

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 SECOND DISTRIBUTION
REPORT AND DISTRIBUTION ACCOUNTING, AND FOR ORDER AUTHORIZING
SECOND DISTRIBUTION**

The Florida Department of Financial Services, in its capacity as Receiver for Aequicap Insurance Company, hereby files this Motion for Approval of Second Claims Distribution Report, Second Distribution Accounting, and for Order Authorizing Second 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 Department now seeks to make a second distribution to Class 2 claimants, again on a pro rata basis in accordance with the Second Claims Distribution Report (“CDR”) summary page, dated June 14, 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.

9. Based upon the *Distribution Accounting – Projected for July 2018* (Composite Exhibit B), the Department is prepared to make a distribution of \$1,167,564.11 to Class 2 claimants. This distribution represents an approximate 1.3059% 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.

10. The Department notes, and the Distribution Accounting reflects, that Early Access¹ payments to the guaranty associations have already been made, as approved by this Court, in the total amount of \$24,874,000.00.

¹ From those Early Access payments, most Class 2 policyholders or claimants received payment on their claims up to the amount of their covered claims - \$300,000.00, less the \$100 statutory deductible – pursuant to Section 631.57, Florida Statutes, through claims payments made by the Florida Insurance Guaranty Association (FIGA) or other applicable guaranty association.

11. The Department recommends that the Second 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 Supplement to May Status Report filed by the Department on June 18, 2018. Discharge is scheduled for October 31, 2018.

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

- A. Approving the Second Claims Distribution Report and Claims Distribution Accounting;
- B. Directing the Department to make the above referenced distribution of approximately \$1,167,564.11 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 21st day of June, 2018.

Respectfully submitted,



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FLORIDA DEPARTMENT OF FINANCIAL SERVICES-DIVISION OF REHABILITATION AND LIQUIDATION
 AECUICAP 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) (f) on allowed claims in Classes 1 - 9.

Aeqlcap (ns. Co.
Distribution Accounting - 2ND DISTRIBUTION
Projected for July 2018 Distribution

ESTIMATED ASSETS AT June 30, 2018

	<u>Value</u>	<u>Reference</u>
Accrued Interest for June	\$ 1,810.00	
Cash	1,442,624.76	Schedule A
Total Assets	\$ 1,442,624.76	

ESTIMATED FUNDS RETAINAGE

	<u>Value</u>	<u>Reference</u>
Distribution Liability - Suspends	\$ 212,650.65	
Class I - Administrative Claims		
Retainage for Receiver Expenses		
Estimate (July 2018 - October 2018)	44,410.00	Schedule B
Discharge Expenses		
Retainage for records storage, records		
destruction, tax return prep. & labor	18,000.00	Schedule E
Total Proposed Retainage	275,060.65	

TOTAL AVAILABLE TO DISTRIBUTE **\$ 1,167,564.11**

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	11,016,172.53	\$ 71,739,392.38	\$ -	1,080,745.44	1.5065%	1.3059%	14.8178%
Class II - Loss Claims-Other	6,647,937.17	864,953.15	\$ 5,762,984.02	-----	86,818.67	1.5085%	1.3059%	14.8178%
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	\$ 31,146,535.30	\$ 104,579,444.00	\$ -	\$ 1,167,564.11			

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 July 2018 Distribution

	Cash Balance as of April 30, 2018	May-18	Jun-18
Beginning Pooled Cash Balance	\$ 1,472,786.53	\$ 1,457,810.76	\$ 1,457,810.76
Direct Receiver Expenses (Actual or Estimated)			
Rent-Records, Bank Fees, Postage		1,000.00	1,000.00
Sub-total		<u>1,000.00</u>	<u>1,000.00</u>
Allocated Receiver Expenses (Estimated)			
Labor & Benefits		14,916.00	14,916.00
Indirect Expenses		1,100.00	1,100.00
Sub-total		<u>16,016.00</u>	<u>16,016.00</u>
Cash Balance Before Interest Earnings		<u>1,455,770.53</u>	<u>1,440,794.76</u>
Interest Earnings			
Pooled Cash:			
Actual SPIA Earnings for April to be credited on		2,040.23	
Estimate based on assumed SPIA APR on the previous			
month's average Pooled Cash balance (See Schedule			
D)			1,830.00
Ending Pooled Cash Balance	<u>\$ 1,472,786.53</u>	<u>\$ 1,457,810.76</u>	<u>\$ 1,442,624.76</u>

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.

