

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

APR - 8 2021

RICK WARREN
COURT CLERK

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STATE OF OKLAHOMA, ex rel.)
 GLEN MULREADY, Insurance Commissioner,)
)
 Petitioner,)
)
 v.)
)
 FARMERS AND RANCHERS LIFE INSURANCE)
 COMPANY in Liquidation, formerly)
 FARMERS AND RANCHERS LIFE INSURANCE)
 COMPANY, a licensed domestic Insurer in the)
 State of Oklahoma)
)
 Respondent.)

Case No. CJ-1999-3401-61

Judge Richard C Ogden

**RECEIVER’S FINAL RECOMMENDATION ON CLAIMS,
MOTION TO DISTRIBUTE ASSETS, CLOSE ESTATE, AND
REQUEST FOR DISCHARGE**

Glen Mulready, Insurance Commissioner, as Receiver (the “Receiver”) for Farmers and Ranchers Life Insurance Company in Liquidation (“FRL”) hereby submits his Final Recommendation on Claims, Motion to Distribute Assets, Close Estate and Request for Discharge. In support of this Application, the Receiver states as follows:

BACKGROUND

1. Title 36 O.S. §§ 1901, et seq. (“Liquidation Act”), governs proceedings through which an insolvent insurer such as FRL shall be liquidated.
2. Pursuant to the Liquidation Act, on May 20, 1999, this Court entered an Agreed Order, and on July 9, 1999, this Court entered its Amended Order Appointing Receiver, in which the Court appointed a Receiver for the FRL estate.
3. On January 14, 2000, this Court, entered its Order Granting Receiver’s Application for Order Declaring Insolvency, Converting Order of Rehabilitation to Order of Liquidation,

Transferring Policies, Continuing Permanent Injunction, Changing Company Name to “Farmers and Ranchers Life Insurance Company in Liquidation,” Extending and Authorizing Moratorium, and Providing for Notice and Deadline for Asserting Claims (“Liquidation Order”).

4. This Court established June 30, 2000, as the deadline by which creditors must file their claims against FRL. The Receiver provided notice of the insolvency proceedings and the claims bar date as required by the Liquidation Order and the Liquidation Act, to all known persons or entities that may have a claim against FRL, at their last known address.

5. Section 1927.1(B) of the Liquidation Act (the “priorities statute”) establishes a priority system for distribution of assets of the estate of an insolvent insurer.

6. Pursuant to 36 O.S. §1927.1, the court has approved the Class 1: Administrative expenses of the receivership through September 30, 2020 and will hear the application for Class 1: Administrative expenses of the receivership disbursed October 1 through December 31, 2020 prior to hearing this application.

7. On February 17, 2006, this Court approved Receiver’s Report on Claims Against the Estate, including the Priority and Amount of Allowance of Such Claims and Order Approving Settlement Agreement:

Class 2: Administrative expenses of guaranty associations (“GA”)	\$413,887.46
Class 3: Policy claims including GA payment of covered claims	\$8,407,758.77
Class 7: Claims for commissions and service fees	\$394.99

8. The February 17, 2006 Order further found that Class 2 expenses are ongoing, and additional Class 2 claims were anticipated to be filed.

9. This Court approved Supplemental Class 2 Claims on October 26, 2007; February 15, 2008; and November 6, 2009 totaling \$37,207.74. The total Class 2 Claims against the estate approved by this Court total \$451,095.20.

10. Pursuant to 36 O.S. §1927.1, beginning with Class 1, the members of each class must be paid in full or adequate funds retained for such payment, before any member of the next class may receive payment.

11. On September 28, 2007, this Court approved an Early Access Agreement between the Receiver and Oklahoma Life and Health Insurance Guaranty Association (“OLHIGA”) and approved Class 2 distribution of \$429,053.21. Subsequently, on February 15, 2008, this Court approved a Second Early Access Agreement and approved Class 2 distribution of \$8,836.04 and Class 3 distribution of \$2,000,000.00. Additionally, on November 6, 2009, this Court approved a Third Early Access Agreement and approved Class 2 distribution of \$13,205.95 and Class 3 distribution of \$486,794.05.

12. At approximately the same time this Court entered the May 20, 1999 order, six other insurance companies in several other states were also placed in receivership; collectively including FRL referred to as the “Thunor companies”. On August 13, 1999, this Court granted the Receiver’s Application for Authority to Enter into Compromise and Settlement Agreement of Potential Interstate Claims (“Compromise Agreement”). The Compromise Agreement included an agreement among the Thunor companies to share expenses of litigation for recovery of the Thunor companies’ assets (“multi-state litigation”).

13. The receivers of the Thunor companies prosecuted a number of actions, and/or obtained settlements from defendants or potential defendants in a number of cases. FRL has recovered in excess of \$4 million from these actions.

