of approximately \$477,469.83 to the Class 2 claimants in this receivership, as outlined in the Distribution Accounting;
- C. Approving that unclaimed distribution amounts be transferred to the appropriate division(s) of unclaimed property;
- D. Authorizing the Department to proactively search for change of address information for interested parties and to use the change of address information for future mailings; and

E. Approving the Department's recommendation on assignment of claims.

Dated this 30th day of August, 2018.

Respectfully submitted,



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FLORIDA DEPARTMENT OF FINANCIAL SERVICES-DIVISION OF REHABILITATION AND LIQUIDATION
 AEQUICAP INSURANCE COMPANY
 CLAIMS DISTRIBUTION REPORT

SUMMARY TOTALS

TOTAL AMOUNT CLAIMED 163,000,949.40
 TOTAL AMOUNT RECOMMENDED \$89,403,502.08
 TOTAL NUMBER 197

Secured Claims

COUNT OF SECURED CLAIMS : 0
 AMOUNT CLAIMED FOR SECURED CLAIMS :
 AMOUNT RECOMMENDED FOR SECURED CLAIMS :

Unsecured Claims

COUNT OF CLASS 1 CLAIMS : 0 COUNT OF CLASS 7 CLAIMS : 0
 AMOUNT CLAIMED FOR CLASS 1 CLAIMS : AMOUNT CLAIMED FOR CLASS 7 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 1 CLAIMS : AMOUNT RECOMMENDED FOR CLASS 7 CLAIMS :

COUNT OF CLASS 2 CLAIMS : 197 COUNT OF CLASS 8 CLAIMS : 0
 AMOUNT CLAIMED FOR CLASS 2 CLAIMS : 163,000,949.40 AMOUNT CLAIMED FOR CLASS 8 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 2 CLAIMS : \$89,403,502.08 AMOUNT RECOMMENDED FOR CLASS 8 CLAIMS :

COUNT OF CLASS 3 CLAIMS : 0 COUNT OF CLASS 9 CLAIMS : 0
 AMOUNT CLAIMED FOR CLASS 3 CLAIMS : AMOUNT CLAIMED FOR CLASS 9 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 3 CLAIMS : AMOUNT RECOMMENDED FOR CLASS 9 CLAIMS :

COUNT OF CLASS 4 CLAIMS : 0 CLASS 10 INTEREST CLAIMS (SEE NOTE):
 AMOUNT CLAIMED FOR CLASS 4 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 4 CLAIMS :

COUNT OF CLASS 5 CLAIMS : 0 COUNT OF CLASS 11 CLAIMS : 0
 AMOUNT CLAIMED FOR CLASS 5 CLAIMS : AMOUNT CLAIMED FOR CLASS 11 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 5 CLAIMS : AMOUNT RECOMMENDED FOR CLASS 11 CLAIMS :

COUNT OF CLASS 6 CLAIMS : 0
 AMOUNT CLAIMED FOR CLASS 6 CLAIMS :
 AMOUNT RECOMMENDED FOR CLASS 6 CLAIMS :

Note: Class 10 Claims are comprised of interest per F.S. 631.271 (1) (j) on allowed claims in Classes 1 - 9.

Aequicap Ins. Co.
Distribution Accounting - 3RD DISTRIBUTION
Projected for September 2018 Distribution

ESTIMATED ASSETS AT August 31, 2018

	<u>Value</u>	<u>Reference</u>
Accrued Interest for August	\$ 940.00	
Cash	753,749.81	Schedule A
Total Assets	\$ 754,689.81	

ESTIMATED FUNDS RETAINAGE

	<u>Value</u>	<u>Reference</u>
Distribution Liability - Suspends	\$ 228,722.98	
Class I - Administrative Claims Retainage for Receiver Expenses Estimate (September 2018 - November 2018)	42,997.00	Schedule B
Discharge Expenses Retainage for records storage, records destruction, tax return prep. & labor	5,500.00	Schedule E
Total Proposed Retainage	277,219.98	