January Actual	\$ 9,002.37
February Actual	5,201.35
March Actual	5,491.62
April Actual	10,135.68
Sub-total	<u>29,831.02</u>
4 mth. actual average (rounded)	7,458.00
Doubled for increased activity level	<u>\$ 14,916.00</u>

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	\$ 110,000.00
Estimated Expense (rounded)	<u>\$ 1,100.00</u>

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

	30-Jun-18	July	August	September	October	Retainage Calculation
Beginning Cash Balance		\$ 1,442,624.76	\$ 258,044.65	\$ 250,536.65	\$ 242,288.65	
Direct Receiver Expenses						
Records Storage, Bank Fees, Postage		1,000.00	1,000.00	1,000.00	1,000.00	
Sub-total		1,000.00	1,000.00	1,000.00	1,000.00	\$ 4,000.00
Allocated Receiver Expenses						
Labor & Benefits		14,916.00	7,458.00	7,458.00	7,458.00	¹
Indirect Expenses		1,100.00	110.00	110.00	110.00	²
Sub-total		16,016.00	7,568.00	7,568.00	7,568.00	\$ 38,720.00
Claims Distribution (Approx.)		1,167,564.11				
Cash Balance Before Interest Earnings		258,044.65	249,476.65	241,968.65	233,720.65	
Interest Earnings						
Estimate based on assumed SPIA APR on the previous month's average Pooled Cash balance (See Schedule D)			1,060.00	320.00	310.00	\$ 1,690.00
Projected Ending Cash Balance		\$ 1,442,624.76	\$ 258,044.65	\$ 250,536.65	\$ 242,288.65	\$ 234,030.65
Retainage for Receiver's Expenses						\$ 44,410.00

Assumptions for Allocated Receiver Expenses:

¹ Labor & Benefits: This estimate is based on a four month actual average. Doubled for July and actual average used for August - October

January Actual	\$ 9,002.37
February Actual	5,201.35
March Actual	5,491.62
April Actual	10,135.68
Sub-total	29,831.02
4 mth. actual average (rounded)	7,458.00
Doubled for increased activity level	14,916.00

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	After Distribution
Estimated Total Asset %	1.00%	0.10%
Estimated Total for the Receiver	\$ 110,000.00	\$ 110,000.00
Estimated Expense (rounded)	\$ 1,100.00	\$ 110.00

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

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Totals
Accrued Allocated State of Florida Expenses (Estimated)							
Labor & Benefits	\$ 516.00	\$ 516.00	\$ 516.00	\$ 258.00	\$ 258.00	\$ 258.00	\$ 2,322.00 ¹
Indirect Expenses	350.00	350.00	350.00	35.00	35.00	35.00	1,155.00 ²
Total	\$ 866.00	\$ 866.00	\$ 866.00	\$ 293.00	\$ 293.00	\$ 293.00	\$ 3,477.00³

Assumptions for Allocated State of Florida Expenses:

¹ Labor & Benefits: This estimate is based on a four month actual average. Doubled for May - July and actual average used for August - October

January Actual	301.38
February Actual	210.58
March Actual	198.27
April Actual	321.58
Sub-total	1,031.81
4 mth. actual average (rounded)	258.00
Doubled for increased activity level	\$ 516.00

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	After Distribution
Estimated Total Asset %	1.00%	0.10%
Estimated Total for the State	\$ 35,000.00	\$ 35,000.00
Estimated Expense (rounded)	\$ 350.00	\$ 35.00

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 July 2018 Distribution

Interest accrued for April 2018

Beginning cash balance	-
Ending cash balance	-
Average cash balance	-
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	-
Actual for April	\$ 2,040.23

Interest accrued for May 2018

Beginning cash balance	1,472,786.53
Ending cash balance	1,457,810.76
Average cash balance	1,465,298.65
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	21,979.48
Accrual for May	\$ 1,830.00

Interest accrued for June 2018

Beginning cash balance	1,457,810.76
Ending cash balance	1,442,624.76
Average cash balance	1,450,217.76
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	21,753.27
Accrual for June	\$ 1,810.00

Interest accrued for July 2018

Beginning cash balance	1,442,624.76
Ending cash balance	258,044.65
Average cash balance	850,334.71
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	12,755.02
Accrual for July	\$ 1,060.00

Interest accrued for August 2018

Beginning cash balance	258,044.65
Ending cash balance	250,536.65
Average cash balance	254,290.65
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	3,814.36
Accrual for August	\$ 320.00

Interest accrued for September 2018

Beginning cash balance	250,536.65
Ending cash balance	242,288.65
Average cash balance	246,412.65
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	3,696.19
Accrual for September	\$ 310.00

Interest accrued for October 2018

Beginning cash balance	242,288.65
Ending cash balance	234,030.65
Average cash balance	238,159.65
Assumed SPIA interest rate (Annualized)	1.50%
Subtotal (Annualized)	3,572.39
Accrual for October	\$ 300.00

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

Discharge Expenses (Projected for Post 10/31/2018)

Records Storage, Labor, Scanning Permanent Records,
Unclaimed Property Scanning and Holders Rpts
2018 Tax Return Preparation

Total

	18,000.00
\$	<u>18,000.00</u>

Aequicap Ins. Co.
Statement of Contributed Equity from Regulatory Trust Fund Estimated Balances
Projected for Discharge by 10/31/2018

Contributed Equity Balance as of 4/30/2018	\$ 164,031.25
Accrual for May 2018 - October 2018 (Estimate from Schedule C)	<u>\$ 3,477.00</u>
Total	<u>\$ 3,477.00</u>
Projected Contributed Equity Balance as of 10/31/2018	<u><u>\$ 167,508.25</u></u>