

CAUSE NO. D-1-GN-15-004065

THE STATE OF TEXAS, <i>Plaintiff,</i>	§	IN THE DISTRICT COURT OF
	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
ALICOT INSURANCE COMPANY, <i>Defendant.</i>	§	345TH JUDICIAL DISTRICT
	§	

FINAL ACCOUNTING AND APPLICATION TO TERMINATE RECEIVERSHIP AND DISCHARGE RECEIVER AND SPECIAL DEPUTY RECEIVER

TO THE HONORABLE JUDGE OF THIS COURT

JO ANN HOWARD & ASSOCIATES, P.C., Special Deputy Receiver of Alicot Insurance Company (the “SDR” and “Alicot” respectively), files this *Final Accounting and Application to Terminate Receivership and Discharge Receiver and Special Deputy Receiver* (the “Application”).

I. INTRODUCTION

1.1 On April 17, 2018, this Court entered its *Order Granting Application to Report of Claims and Make Final Distribution* (“Final Distribution Order”). The SDR has completed the distribution of assets in accordance with the Final Distribution Order and submits its final accounting. The SDR requests that the Court terminate this receivership proceeding, and discharge the Texas Commissioner of Insurance (“Commissioner”) as Receiver of Alicot, and JO ANN HOWARD & ASSOCIATES, P.C., as the SDR of Alicot.

II. AUTHORITY

2.1 The SDR is authorized to file this Application pursuant to Chapter 443 of the Texas Insurance Code (the “Code”),¹ specifically § 443.352. Under § 443.154(a) of the Code, the SDR has all of the Receiver’s powers, except as limited by the Receiver.

¹ All statutory references herein are to the Texas Insurance Code, unless otherwise indicated.

2.2 The subject matter of this Application is referred to the Master appointed in this proceeding in accordance with the *Order of Reference to Master* entered on September 24, 2015.

III. FINAL FINANCIAL STATEMENTS

3.1 The Balance Sheet, attached as Exhibits 1 A and 1 B, and the Sources and Uses of Cash Statement, attached as Exhibit 2, reflect the financial condition of the estate as of July 31, 2018.

IV. EXPENSES

4.1 The Final Distribution Order approved an Expense Reserve of \$24,040 for the payment of estimated expenses from March 1, 2018 through the termination of the receivership. As the actual fees of the SDR and subcontractors were \$24,540, there were no funds remaining after the payment of \$24,040. Attached as “Exhibit 3” is the Final Statement Expenses submitted pursuant to § 443.015 of the Code.

V. DISTRIBUTIONS

5.1 The SDR paid one-hundred percent (100%) of the Class 2 claim approved in the Final Distribution Order. All funds remaining after the payment of expenses and the Class 2 claim were disbursed to the Liquidator of Centennial Insurance Company (“Centennial Liquidator”), the sole stockholder of Alicot, as a Class 11 distribution.

VI. UNCLAIMED FUNDS

6.1 There were no unclaimed funds.

VII. FEDERAL INCOME TAX RETURNS

7.1 The SDR filed the final federal income tax return for the year 2018 before the filing of the Application. No income taxes are owed by the estate.

VIII. TRANSFERS

8.1 The Final Distribution Order authorized the SDR to transfer all unknown assets of Alicot to the Commissioner. There are no known unliquidated assets. If funds are collected from any such assets, the Commissioner will distribute them to the Centennial Liquidator or any successor. If any such funds cannot be distributed to the Centennial Liquidator or any successor, the SDR requests that this Court authorize the Commissioner to deposit any such funds in an account under § 443.304 of the Code.

IX. RECORDS

9.1 All records of Alicot have been transferred to the Commissioner. In accordance with the Final Distribution Order, the Commissioner is authorized to dispose of any or all records transferred at his discretion.

X. CERTIFICATION OF ACTIVITIES

10.1 The SDR certifies that all activities necessary to conclude this proceeding have been performed along with the final accounting of all funds in the estate.

XI. TERMINATION AND DISCHARGE

11.1 The SDR requests that this Court issue an order terminating this delinquency proceeding and discharging the Receiver and SDR.

XII. OFFER OF PROOF

12.1 This Application is verified by the affidavit and certification pursuant to TEX. INS. CODE § 443.017(b) of the Code by Jo Ann Howard, President of Jo Ann Howard & Associates, P.C., solely in its capacity as Special Deputy Receiver of Alicot Insurance Company.

XIII. NOTICE

13.1 In accordance with § 443.007(d) and the *Order of Reference*, the SDR served this Application at least 14 days before the submission date of this Application on (i) parties that filed an appearance in this proceeding and (ii) other parties as determined by the SDR as shown on the Certificate of Service.