14. On January 5, 2001, a Superseding Indictment was filed in the *United States District Court for the District of Connecticut. United States of America v Martin R. Frankel et al*, Case No 3:99-CR-235. The Indictment alleged that since approximately 1991, Frankel and others

had executed a scheme to defraud the Thunor companies. Various parties plead guilty or were convicted and were ordered to make restitution in addition to other penalties. Restitution recoveries in excess of \$30,000 have been received by the FRL estate and are expected to continue for several years. The Receiver requests the Court enter an order assigning the restitution to the OLHIGA.

15. The Receiver has faithfully and diligently completed the liquidation and performed the duties assigned to him by the Court's Orders and pursuant to the Oklahoma Uniform Insurers Liquidation Act, 36 O.S. §§ 1901, et.seq., with the exception of certain ministerial tasks described below.

FINAL RECOMMENDATION ON CLAIMS

16. The Receiver requests the Court's approval of the Class 1 expenditures that have been incurred after December 31, 2020 as shown in Exhibit 1 (Direct Administrative fees and expenses) and Exhibit 2 (Common Expenses Allocated by Oklahoma Receivership Office, Inc.).

17. OLHIGA has reduced their Class 2 claim to \$432,955.00. The Receiver recommends approval of the revised Class 2 claim and allocation of the excess early access Class 2 distributions of \$18,140.20 to OLHIGA's Class 3 claim.

18. OLHIGA has reduced their Class 3 claim to \$8,404,273.00. The Receiver recommends approval of the revised Class 3 claim.

APPROVAL OF POST-CLOSING TASKS

19. The Assistant Receiver submitted an affidavit on July 24, 2020 to the United States Department of Justice in support of a request for a release under the Federal Priority Statute, 31 U.S.C. § 3713 ("federal release"). The process undertaken by the Department of Justice to confirm there are no federal liabilities owed by the estate often takes in excess of three years to complete.

20. The Oklahoma Receivership Office, Inc. ("ORO") is a not-for-profit Oklahoma

corporation. Its purpose is to assist the Oklahoma Insurance Commissioner, as Receiver of insurance companies subject to delinquency proceedings in Oklahoma. The ORO is a perpetual corporation whose existence is expected to continue after the closure and termination of this estate.

21. The ORO is designed for and is uniquely qualified to perform the post-closing ministerial tasks on behalf of the FRL Estate, and it is in the best interest of the FRL Estate that ORO perform the post-closing tasks.

22. Therefore, the Receiver requests the estate be closed and ORO perform ministerial tasks required during the pendency of receipt of the release and subsequent thereto.

23. The Receiver requests authority to negotiate and execute a release agreement with the United States.

24. The Receiver requests authority to destroy estate records upon receipt of United States release agreement subject to the terms therein.

25. Attached as Exhibit 3 is a Post-Closing Budget which details ministerial tasks necessary to conclude the FRL Estate.

26. The Receiver requests that the Court expressly authorize and approve the performance by the ORO of Post-Closing Tasks.

APPLICATION FOR FINAL DISTRIBUTION

27. The FRL Estate as of February 28, 2021 has current cash and cash equivalent assets of \$1,518,708.35.

28. The Receiver requests the Court approve a Class 1 distribution to the ORO for the administration of post-closing tasks as shown in Exhibit 3.

29. The Receiver requests the Court approve the Class 3 distribution of remaining estate assets, including future restitution, to OLHIGA as shown in Exhibit 4 after the performance

of other post-closing tasks.

APPLICATION TO CLOSE ESTATE AND DISCHARGE RECEIVER

30. Having performed and completed his responsibilities as Receiver, the Receiver further requests that the Court's closing order discharge and release the Receiver, Assistant Receiver and all other agents of the Receiver from any responsibilities and liabilities in relation to FRL effective upon the filing of a Post-Closing Report certifying that the Post-Closing Tasks have been completed without further notice, hearing or order of this Court.

31. The Receiver further requests that the Court enter an Order that confirms all injunctions and stays entered by the Court, including those in the Liquidation Order, permanently remain in full force and effect and that this Court retains exclusive jurisdiction of the enforcement thereof.

32. The Receiver further requests that the Court enter an Order that bars all claims against FRL, the Receiver, Assistant Receiver, retained counsel, and any other employee or personnel of the Receiver or Assistant Receiver.

