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General Counsel to Southern American
Insurance Company in Liquidation and
Utah Insurance Commissioner as Liquidator
of Southern American Insurance
Company in Liquidation
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SALT LAKE COUNTY
BY _____
DEPUTY CLERK

Attorney for Liquidator

**IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH, SALT LAKE DEPARTMENT**

In Re:)
) LIQUIDATOR'S FINAL ESTATE CLOSURE
SOUTHERN AMERICAN) REPORT AND REQUEST FOR ORDER OF
INSURANCE COMPANY, in) DISCHARGE OF THE LIQUIDATOR AND FOR
Liquidation) FINAL CLOSURE OF THE ESTATE PURSUANT
) TO SECTION 31A-27-339 UTAH CODE
) ANNOTATED (2006)
)
) Civil No. 920901617
)
Respondent.)
) Judge Todd M. Shaughnessy

COMES NOW the Utah Insurance Commissioner, Neal T. Gooch, in his capacity as court appointed Liquidator of Southern American Insurance Company in Liquidation ("SAIC"), by his Court appointed Special Deputy Liquidator, Rheta Beach, by and through counsel of record, and submits this Liquidator's Final Closure Report and Request For Order of Discharge and For Final Closure of the Estate Pursuant to Section 31A-27-339 *Utah Code Annotated (2006)*.

The following is the Final Estate Closure Report for asset administration, claims administration, receipts and disbursements and completion of all tasks to close the SAIC estate since the Court issued the "Order of the Court on Liquidator's Report of Liquidator Regarding the Status of SAIC in Liquidation and Application For Order For Final Distributions, Discharge of the Liquidator, and For Closure of the Estate Pursuant to U.C.A., Section, 31A-27-339" on March 22, 2012. A final financial report, for the SAIC estate is attached hereto as **Exhibit "A"**.

LIQUIDATOR'S FINAL CLOSURE REPORT

1. The Liquidator has now liquidated and administered all the assets of the estate justifying the expense of collection, and pursuant to Court orders previously issued has made all distributions to policyholders, creditors, guaranty associations/funds, and other claimants, reserving only amounts sufficient for Class 1 administrative expenses of the estate for the final tasks to close the estate.

2. Pursuant to previous orders issued by the Court, assets to the various classes of policyholders, creditors and claimants, and guaranty associations/funds have been distributed in an amount in excess of \$100,000,000.00 in accordance with Section 31A-27-335, *Utah Code Annotated (2006)*, to the extent assets have been available for distribution to such classes in order of priority on administratively determined and court approved claims. Funds were reserved for payment of

administrative expenses of the estate only to the extent deemed necessary to cover the final costs to close the estate, pursuant to 31A-27-339, *Utah Code Annotated (2006)*.

3. All final administrative expenses incurred by the estate for records destruction, legal administration, accounting, and other Class 1 administrative expenses for which funds were reserved for payment, have been or will be paid in a reasonable period of time from the date of the issuance of the final closure Order.

4. All final Class 1 administrative expenses have been or will be paid. The estate will be physically closed and the Liquidator discharged.

5. Unclaimed funds have been distributed to the Utah State Treasurer, Unclaimed Property Division, pursuant to statutory requirements and pursuant to previous orders of the Court.

6. The Liquidator has been administering the SAIC estate over the past several months in an effort to resolve any federal claims issues of the former company with the United States Department of Justice. All such claims or potential claims have been finally resolved. On December 3, 2012 the United States Department of Justice executed a Release Agreement with the Liquidator releasing the SAIC estate from any and all liability to the United States government with exceptions pursuant to 31 U.S.C. §3713(b) and 42 U.S.C. §1395y(b). (See, Exhibit "B",

Release Agreement). Court approval of the Release Agreement is sought herein.

7. In that no further reportable income was earned by the SAIC estate, the Liquidator filed the final tax return with the Internal Revenue Service. That return covered the period of January 1, 2012 through March 31, 2012. That tax return showed that SAIC had no tax liability to the Internal Revenue Service. On May 14, 2012 the Liquidator filed IRS Form 4810 (Request for Prompt Assessment Under Internal Revenue Code 6501(d)) with the Internal Revenue Service along with copies of the 2011 tax return and the March 2012 final income tax return.