TOTAL AVAILABLE TO DISTRIBUTE **\$ 477,469.83**

DISTRIBUTION RECOMMENDATION

	<u>Claims Value</u>	<u>Less Previous Claims Distributions</u>	<u>Value of Claims Outstanding</u>	<u>Apply Adv. Pmts. to Guaranty Assoc.</u>	<u>Recommended Distribution</u>	<u>% Value of Claims Outstanding</u>	<u>% Value of Gross Filed Claims</u>	<u>Total % of Claims Value Distributed</u>
Class I - Administrative Claims-Guaranty Funds	\$ 19,244,409.62	\$ 19,244,409.62	\$ -	\$ -	\$ -	0.0000%	0.0000%	100.0000%
Class II - Loss Claims-Guaranty Funds	82,755,564.91	12,096,877.46	\$ 70,658,687.45	\$ -	441,963.97	0.6255%	0.5341%	15.1517%
Class II - Loss Claims-Other	6,647,937.17	971,461.99	\$ 5,676,475.18	-----	35,505.86	0.6255%	0.5341%	15.1471%
Class III - Return Premium Claims-Guaranty Funds	4,192,094.59	-	\$ 4,192,094.59	-----	-	0.0000%	0.0000%	0.0000%
Class III - Return Premium Claims-Other	247,400.00	-	\$ 247,400.00	-----	-	0.0000%	0.0000%	0.0000%
Class IV - Federal Government Claims	-	-	\$ -	-----	-	0.0000%	0.0000%	0.0000%
Class V - Employee Claims	30,000.00	-	\$ 30,000.00	-----	-	0.0000%	0.0000%	0.0000%
Class VI - General Creditors Claims GA	-	-	\$ -	-----	-	0.0000%	0.0000%	0.0000%
Class VI - General Creditors Claims Other	21,862,858.90	-	\$ 21,862,858.90	-----	-	0.0000%	0.0000%	0.0000%
Class VII - State & Local Government Claims	8,813.37	-	\$ 8,813.37	-----	-	0.0000%	0.0000%	0.0000%
Class VIII - Late Filed Claims	735,899.74	-	\$ 735,899.74	-----	-	0.0000%	0.0000%	0.0000%
Class X - Shareholder Claims	1.00	-	\$ 1.00	-----	-	0.0000%	0.0000%	0.0000%
Totals	\$ 135,724,979.30	\$ 32,312,749.07	\$ 103,412,230.23	\$ -	\$ 477,469.83			

Index to Attached Schedules:

- Schedule A - Available Cash Projection
- Schedule B - Estimated Funds to be Retained by the Receiver for Discharge of the Estate
- Schedule C - Allocated State Funds Expensed
- Schedule D - Interest Earnings Projection - Pooled Cash
- Schedule E - Receiver Discharge Expenses
- Schedule F - Contributed Equity

Aequicap Ins. Co.
Available Cash Projection
Projected for September 2018 Distribution

Beginning Pooled Cash Balance		Cash Balance as of
		July 31, 2018
		\$ 751,042.97
Reinsurance Recoveries		28,400.00
Direct Receiver Expenses (Actual or Estimated)		
Rent-Records, Bank Fees, Postage		1,000.00
Sub-total		1,000.00
Allocated Receiver Expenses (Estimated)		
Labor & Benefits		25,598.00
Indirect Expenses		850.00
Sub-total		26,448.00
Cash Balance Before Interest Earnings		751,994.97
Interest Earnings		
Pooled Cash:		
Actual SPIA Earnings for July to be credited on 8/01/2018.		1,754.84
Ending Pooled Cash Balance		\$ 751,042.97
		\$ 753,749.81

Assumptions for Allocated Receiver Expenses:

¹ Labor & Benefits: This estimate is based on a four month actual average. Doubled for increased activity leading up to distribution.

April Actual	\$ 10,135.68
May Actual	13,162.28
June Actual	18,134.64
July Actual	9,764.15
Sub-total	51,196.75
4 mth. actual average (rounded)	12,799.00
Doubled for increased activity level	\$ 25,598.00

² Indirect Expenses: This estimate is Aequicap's estimated pro rata share of the Receiver's estimated total indirect expenses. The pro rata share calculation is based on Aequicap's estimated total assets divided by the Receiver's estimated total assets for all receiverships.

Estimated Total Asset %	1.00%
Estimated Total for the Receiver	\$ 85,000.00
Estimated Expense (rounded)	\$ 850.00

Aequicap Ins. Co.
Estimated Funds to be Retained by the Receiver for Discharge of the Estate
Estimated from September 2018 through the Projected Discharge Date of November 2018

	31-Aug-18	September	October	November	Retainage Calculation
Beginning Cash Balance	\$	753,749.81	261,630.98	247,611.98	
Direct Receiver Expenses					
Records Storage, Bank Fees, Postage		1,000.00	1,000.00	1,000.00	
Sub-total		1,000.00	1,000.00	1,000.00	\$ 3,000.00
Allocated Receiver Expenses					
Labor & Benefits		12,799.00	12,799.00	12,799.00	¹
Indirect Expenses		850.00	850.00	850.00	²
Sub-total		13,649.00	13,649.00	13,649.00	\$ 40,947.00
Claims Distribution (Approx.)		477,469.83			
Cash Balance Before Interest Earnings		261,630.98	246,981.98	232,962.98	
Interest Earnings					
Estimate based on assumed SPIA APR on the previous month's average Pooled Cash balance (See Schedule D).			630.00	320.00	\$ 950.00
Projected Ending Cash Balance	\$	753,749.81	261,630.98	247,611.98	\$ 42,997.00
Retainage for Receiver's Expenses					\$ 42,997.00

Assumptions for Allocated Receiver Expenses:

¹ Labor & Benefits: This estimate is based on a four month actual average.