PRAYER

WHEREFORE, PREMISES CONSIDERED, Jo Ann Howard & Associates, P.C., Special Deputy Receiver of Alicot Insurance Company, respectfully prays that this Court enter an Order:

1. Granting the Application;
2. Approving the Final Statement of Expenses;
3. Approving the Assignment to the Commissioner;
4. Authorizing the Commissioner to distribute any funds recovered from the unknown assets assigned to the Commissioner to the Centennial Liquidator or any successor, or, if they cannot be distributed to the Centennial Liquidator or any successor, deposit any such funds in an account under § 443.304 of the Code;
5. Discharging the Receiver and SDR;
6. Terminating this delinquency proceeding; and
7. Granting such further relief to which the SDR or Receiver may be entitled.

Respectfully submitted,

FULLER LAW GROUP

By: /s/Christopher Fuller

Christopher Fuller

Texas Bar No. 07515500

4612 Ridge Oak Drive

Austin, Texas 78731

Telephone: (512) 470-9544

Email: cfuller@fullerlaw.org

**Attorney for Jo Ann Howard & Associates, P.C.
Special Deputy Receiver of Alicot Insurance
Company**

CERTIFICATE OF SERVICE

I certify that on October 1, 2018, a true and correct copy of this Application was served pursuant to the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. § 443.007(d) on the following by email, except as specifically otherwise noted.

Via Email: specialmasterclerk@tdi.texas.gov
Special Master's Clerk
TEXAS DEPARTMENT OF INSURANCE
P.O. Box 149104
Austin, Texas 78714-9104

Via e-Service: cynthia.morales@oag.texas.gov
Cynthia Morales
Assistant Attorney General
OFFICE OF THE TEXAS ATTORNEY GENERAL
P.O. Box 12548
Austin, Texas 78711-2548

Via Email: James.Kennedy@tdi.texas.gov
James Kennedy
TEXAS DEPARTMENT OF INSURANCE
P.O. Box 149104
Austin, Texas 78714-9104

Via Email: daxinn@nylb.org
David Axilli
NEW YORK LIQUIDATION BUREAU
110 William Street,
New York, NY 10038

Via Email: Vicente.Aguillon@tdi.texas.gov
Vicente Aguillon
TEXAS DEPARTMENT OF INSURANCE
Rehabilitation & Liquidation Oversight
P.O. Box 149104
Austin, Texas 78714-9104

Via First Class Mail
INTERNAL REVENUE SERVICE
Special Procedures Branch
P.O. Box 250
300 East 8th Street, Suite 352
Mail Stop 5022AUS
Austin, TX 78701

Via Email: stuart.phillips@tdi.texas.gov
Stuart Phillips
TEXAS DEPARTMENT OF INSURANCE
Rehabilitation & Liquidation Oversight
P.O. Box 149104
Austin, TX 78714-9104

Via First Class Mail
INTERNAL REVENUE SERVICE
Centralized Insolvency Operation
P.O. Box 7346
Philadelphia, PA 19101-7346

Via Email: john.alexander@tdi.texas.gov
John Alexander
TEXAS DEPARTMENT OF INSURANCE
Rehabilitation & Liquidation Oversight
P.O. Box 149104
Austin, Texas 78714-9104

Via Email: moses.chao@tdi.texas.gov
Moses Chao
TEXAS DEPARTMENT OF INSURANCE
Rehabilitation & Liquidation Oversight
P.O. Box 149104
Austin, Texas 78714-9104

/s/Christopher Fuller
Christopher Fuller

APPLICANT'S NOTICE OF SUBMISSION

Pursuant to the terms of the Order of Reference to Master entered by the District Court in this cause, the SDR's *Final Accounting and Application to Terminate Receivership and Discharge Receiver and Special Deputy Receiver* is hereby set for written submission before the Special Master, Tom Collins, on October 15, 2018.

The Special Master has asked that the following rules be provided you:

1. Any objection must be filed with the Travis County District Clerk at least three (3) calendar days before the submission date.
2. A copy of any objection shall be served by email by such date on:
 - (a) The Special Master's Docket Clerk, at specialmasterclerk@tdi.texas.gov;
 - (b) The undersigned counsel, Christopher Fuller at cfuller@fullerlaw.org; and
 - (c) All interested parties, including those listed on the SDR's Certificate of Service.
3. The objecting party shall coordinate with the SDR's counsel and the Docket Clerk [(512) 667-6915] to obtain an oral hearing setting for argument on the Application and Objection, and complete and attach an "Objecting Party's Notice of Oral Hearing" to the objection.
4. The written objection must specifically list all reasons for objection with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally.
5. **Please note that if an objection is not filed as described in the Notice of Submission, the Master may consider the Application without a hearing.**
6. **Failure to file timely a written objection before the Special Master constitutes a waiver of the right to object to the Special Master's recommendation to the District Court.**
7. Any Acknowledgment of Notice and Waiver to be filed by the Guaranty Association or other interested party should be filed at least three (3) calendar days before the submission or hearing date.

