

IN THE DISTRICT COURT OF OKLAHOMA COUNTY JUN 17 2021
STATE OF OKLAHOMA

RICK WARREN
COURT CLERK

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STATE OF OKLAHOMA, ex rel.)
 GLEN MULREADY, Insurance Commissioner,)
)
 Plaintiff,)
)
 v.)
)
 SECURITY GENERAL LIFE INSURANCE COMPANY,)
 a licensed domestic Insurer in the State of Oklahoma)
)
 Defendant.)

Case No. CJ-2006-8062

Judge Cindy H. Truong

**RECEIVER'S MOTION TO DISTRIBUTE ASSETS,
CLOSE ESTATE, AND REQUEST FOR DISCHARGE**

Glen Mulready, Insurance Commissioner, as Receiver (the "Receiver") for Security General Life Insurance Company ("SGL") hereby submits his 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 SGL shall be liquidated.

2. Pursuant to the Liquidation Act, on November 13, 2006, this Court entered its Consent Order of Liquidation with a Finding of Insolvency and Permanent Injunction ("Receivership Order"), in which the Court appointed the Insurance Commissioner as Receiver for the SGL estate.

3. This Court established March 12, 2007, as the deadline for the assertion of all claims. 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 SGL, at their last known address. In addition, the Receiver published Notice by printed publication in The Oklahoman and Dallas News.

4. 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.

5. Pursuant to 36 O.S. §1927.1, the court has approved the Class 1: Administrative expenses of the receivership thru March 31, 2021.

6. On April 17, 2008, the Receiver filed Application for Order Providing for Notice of Hearing and Assistant Receiver’s First Report and Recommendations Regarding Claims Ready to be Adjudicated advising this Court that two (2) Class 2 claims, fifty-four (54) Class 3 claims and fourteen (14) Class 6 Claims were ready for adjudication.

7. On December 12, 2008, this Court approved:

a. Timely filed claims:

i. Class 2 claims in the amount of \$222,413.57 by the Oklahoma Life and Health Insurance Guaranty Association (“OLHIGA”) and \$25,190.15 of the Texas Life, Accident, Health & Hospital Service Insurance Guaranty Association, now known as Texas Life and Health Insurance Guaranty Association (“TLHIGA”).

ii. Class 3 claims in the amount of \$4,157,821.28 by OLHIGA and \$257,820.58 by TLHIGA

iii. Class 3 claims of non-guaranty association claimants in the amount of \$283,487.44

iv. Class 6 claims of \$38,700.41

b. Untimely filed claims:

i. Class 6 claim of \$4,349.28

8. Subsequently, the guaranty associations have supplemented their claims as follows:

a. Class 2: OLHIGA has submitted additional claims for \$48,824.90 and TLHIGA additional claims for \$9,959.47 for total Class 2 claims of \$306,388.09.

b. Class 3: OLHIGA has reduced their claim to \$4,136,628.09 and TLHIGA reduced their claim to \$256,870.34 for total Class 3 claims of \$4,676,985.87.

9. 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.

10. The Receiver filed actions against several parties that resulted in judgments that have not been satisfied (Exhibit 1).

11. 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

12. The Receiver requests the Court's approval of the Class 1 expenditures that have been paid after March 31, 2021 as shown in Exhibit 2 (Direct Administrative fees and expenses) and Exhibit 3 (Common Expenses Allocated by Oklahoma Receivership Office, Inc.).

13. The Assistant Receiver is an employee of the Oklahoma Receivership Office and assists the Commissioner in his capacity as Receiver in the day-to-day operations of each individual estate. The Assistant Receiver allocates her time between services as an Assistant Receiver and services as a staff member of Oklahoma Receivership Office.

14. The Assistant Receiver has expended time as shown in Exhibit 4 since March 31, 2021, in the performance of necessary services and is entitled to compensation. The Receiver recommends the Court's approval of the Assistant Receiver fees plus applicable payroll taxes.

15. The Receiver recommends approval of supplemental Class 2 claims of \$48,824.90 by OLHIGA and \$9,959.47 by TLHIGA.

16. The Receiver recommends approval of amending OLHIGA's Class 3 claim to \$4,136,628.09 and TLHIGA Class 3 claim to 256,870.34.

APPROVAL OF POST-CLOSING TASKS

17. The Assistant Receiver submitted an affidavit on December 18, 2018 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.

18. 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.

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

20. Therefore, the Receiver requests the estate be closed and responsibility for any ministerial tasks required during the pendency of receipt of the release and subsequently be performed by ORO.

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

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

23. Attached as Exhibit 5 is a Post-Closing Budget which details ministerial tasks necessary to conclude the SGL Estate.

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

APPLICATION FOR FINAL DISTRIBUTION

25. The SGL Estate as of May 31, 2021 has current cash and cash equivalent assets of \$1,329,177.41.

26. The Receiver requests the Court approve the Assistant Receiver's fees as shown in Exhibit 4 plus applicable payroll taxes.