8. Pursuant to Section 31A-27-339, Utah Code Annotated (2006), and pursuant to the previous Order issued by this Court on March 22, 2012 (*Order of the Court on Liquidator's Report of Liquidator Regarding the Status of SAIC in Liquidation and Application for Order for Final Distributions, Discharge of the Liquidator, and for Closure of the Estate Pursuant to U.C.A., Section 31A-27-339*"), the Liquidator herein makes application to the Court for an Order approving the final closure of the SAIC estate, including the following:

(a) That all remaining administrative expenses of the estate have been or will be paid, to the extent possible, and in the Liquidator's sole discretion, from the remaining assets of the estate which were reserved for payment of final administrative expenses, including but not necessarily limited to:

- 1) fees, costs, and expenses of the estate in liquidation, including but not limited to, office lease, telephone, all other incidental estate office expenses;
- 2) fees, costs, and expenses of the Special Deputy Liquidator;
- 3) fees, costs, and expenses for all legal counsel for the estate, including any litigation counsel's fees, costs, and expenses that remain unpaid, if any;
- 4) fees, costs, and expenses of any and all other professionals or others, such as accountants who have assisted in the

preparation and analysis of the
financial status of the estate;

- 5) any and all other fees, costs, or expenses of the estate as determined by the Liquidator.
- (b) Approval and authorization for payment of the fees, costs, and expenses for the disposal of all records of the estate pursuant to Section 31A-27-341, Utah Code Annotated (2006).
 - (c) Approval and authorization for payment of the fees, costs and expenses, if any, associated with abandonment and/or transfer of any unclaimed or remaining funds pursuant to Sections 31A-27-335, 31A-27-338 and 31A-27-339(1), Utah Code Annotated (2006).
 - (d) Approval and authorization for payment of any fees, costs and expenses, if any, associated with abandonment of any debt collections, reinsurance collections, claims of the estate against persons or entities, known or unknown.

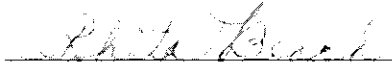
- (e) Approval of any and all previously filed SAIC Quarterly Reports and disbursements as reported therein for which approval orders have not already been issued by the Court, approval of the Final Financial Report attached hereto as Exhibit "A", and approval of all final disbursements.
- (f) Approval of the Release Agreement between the SAIC estate and the Department of Justice as attached hereto as Exhibit "B".
- (g) Discharge of the Liquidator, Special Deputy Liquidator, and all others who have performed services or provided assistance to the Liquidator in the administration of the SAIC estate, such discharge to be effective upon the issuance of the Order requested herein, provided, however, that the discharge of the Special Deputy Liquidator shall be effective upon the final closure of the SAIC bank account(s) which are anticipated to be after the issuance of the Order requested herein.
- (h) A declaration that the SAIC estate is closed, and that the case captioned In re: Southern American

Insurance Company in Liquidation, Civil No.
920901617 is closed.

- (i) That the Liquidator is authorized and Ordered to close all bank accounts, as well as any other accounts and agreements associated with the SAIC estate.
- (j) Retention of jurisdiction by the Court for the purpose of the potential reopening of the case if necessary pursuant to Section 31A-27-340, Utah Annotated (2006).
- (k) Dissolution of the corporate entity of the insolvent insurer as effected by operation of law upon the discharge of the Liquidator pursuant to Section 31A-27-312, Utah Code Annotated (2006).
- (l) For any other orders the Court deems just and proper in the premises.

Dated this 14th day of December, 2012.

Neal T. Gooch, Utah Insurance
Commissioner in his capacity
as Liquidator of SAIC



By: Rheta Beach
Special Deputy Liquidator



J. Ray Barrios, Jr.
General Counsel to SAIC
and Utah Insurance
Commissioner in his capacity
as Liquidator of SAIC

CERTIFICATE OF MAILING

I hereby certify that I mailed a true and correct copy of the foregoing LIQUIDATOR'S FINAL ESTATE CLOSURE REPORT, AND REQUEST FOR ORDER OF DISCHARGE OF THE LIQUIDATOR AND FOR FINAL CLOSURE OF THE ESTATE PURSUANT TO SECTION 31A-27-339, UTAH CODE ANNOTATED (2006), postage prepaid, to all parties and counsel requesting general notice in the estate of SAIC, this 17th day of December 2012, as follows:

Commissioner Neal T. Gooch, Liquidator
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Rheta Beach
Special Deputy Liquidator
215 South State Street, Suite 650
Salt Lake City, Utah 84111

Mr. Craig Carlile, Esq.
Mr. Doug Monson, Esq.
Mr. Brent Wride, Esq.
Ms. Elaine Monson, Esq.
RAY, QUINNEY & NEBEKER
36 South State Street, 14th Floor
P. O. Box 45385
Salt Lake City, Utah 84145

Marialuisa Gallozzi, Esq.
COVINGTON & BURLING
1201 Pennsylvania NW
Washington, D.C. 20004-2401

Michael Marchman, Director
Georgia Insurers Insolvency Pool
2177 Firestone Drive, Suite R
Tucker, GA 30084