/s/Christopher Fuller

Christopher Fuller

**SPECIAL DEPUTY RECEIVER'S VERIFICATION AND CERTIFICATION PURSUANT TO
TEX. INS.CODE ANN. §443.017(b)**

AFFIDAVIT OF JO ANN HOWARD

State of Texas

County of Travis

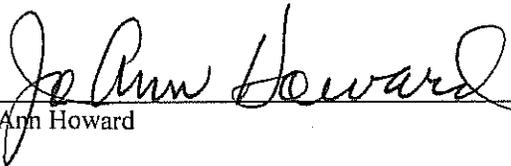
BEFORE ME, the undersigned authority appeared Jo Ann Howard, who after being by me duly sworn, stated the following under oath:

1. "My name is Jo Ann Howard. I am competent to make this affidavit. The statements of fact set forth herein are true and correct, and are within my personal knowledge.

2. "I am the President of Jo Ann Howard & Associates, P.C., Special Deputy Receiver of Alicot Insurance Company (the "SDR" and "Alicot," respectively). I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents contained in the attached notebook were produced pursuant to TEX. INS. CODE ANN. §443.017, are either true and correct copies of records of the insurer and were received from the custody of the insurer or found among its effects or were created by and filed with the Receiver's office in connection with the receivership of these delinquent insurers, and are held by the Special Deputy Receiver in its official capacity.

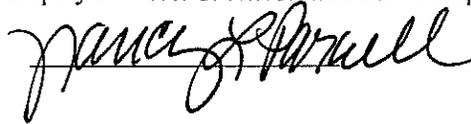
3. I have read the foregoing Application and the facts stated therein are true and correct based on my personal knowledge, my review of estate records and my consultation with my staff and sub-contractors.

4. Further affiant sayeth not.

By: 
Jo Ann Howard

SUBSCRIBED AND SWORN TO BEFORE ME on October 1, 2018, by Jo Ann Howard,
President of Jo Ann Howard & Associates, P.C., Special Deputy Receiver of Alicot Insurance Company.

Notary Public





R-557

**Alicot Insurance Company
Statement of Net Assets**

**For Period Ending
July 31, 2018**

EXHIBIT

1 07/31/18

Cash		
	Cash - Unrestricted	0
	APF Funds	
Other Assets		
	Investments, Reinsurance, Receivable, Other Assets	
Restricted Assets		
	Restricted funds	
	Total Assets	0

**Exhibit
1-A**

R-557

**Alicot Insurance Company
Statement of Net Liabilities**

**For Period Ending
July 31, 2018**

EXHIBIT

1 07/31/18

	Secured Claims	
	APF Loan	
	Administrative	
	Administrative Claims - State/Receiver	
	Administrative Claims - Guaranty Assns	
	Loss Claims	
	Loss claims - Guaranty Assns	
	Loss Claims - Other	
	Other Creditors	
	Other Creditors	
	Shareholders Claims	
	Total Liabilities	
	Surplus for Distribution (Class 11)	
	Total Equity/(Deficit)	
	Total Liabilities & Equity	0