REQUEST FOR RELIEF

Accordingly, the Receiver requests that the Court enter an Order:

- a. approving the Class 1 expenses incurred after December 31, 2020 as shown in Exhibit 1 and Exhibit 2;
- b. approving distribution to ORO for Class 1 administration of post-closing tasks as shown in Exhibit 3;
- c. approving the revised Class 2 claim of Oklahoma Life and Health Insurance Guaranty Association in the amount of \$432,955.00;
- d. approving the revised Class 3 claim of Oklahoma Life and Health Insurance Guaranty

Association in the amount of \$8,404.273.00;

- e. approving the assignment of any future restitution payments to the Oklahoma Life and Health Insurance Guaranty Association;
- f. expressly authorizing and approving the performance by ORO of Post-Closing Tasks;
- g. expressly authorizing the Receiver to negotiate and execute a release agreement with the United States;
- h. expressly authorizing the destruction of estate records upon receipt of United States release agreement subject to the terms therein;
- i. approving final distribution of remaining assets of FRL, net of any early access distributions and Class 1, after the performance of other post-closing tasks;
- j. confirming that all injunctions and stays entered by the Court, including those in the Liquidation Order; permanently remain in full force and effect and that this Court retain exclusive jurisdiction of the enforcement thereof;
- k. barring all claims against Farmers & Ranchers Life Insurance Company, in Receivership, the FRL Estate, the Receiver, Assistant Receiver, and all other agents of the Receiver or Assistant Receiver;
- l. discharging and releasing the Receiver, Assistant Receiver and all other agents of the Receiver from any responsibilities and liabilities in relation to Farmers & Ranchers Life Insurance Company, in Receivership and the FRL Estate effective upon the filing of a Post-Closing Report certifying that the appropriate post-closing ministerial tasks related to the FRL Estate have been completed without further notice, hearing or order of this Court;
- m. dissolving Farmers & Ranchers Life Insurance Company, in Receivership;

- n. closing the FRL Estate and terminating this proceeding;
- o. granting the Receiver such other and further relief, at law or in equity, to which the Receiver is entitled.

Respectfully submitted,



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ATTORNEYS FOR PLAINTIFF
STATE OF OKLAHOMA, EX REL.
GLEN MULREADY, INSURANCE COMMISSIONER
FOR THE STATE OF OKLAHOMA, AS RECEIVER FOR
FARMERS AND RANCHERS LIFE INSURANCE
COMPANY

NOTICE OF HEARING ON APPLICATION

Notice is hereby given that the Application shall be heard before the **Honorable Richard C. Ogden** at 1:45 p.m. on the 6th day of May 2021. At said hearing you have the following rights pursuant to OKLA. STAT. tit. 36, § 1938:

1. To appear in person at the hearing or to be represented by counsel; and

2. To testify under oath, call witnesses to testify, and furnish documentary evidence, relevant to the determination of the compensation; and
3. To cross-examine witnesses and have a reasonable opportunity to inspect all documentary evidence; and
4. To subpoena witnesses and compel the production of testimony and documents, relevant to the determination of the compensation.

CERTIFICATE OF SERVICE


I hereby certify that I have this 5th day of April 2021 mailed a true and correct copy of the above and foregoing document with proper postage prepaid thereon and/or electronic mail with written consent, to:

Oklahoma Receivership Office, Inc.
3 Corporate Plaza
dcrowe@okaro.org

Mr. Tad Rhodes
Oklahoma Life & Health Insurance Guaranty
Association
201 Robert S. Kerr, Suite 600
Oklahoma City, OK 73102

Riggs, Abney, Neal, Turpen, Orbison & Lewis
528 N.W. 12th Street
Oklahoma City, OK 73103

Oklahoma Insurance Department
bo.debose@oid.ok.gov


George M. Emerson

FARMERS & RANCHERS LIFE INSURANCE COMPANY
CLASS 1 CLAIMS SUBMITTED FOR COURT APPROVAL
JANUARY 1, 2021 THROUGH APRIL 30, 2021

(Exhibit 1, Direct Administrative Expenses)

DATE	CHECK NO	CHECK AMOUNT	COURT DATE	TOTAL	EXPLANATION OF EXPENSES
VENDOR: 2/17/2021	NVOICEPAY 10002	1.50		1.50	VENDOR PROCESSING VENDOR PROCESSING
VENDOR: 2/17/2021	MIDCON DATA SERVICES, LLC 10001	76.80			STORAGE FACILITY
3/11/2021	10003	38.40		115.20	STORAGE FACILITY TOTAL STORAGE FACILITY
	TOTALS	116.70		116.70	

OKLAHOMA RECEIVERSHIP OFFICE, INC.
 Summary of Management Fee Allocations for Farmers & Ranchers

(Exhibit 2, ORO Administrative Fees & Expenses)