John C. Wells, Director
Louisiana Insurance Guaranty Association
2142 Quail Run
Baton Rouge, LA 70808-4126

Arthur Russell, Executive Director
Mississippi Insurance Guaranty Association
713 South Pear Orchard Road, Suite 200
Ridgeland, MS 39157

Joseph DellaFera, Executive Director
New Jersey Surplus Lines Insurance Guaranty Assoc.
222 Mt. Airy Road
Basking Ridge, New Jersey 07920

W. David Broemel, Director
Tennessee Insurance Guaranty Association
1600 Division Street, Suite 680
Nashville, TN 37203

Allen Muhlestein, Executive Director
Utah Property & Casualty Guaranty Association
P. O. Box 1626
Sandy, Utah 84091-1626

Jennifer A. Brennan, Esq.
GILBERT, HEINTZ & RANDOLPH LLP
1100 New York Avenue NW, Suite 700
Washington, D.C. 20009

Sharon Williams, Esq.
United States Department of Justice
1100 L Street, NW, Room 10016
Washington, D.C. 20005




EXHIBIT "A"

SOUTHERN AMERICAN INSURANCE COMPANY IN LIQUIDATION

Balance Sheet
December 12, 2012

Date of Liquidation - March 25, 1992

ASSETS

(1)	Cash and Cash Equivalents		\$1,678
(2)	Short-Term Investments		\$0
(3)	Bonds		\$0
(4)	Stocks		
	(a) Preferred	\$0	
	(b) Common	\$0	\$0
(5)	Mortgage Loans		\$0
(6)	Real Estate		\$0
(7)	Policy Loans		\$0
(8)	Other Invested Assets		\$0
(9)	Advances to Guaranty Associations		\$0
(10)	Recoverable from Reinsurers		
	(a) Paid Losses	\$0	
	(b) Unpaid Losses	\$0	\$0
(11)	Salvage and Subrogation Recoverables		\$0
(12)	Premiums Due and Accrued		\$0
(13)	Agent's Balances		\$0
(14)	Receivable from Affiliates		\$0
(15)	Accrued Investment Income		\$0
(16)	Other Assets - Lease deposit		\$0
	(17) Total Unrestricted Assets		\$1,678
(18)	Restricted Assets		\$0
	(19) Total Assets		\$1,678

Note: This report utilizes the reporting format for Receiverships established by the National Association of Insurance Commissioners.

The information contained in this report is prepared by the liquidator from information available to or known by the liquidator as of the date of this report. The liquidator makes no warranty as to the accuracy of the information or of the opinions or evaluations contained in this report and expressly disclaims any liability arising from the statements of fact, evaluation or opinion contained in this report. Amounts from prior periods may be reclassified to be consistent with current year classifications.

SOUTHERN AMERICAN INSURANCE COMPANY IN LIQUIDATION

Balance Sheet
December 12, 2012

Date of Liquidation - March 25, 1992

LIABILITIES

(1)	Secured Claims	\$0
(2)	Class 1	\$1,878 (1)
(3)	Class 2	\$0 (2)
(4)	Class 3	\$0 (2)
(5)	Class 4	\$0 (2)
(6)	Class 5	\$0 (2)
(7)	Class 6	\$0 (3)
(8)	Class 7 and 8	\$0
(9)	Class 9	\$0
		<hr/>
(10)	Total Liabilities	\$1,878
	Claim Determinations Currently Subject to Appeal	\$0
(11)	Excess (Deficiency) of Assets over Liabilities	<hr/> \$0
(12)	TOTAL	<hr/> <u>\$1,878</u>

Note: This report utilizes the reporting format for Receiverships established by the National Association of Insurance Commissioners, which does not address valuation methods. The values utilized may vary significantly from Statutory Accounting Principles.

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Note 1: Class 1 claims represent estimated residual administrative expenses for the closing of the estate.

Note 2: Class 2 - Class 5 claims have been paid at 100%.

Note 3: Class 6 claims were paid 33.5%. The remaining liability was discharged with the Court Closing Order.

SOUTHERN AMERICAN INSURANCE COMPANY IN LIQUIDATION
Statement of Receipts and Disbursements