**Exhibit
1-B**

EXHIBIT 2		SOURCES AND USES OF CASH	Inception
R-557	ALICOT INSURANCE COMPANY		to Date
	02/28/18		
Beginning Unencumbered Cash			2,275,400
Premium			
	Premium Collections		-
	Premium Collection Expense - SDR		-
	Premium Collection Expense - Legal		-
	Premium Collection Expense - Other		-
Receivable			
	Agents Balance Receipts		-
	Agent Balance Expense - SDR		-
	Agent Balance Expense - Legal		-
	Agent Balance Expense - Other		-
	Reinsurance Recovery		-
	Reinsurance Expense - SDR		-
	Reinsurance Expense - Legal		-
	Reinsurance Expense - Other		-
	Subrogation Recovery		-
	Subrogation Expense - SDR		-
	Subrogation Expense - Legal		-
	Subrogation Expense - Other		-
	Affiliates Recovery		-
	Affiliates Expense - SDR		-
	Affiliates Expense - Legal		-
	Affiliates Expense - Other		-
	Settlement/Litigation Recovery		-
	Settlement/Litigation Expense - SDR		-
	Settlement/Litigation Expense - Legal		-
	Settlement/Litigation Expense - Other		-
	Other Receivable Receipts		445,210
	Other Receivable Expense - SDR		-
	Other Receivable Expense - Legal		-
	Other Receivable Expense - Other		-
Sale/Conversion of Assets			
	Sales of Real & Personal Property		-
	Sales Real & Personal Prop Expense - SDR		-
	Sales Real & Personal Prop Expense - Legal		-
	Sales Real & Personal Prop Expense - Other		-
	Investment Sales/Receipts		-
	Investment Expense - SDR		(50)
	Investment Expense - Legal		-
	Investment Expense - Other		-
	Other Asset Receipts		-
	Other Asset Expense - SDR		-
	Other Asset Expense - Legal		-
	Other Asset Expense - Other		-
NET INCOME FROM ASSETS/RECEIVABLE			445,160
Passive Income			
	Investments Interest/Dividends		-
	Cash Deposit Interest Income		33,521
	Early Access Imputed Interest Income		-
NET INCOME/INCLUDING PASSIVE			478,681

EXHIBIT 2	SOURCES AND USES OF CASH	Inception
R-557	ALICOT INSURANCE COMPANY 02/28/18	to Date
CLAIMS EXPENSE:		
Claims Administrative Expenses:		
Claims Expense - SDR		(813)
Claims Expense - Legal		(12,700)
Claims Expense - Other		(2,859)
TOTAL CLAIMS EXPENSES		(16,372)
Distributions: (not included in claims totals)		
Refunds		-
Loss Claims Payments		-
LAE Expense Payments		-
Early Access - Guaranty Associations		-
Other Distributions		-
TOTAL DISTRIBUTIONS		-
GENERAL ADMINISTRATION EXPENSES		
Takeover Expense (pre-appointment)		-
Bank Charges		(3,576)
Building/Utilities/Related Expenses		-
Employee - Payroll, P/RTax, Benefits, Contract		-
Equipment/Lease/Maintenance		-
Inventory/Storage/Moving		-
IT/Computer Expense		-
Mailing/Printing/Postage/Publication		(3,068)
Miscellaneous Expenses		-
Taxes - State & Federal		-
Telephone		-
Receivership Allocation		(17,996)
GENERAL ADMINISTRATION EXPENSES		(24,640)
SUBCONTRACTOR ADMINISTRATIVE FEES & EXPENSES:		
Accounting/Auditing/Federal Income Tax Services		(4,707)
Accounting HSP Administration		(72)
Accounting/Auditing - Expenses		(32)
Consulting Fees/Services		(2,527)
Consulting Fees/Services - Expenses		(584)
Legal Fees/Services		(43,932)
Legal Fees/Services HSP Administration		-
Legal Fees/Services - Expenses		(385)
SUBCONTRACTOR ADMINISTRATIVE FEES & EXP		(52,239)
SDR ADMINISTRATIVE FEES & EXPENSES:		
SDR Administration Fees		(77,303)
SDR Accounting Fees		(27,420)
SDR HSP Administration		(1,821)
SDR Special Services		-
SDR Travel Expenses		-
SDR Expenses		(7,749)
SDR ADMINISTRATIVE FEES & EXPENSES		(114,293)
TOTAL RECEIVERSHIP ADMINISTRATIVE EXPENSE		(191,172)
NET RECOVERIES		271,137
Net Recoveries including Distributions		271,137

EXHIBIT 2**SOURCES AND USES OF CASH**

R-557

ALICOT INSURANCE COMPANY

02/28/18

Inception

to Date

CASH RECONCILIATION	
Beginning Unencumbered Cash	2,275,400
Distributions	-
Net Increase (Decrease)	271,137
Ending Unencumbered Cash	2,546,537
Accounts Payable	8,773
APF Loan	
FY 2018 Reconciliation Adjustments	(1)
Ending Cash Available	2,555,309
Cash Assets (from Balance Sheet)	2,555,309
Difference (should <2)	-

Exhibit 3
R- 557 Actual Closing Expenses
March 2018 thru July 2018

	<u>Total Expense</u>
SDR Fee/Expenses	11,745.86
Subcontractor Fees/Expenses	
Legal	6,250.00
Paralegal	300.00
Claims Administrator	1,425.00
CPA/Tax Returns	3,000.00
Total	<u>10,975.00</u>
General Administration Expenses	<u>1,819.14</u>
Total Expenses	24,540.00