27. The Receiver request the Court approve a Class 1 distribution to the ORO for the administration of post-closing tasks as shown in Exhibit 5.

28. The Receiver requests the Court approve Class 2 distribution after the performance of other post-closing tasks to the associations as shown in Exhibit 6.

29. The Receiver request the Court approve Class 3 distribution of remaining cash and cash equivalent assets after the performance of other post-closing tasks as shown on Exhibit 7.

30. Assignment of unsatisfied judgments to the guaranty associations in the percentages shown on Exhibit 5. The Receiver and the guaranty associations have agreed that if there are recoveries, the guaranty associations will distribute to non-guaranty association Class 3 claimants on a pro-rata basis subject to a minimum distribution of \$50.00.

APPLICATION TO CLOSE ESTATE AND DISCHARGE RECEIVER

31. 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 SGL 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.

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

33. The Receiver further requests that the Court enter an Order that bars all claims against SGL, 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 March 31, 2021 as shown in Exhibit 2 and Exhibit 3;
- b. approving the Assistant Receiver's fees as shown in Exhibit 4 plus applicable payroll taxes;
- c. approving distribution to ORO for Class 1 administration of post-closing tasks as shown in Exhibit 5;
- d. expressly authorizing and approving the performance of the ORO of Post-Closing Tasks;

- e. expressly authorizing the Receiver to negotiate and execute a release agreement with the United States;
- f. expressly authorizing the destruction of estate records upon receipt of United States release agreement subject to the terms therein;
- g. approving a final distribution of remaining assets of SGL including unsatisfied judgments;
- h. approving the agreement with the guaranty associations for potential distribution to the non-guaranty association Class 3 claimant;
- i. confirming that all injunctions and stays entered by the Court, including those in the Receivership Order; permanently remain in full force and effect and that this Court retain exclusive jurisdiction of the enforcement thereof;
- j. barring all claims against Security General Life Insurance Company, the SGL Estate, the Receiver, Assistant Receiver, and all other agents of the Receiver or Assistant Receiver;
- k. discharging and releasing the Receiver, Assistant Receiver and all other agents of the Receiver from any responsibilities and liabilities in relation to Security General Life Insurance Company and the SGL Estate effective upon the filing of a Post-Closing Report certifying that the appropriate post-closing ministerial tasks related to the SGL Estate have been completed without further notice, hearing or order of this Court;
- l. dissolving Security General Life Insurance Company;
- m. closing the SGL Estate and terminating this proceeding;
- n. 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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Bo.DeBose@oid.ok.gov

**ATTORNEYS FOR PLAINTIFF,
STATE OF OKLAHOMA, ex rel.
GLEN MULREADY, INSURANCE COMMISSIONER
For the State of Oklahoma, as Receiver for
SECURITY GENERAL LIFE INSURANCE
COMPANY, IN LIQUIDATION**

NOTICE OF HEARING

Notice is hereby given that the above application shall be heard before the Honorable Cindy H. Truong at 2:00 p.m. on the 22 day of July 2021. At the hearing you may have the following rights pursuant to 36 O.S. § 1938(c):

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

I hereby certify that on the 17 day of June 2021 I caused to be mailed a true and correct copy of the above and foregoing document to the following with proper postage prepaid and/or electronic mail with written consent, to:

Donna Wilson / Debra Crowe
Oklahoma Receivership Office, Inc.
dcrowe@okaro.org

Oklahoma Insurance Department
Bo.DeBose@oid.ok.gov

James W. Rhodes
Kerr, Irvine, Rhodes & Ables
201 Robert S. Kerr Avenue, Suite 600
Oklahoma City, OK 73102-4267

Summit Life Corporation
c/o James L. Smith, Esq.
620 W. Idlewild Drive
Midwest City, OK 73110



Antuanya "Bo" DeBose

SECURITY GENERAL LIFE INSURANCE COMPANY
JUDGEMENTS THAT HAVE NOT BEEN SATISFIED

(Exhibit 1)

	COURT ORDER DATE
CJ-2007-2954: Security General v Abundant Mini Storage Inc	6/28/2007
CJ-2007-6681: Security General v Abundant Storage Corporation	7/28/2007
CJ-2008-5065: Security General v Summit Life Corporation	9/5/2008
CJ-2009-824: Security General v Avery Management Services	7/10/2009

SECURITY GENERAL LIFE INSURANCE COMPANY
 CLASS 1 CLAIMS SUBMITTED FOR COURT APPROVAL
 APRIL 1, 2021 THROUGH JUNE 10, 2021

(Exhibit 2, Direct Administrative Fees & Expenses)