April Actual	\$ 10,135.68
May Actual	13,162.28
June Actual	18,134.64
July Actual	9,764.15
Sub-total	51,196.75
4 mth. actual average (rounded)	12,799.00
Doubled for increased activity level	N/A

² Indirect Expenses: This estimate is AIC's estimated pro rata share of the Receiver's estimated total indirect expenses. The pro rata share calculation is based on AIC's estimated total assets divided by the Receiver's estimated total assets for all receiverships.

Estimated Total Asset %	1.00%
Estimated Total for the Receiver	\$ 85,000.00
Estimated Expense (rounded)	\$ 850.00

Aequicap Ins. Co.
Allocated State Funds Expensed
Estimated from August 2018 through the Projected Discharge Date of November 2018
THIS STATEMENT INCLUDED FOR INFORMATION PURPOSES ONLY - AMOUNTS NOT PART OF DISTRIBUTION CALCULATION

	Aug-18	Sep-18	Oct-18	Nov-18	Totals
Accrued Allocated State of Florida Expenses (Estimated)					
Labor & Benefits	\$ 354.00	\$ 354.00	\$ 354.00	\$ 354.00	\$ 1,416.00 ¹
Indirect Expenses	400.00	400.00	400.00	400.00	1,600.00 ²
Total	\$ 754.00	\$ 754.00	\$ 754.00	\$ 754.00	\$ 3,016.00 ³

Assumptions for Allocated State of Florida Expenses:

¹ Labor & Benefits: This estimate is based on a four month actual average.

April Actual	285.09
May Actual	352.00
June Actual	505.93
July Actual	273.32
Sub-total	1,416.34
4 mth. actual average (rounded)	354.00
Doubled for increased activity level	NA

² Indirect Expenses: This estimate is AIC's estimated pro rata share of the Receiver's estimated total indirect expenses. The pro rata share calculation is based on AIC's estimated total assets divided by the Receiver's estimated total assets for all receiverships.

	Before Distribution
Estimated Total Asset %	1.00%
Estimated Total for the State	\$ 40,000.00
Estimated Expense (rounded)	\$ 400.00

³ Per current Receiver policies and procedures, these accumulated amounts are recorded directly against estate equity as opposed to a liability account.

Aequicap Ins. Co.
Interest Earnings Projection - Pooled Cash
Projected for September 2018 Distribution

Interest accrued for August 2018

Beginning cash balance	751,042.97
Ending cash balance	753,749.81
Average cash balance	752,396.39
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	11,285.95

Accrual for August **\$ 940.00**

Interest accrued for September 2018

Beginning cash balance	753,749.81
Ending cash balance	261,630.98
Average cash balance	507,690.40
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	7,615.36

Accrual for September **\$ 630.00**

Interest accrued for October 2018

Beginning cash balance	261,630.98
Ending cash balance	247,611.98
Average cash balance	254,621.48
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	3,819.32

Accrual for October **\$ 320.00**

Interest accrued for November 2018

Beginning cash balance	247,611.98
Ending cash balance	233,282.98
Average cash balance	240,447.48
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	3,606.71

Accrual for November **\$ 300.00**

Aequicap Ins. Co.
Receiver Discharge Expenses
Projected for September 2018 Distribution

Discharge Expenses (Projected for Post 11/30/2018)

Records Storage, Labor, Scanning Permanent Records, Unclaimed Property Scanning and Filing Holders Reports, 2018 Tax Return Preparation	5,500.00
Total	<u>\$ 5,500.00</u>

Aequicap Ins. Co.
Statement of Contributed Equity from Regulatory Trust Fund Estimated Balances
Projected for Discharge by 11/30/2018

Contributed Equity Balance as of 7/31/2018		\$ 166,799.35
Accrual for August 2018 - November 2018 (Estimate from Schedule C)	<u>\$ 3,016.00</u>	
Total		<u>\$ 3,016.00</u>
Projected Contributed Equity Balance as of 11/30/2018		<u><u>\$ 169,815.35</u></u>