UNALLOCATED RESERVE FUND AT BEGINNING OF PERIOD	\$ 901.26
FUNDING APPROVED:	
JANUARY 2021	\$ 11,000.00
SEPARATE EXPENSES:	
POSTAGE	\$ 7.96
OFFICE EXPENSE	2.50
CONTRACT LABOR	-
TRAVEL EXPENSE	1.72
TOTAL SEPARATE EXPENSES	<u>\$ 12.18</u>
COMMON EXPENSES:	<u>Thru 02/2021</u>
EMPLOYEE/LABOR COSTS	\$ 1,076.41
OFFICE SUPPLIES	31.20
TRAVEL EXPENSE	12.38
TELEPHONE EXPENSE	36.98
POSTAGE	0.76
FACILITY USAGE	893.80
ASST RECEIVER FEE	-
CONSULTANT FEE	-
LEGAL EXPENSE	-
LEGAL EDUCATION	-
W/C INSURANCE	-
STORAGE	-
MOVING EXPENSE	-
CORPORATE INSURANCE	362.17
OFFICE AUDIT	-
CONTRACT LABOR	-
RECORD DESTRUCTION	-
QTR U/E PAYROLL TAX	-
ACCOUNTING	-
BOOKS & PUBLICATIONS	-
EMPLOYEE BENEFITS	-
EMPLOYER'S TAX	-
BANK ANALYSIS FEES	-
TOTAL MANAGEMENT FEE ALLOCATED	<u>\$ 2,413.70</u>
INTEREST EARNED	<u>-</u>
UNALLOCATED RESERVE FUND AT END OF PERIOD	<u><u>\$ 9,475.38</u></u>

Exhibit 3

OKLAHOMA RECEIVERSHIP OFFICE INC

Estate: Farmers & Ranchers Life Insurance Company, in Receivership

Post-Closing Tasks to be Performed by ORO
Preparation and filing of 2020 tax returns and related documents Make Class 2 distribution per court order Finalize Estate Accounting Preparation and filing of 2021 tax returns and related documents Maintain estate records pending receipt of United States Release Respond to inquiries of the United States pertaining to request for release Assign future restitution recoveries to Oklahoma Life & Health Insurance Guaranty Association Make final Class 3 distribution of remaining estate assets Dissolve corporation

Post-Closing Budget	
Separate Expenses:	
Assistant Receiver Fees	1,300.00
Special Deputy Fees	5,000.00
Legal Fees	2,000.00
Tax Preparer	5,100.00
Document Storage	2,254.45
Document Destruction	1,792.94
Corporate Dissolution	25.00
Postage	50.00
Office Expense	500.00
Travel Expense	70.00
Total Separate Expenses	18,092.39
ORO Common Expenses	33,500.00
<i>Projected Closing Budget</i>	51,592.39

Exhibit 4

Farmers & Ranchers Life Insurance Company, in Receivership PROJECTED FINAL DISTRIBUTION - CLASS 3

-- CLASS 3 DISTRIBUTION PERCENTAGE --

LINE		
Estate Funds Available for Distribution		
3a	Estate Assets available for distribution = amount per line 2a	\$ 4,457,340.95
3b	Less reserve for Class 1 = amount per line 2b	51,636.82
3c	Less Total Class 2 Distribution = amount per line 2l	432,955.00
3d	Equals funds available for distribution to Class 3 and lower	\$ 3,972,749.13
Class 3 Liability		
3e	Guaranty Fund Class 3 - Paid Claims	\$ 8,404,273.00
3f	Guaranty Fund Class 3 - Reserves	\$ -
3g	Total Guaranty Fund Class 3 Liability	\$ 8,404,273.00
3h	Other Class 3 Liability	-
3i	Total Class 3 Claims Liability	\$ 8,404,273.00
Class 3 Distribution Percentage		
3j	Distribution Percentage for Class 3 = line 3d divided by line 3i	47.27%
3k	Maximum Allowable Distribution Percentage	100.00%
3l	Final Distribution Percentage = lesser of line 3j or line 3k, limited to zero if negative	47.27%

-- DISTRIBUTION AMOUNT ON CLASS 3 --

LINE		
3m	Total Class 3 Liability = amount per 3i	\$ 8,404,273.00
3n	Final Distribution Percentage = amount per line 3l	47.27%
3o	Total Class 3 Distribution	\$ 3,972,749.13

-- CLASS 3 FINAL DISTRIBUTION --

LINE		
Guaranty Fund Class 3 Distribution		
3p	Total Guaranty Fund Class 3 Liability = amount per line 3h	\$ 8,404,273.00
3q	Final Distribution Percentage = amount per line 3l	47.27%
3r	Total Guaranty Fund Class 3 Distribution	\$ 3,972,749.13
3s	Less Class 3 Early Access Distributions	\$ 2,504,934.25
3t	Final Guaranty Fund Class 3 Distribution	\$ 1,467,814.88
Other Class 3 Distribution		
3u	Total Other Class 3 Liability	\$ -
3v	Final Distribution Percentage	47.27%
3w	Final Other Class 3 Distribution	\$ -
	Total Final Class 3 Distribution	\$ 1,467,814.88