DATE	CHECK NO	CHECK AMOUNT	TOTAL	EXPLANATION OF EXPENSES
VENDOR:	Oklahoma Receivership Investment Fund			
04/30/21	DR	565.90	565.90	Account Service Fee
				Account Service Fee
VENDOR:	MidCon Data Services, LLC			
04/19/21	10007	66.20	198.60	Storage Warehouse
05/18/21	10008	66.20		Storage Warehouse
06/10/21	10009	66.20		Storage Warehouse
				Storage Warehouse
		764.50	764.50	TOTAL EXPENDITURES

OKLAHOMA RECEIVERSHIP OFFICE, INC.
 Summary of Management Fee Allocations for Security General Life Insurance Company

(Exhibit 3, ORO Administrative Fees & Expenses)

UNALLOCATED RESERVE FUND AT BEGINNING OF QUARTER	\$ 5,867.86
FUNDING APPROVED MAY 2021	\$ 75.01
<u>SEPARATE EXPENSES:</u>	
POSTAGE	\$ 0.71
TRAVEL EXPENSE	4.01
OFFICE EXPENSE	5.00
CONTRACT LABOR	-
TOTAL SEPARATE EXPENSES	<u>\$ 9.72</u>
	<u>Thru 05/2021</u>
<u>COMMON EXPENSES:</u>	
EMPLOYEE/LABOR COSTS	\$ 1,095.70
OFFICE SUPPLIES	9.44
TRAVEL EXPENSE	(9.79)
POSTAGE	0.32
TELEPHONE EXPENSE	65.23
FACILITY USAGE	572.68
MOVING EXPENSE	-
ASST RECEIVERS	75.02
OVERHEAD REIM FROM OTHER CONSULTING ASSIGNMENTS	-
STORAGE	-
W/C INSURANCE	-
CORPORATE INSURANCE	364.75
OFFICE AUDIT	-
CONSULTANT FEES	-
CONTRACT LABOR	-
RECORD DESTRUCTION	-
BANK CHARGES	-
LEGAL NOTICE PUBLICATION	-
EDUCATION EXPENSE	-
LEGAL EXPENSE	294.22
BOOKS & PUBLICATIONS	-
ACCOUNTING	507.88
REAL ESTATE EXPENSE	-
TOTAL COMMON EXPENSES ALLOCATED	<u>\$ 2,975.45</u>
INTEREST EARNED	<u>0.83</u>
UNALLOCATED RESERVE FUND AT END OF PERIOD	<u>\$ 2,958.53</u>

Donna L. Wilson, CIR-ML
 Security General Life Insurance Company, CJ-2006-8062
 April 1 through June 14, 2021

Exhibit 4

Date		Description	Prof	Travel
4/21/2021	SGL (AR)	Review email from S Williams (DOJ) re: affidavit for federal release; review prior correspondence to determine if signed affidavit was sent to DOJ; sign affidavit and send to Debra to notarize; make edits to affidavit noted by Debra, sign and resend to her; review signed and notarized affidavit and email to S Williams (DOJ)	0.75	
4/28/2021	SGL (AR nc)	Review Ellingson & Associates Q1 2021 invoice	n/c	
4/29/2021	SGL (AR)	Review Federal Release Agreement received from S Williams (DOJ) and compare to releases received in other estate	1.00	
4/30/2021	SGL (AR)	Continue review of federal release agreement and search for correspondence regarding creditor claim of IRS; email D Ellingson (E&A) re: federal release agreement; email S Williams (DOJ) re: request changes to federal release agreement	3.50	
5/3/2021	SGL (AR nc)	Review and approve Ellingson & Associates revised Q1 2021 invoice	n/c	
5/26/2021	SGL (AR)	Follow-up with S Williams (DOJ) re: modification of Federal Release agreement	0.25	
6/8/2021	SGL (AR)	Prepare list of unsatisfied judgments; email J Payne (HE) for renewal of judgments in CJ-2008-5065 and CJ-2009-824; save renewal of judgments to server and ask Debra to request entry on OSCN; begin drafting closing application;	4.25	
6/9/2021	SGL (AR)	Review and edit draft closing order; continue preparing closing exhibits	1.50	
6/10/2021	SGL (AR)	Modify draft of closing application to include approval of assistant receiver fees	0.25	
6/11/2021	SGL (AR)	Email draft of closing application to OLHIGA and TLHIGA for review and confirmation of claims; modify draft closing application for error noted by TLHIGA	0.25	
6/14/2021	SGL (AR)	Review draft closing application and forward to staff with exhibits for review and comment; discuss edits with Debra	0.50	

TOTAL HOURS

12.25 0.00

TOTAL FEES
 Less Base Pay
 Balance Due

918.75
430.96
487.80

Exhibit 5

OKLAHOMA RECEIVERSHIP OFFICE INC
Estate: Security General Life Insurance Company

Post-Closing Tasks to be Performed by ORO
Preparation and filing of 2020 tax returns and related documents
Make distributions 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	4,650.15
Special Deputy Fees	4,596.90
Legal Fees	2,000.00
Tax Preparer	5,100.00
Document Storage	4,807.50
Document Destruction	1,918.60
Corporate Dissolution	50.00
Postage	60.00
Office Expense	600.00
Travel Expense	70.00
Total Separate Expenses	23,853.15
ORO Common Expenses	36,041.47
<i>Projected Closing Expenses</i>	59,894.62
<i>Funding Requested</i>	60,000.00

Exhibit 6

Security General Life Insurance Company FINAL DISTRIBUTION - CLASS 2

-- CLASS 2 DISTRIBUTION PERCENTAGE --

LINE

Estate Funds Available for Distribution

2a	Estate Assets available for distribution			
	Early Access Distributions	\$	-	
	Restitution Recovered by GA's	\$	-	
	Assets Held by Estate	\$	1,329,177.41	\$ 1,329,177.41
2b	Less reserve for Class 1 Claims			
	Pending Court Approval	\$	3,050.35	
	Closing Budget (Exhibit 3)	\$	59,894.62	
2c	Equals funds available for distribution to Class 2 and lower			<u>\$ 1,266,232.44</u>

Class 2 Liability

2d	Guaranty Fund Class 2 - OLHIGA	88.528%	\$ 271,238.47	
2e	Guaranty Fund Class 2 - TLHIGA	11.472%	35,149.62	
2f	Total Class 2 Liability	<u>100.000%</u>		<u>\$ 306,388.09</u>

Class 2 Distribution Percentage

2g	Distribution Percentage for Class 2			
	= line 2c divided by line 2f		413.28%	
2h	Maximum Allowable Distribution Percentage		100.00%	
2i	Final Distribution Percentage			
	= lesser of line 2g or line 2h, limited to zero if negative			<u>100.00%</u>

-- DISTRIBUTION AMOUNT ON CLASS 2 --

LINE

2j	Class 2 - inception-to-date	\$	306,388.09	
	= amount per line 2f			
2k	Final Distribution Percentage		100.00%	
	= amount per line 2i			
2l	Total Class 2 Distribution			<u>\$ 306,388.09</u>

-- CLASS 2 CLAIMS FINAL DISTRIBUTION --

LINE

2m	Total Class 2 Distribution	\$	306,388.09	
	= amount per line 2l			
2n	Less Class 2 Early Access Distributions	\$	-	
2o	Final Class 2 Distribution			<u>\$ 306,388.09</u>

Exhibit 7

Security General Life Insurance Company 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	\$ 1,329,177.41
3b	Less reserve for Class 1 = amount per line 2b	62,944.97
3c	Less Total Class 2 Distribution = amount per line 2l	306,388.09
3d	Equals funds available for distribution to Class 3 and lower	\$ 959,844.35
Class 3 Liability		
3e	Guaranty Fund Class 3 - OLHIGA	88.45% \$ 4,136,628.09
3f	Guaranty Fund Class 3 - TLHIGA	5.49% \$ 256,870.34
3g	Total Guaranty Fund Class 3 Liability	\$ 4,393,498.43
3h	Other Class 3 Liability	6.06% 283,487.44
3i	Total Class 3 Claims Liability	\$ 4,676,985.87
Class 3 Distribution Percentage		
3j	Distribution Percentage for Class 3 = line 3d divided by line 3i	20.52%
3k	Maximum Allowable Distribution Percentage	100.00%
3l	Final Distribution Percentage = lesser of line 3j or line 3k, limited to zero if negative	20.52%

-- DISTRIBUTION AMOUNT ON CLASS 3 --

LINE		
3m	Total Class 3 Liability = amount per 3i	\$ 4,676,985.87
3n	Final Distribution Percentage = amount per line 3l	20.52%
3o	Total Class 3 Distribution	\$ 959,844.35

-- CLASS 3 FINAL DISTRIBUTION --

LINE		
Guaranty Fund Class 3 Distribution		
3p	Total Guaranty Fund Class 3 Liability = amount per line 3h	\$ 4,393,498.43
3q	Final Distribution Percentage = amount per line 3l	20.52%
3r	Total Guaranty Fund Class 3 Distribution	\$ 901,665.04
3s	Less Class 3 Early Access Distributions	\$ -
3t	Final Guaranty Fund Class 3 Distribution	\$ 901,665.04
Other Class 3 Distribution		
3u	Total Other Class 3 Liability	\$ 283,487.44
3v	Final Distribution Percentage	20.52%
3w	Final Other Class 3 Distribution	\$ 58,179.31
	Total Final Class 3 Distribution	\$ 959,844.35