Date of Liquidation - March 25, 1992

	Liquidation Period to Date <u>03/25/92-12/12/12</u>
RECEIPTS	
Marshaling of Estate Assets:	
(1) Premium Receipts	
(2) Rental Receipts	\$36,623
(3) Mortgages Receivable:	
(a) Principle	\$1,895,540
(b) Interest	
(4) Policy Loan Receipts:	
(a) Principle	
(b) Interest	
(5) Proceeds from Sales:	
(a) Real Estate	\$8,758,079
(b) PP&E	\$490,287
(6) Reinsurance Recoveries	\$80,105,093
(7) Agents Balances Received	\$235,872
(8) Collection of Affiliate Receivables	\$3,172,330
(9) Salvage and Subrogation Recoveries	\$1,204,888
(10) Recovery of Taxes previously Paid	\$0
(11) Other Receipts	\$18,078,277
(12) Receipts before Investment Activities	<u>\$111,977,767</u>
(13) Interest and Dividend Receipts	\$29,487,885
(14) Proceeds from Sales and Maturities of:	
(a) Short-Term Investments	
(b) Bonds	\$217,978,904
(c) Stocks	\$34,534
(15) Receipts from Investment Activities	<u>\$247,490,303</u>
(16) Total Cash Receipts	<u>\$359,477,070</u>

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SOUTHERN AMERICAN INSURANCE COMPANY IN LIQUIDATION

Statement of Receipts and Disbursements

Date of Liquidation - March 25, 1992

	Liquidation Period to Date <u>03/25/92-12/31/92</u>
DISBURSEMENTS & DISTRIBUTIONS	
(1) Losses/Benefit Payments	\$142,933
(2) LAE Payments	
(3) Reinsurance Payments	
(4) Legal Fees	\$10,746,957
(5) Audit/Accounting Fees	\$1,266,289
(6) Receiver Fees	\$3,096,410
(7) Consulting Fees	\$13,228,867
(8) Salaries	\$6,569,777
(9) Employee Benefits	\$516,866
(10) Payroll and Other Taxes	\$860,149
(11) Rent and Related Expenses	\$2,050,575
(12) Office Expenses	\$1,289,893
(13) Other Disbursements	\$715,121
(14) Disbursements	<u>\$40,480,637</u>
(15) Distributions:	
(a) Distributions of Assets	\$100,330,713 (1)
(b) Early Access Distribution	\$0
(16) Distributions	<u>\$100,330,713</u>
(17) Disbursements & Distributions before Investment Activities	<u>\$140,811,350</u>
(18) Investment Expenses	\$89,463
(19) Purchases of:	
(a) Short-Term Investments	
(b) Bonds	\$218,493,992
(c) Stocks	\$14,663
(d) Other Investments	\$1,541,171
(20) Disbursements for Investment Activities	<u>\$220,139,289</u>
(21) Total Cash Disbursements & Distributions	<u>\$360,950,638</u>
(22) Net Increase (Decrease) in Cash	-\$1,473,568
(23) Cash at Beginning of Period	<u>\$1,475,244</u>
(24) Cash at End of Period	<u>\$1,676</u>

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Note 1: A distribution of 100% was made on all Class 2-Class 5 claims as finally determined.
A distribution of 33.5% was made on all Class 6 claims as finally determined.

EXHIBIT "B"

RELEASE AGREEMENT

This Release Agreement is being entered into by the United States and Rheta Beach, in her capacity as the court appointed Special Deputy Liquidator (“Special Deputy Liquidator”) of Southern American Insurance Company in Liquidation (“Southern American”), Civil No. 920901617 in the Third Judicial District Court in and for Salt Lake County, State of Utah (“Court”).

I. PARTIES

The parties to this Release Agreement are former Utah Insurance Commissioner, Harold C. Yancey in his capacity as Court appointed Liquidator of Southern American, and his successors in office since the issuance of the Liquidation Order in their capacities as Court appointed Liquidators, Robert E. Wilcox, Dixon F. Larkin, Merwin U. Stewart, D. Kent Michie, and Neal T. Gooch, Special Deputy Liquidator Lennard W. Stillman, and his successor Rheta Beach, General Counsel J. Ray Barrios, Chief Financial Officer Elizabeth A. Biaett, all employees, consultants, attorneys, accountants, actuaries, and service providers engaged by the Liquidator to assist in the liquidation process (collectively, the “Liquidators”), and the United States (collectively, the “Parties”).

II. RECITALS

1. The Parties do not intend this Release Agreement to release any possible claims the United States may have or may acquire against anyone for tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b).

2. Except for the express terms of this Release Agreement, the Parties do not intend to create, enhance, diminish, defeat or otherwise affect such claims, if any, as the United States may have against the Liquidators, or the Southern American estate.

3. The Parties understand that this Release Agreement may be subject to the approval of the Court, which is supervising the liquidation of Southern American.

4. The United States enters into this Release Agreement in reliance upon the representations of the Special Deputy Liquidator contained in her affidavit dated March 20, 2012, attached as Exhibit A to this Release Agreement ("Affidavit"). The United States also relies upon the PDF files containing additional information on all claims in the Southern American estate as sent to the United States as an email attachment on November 20, 2012.

III. AGREEMENT

1. Except for possible federal tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b), the United States hereby releases and discharges the Liquidators and the estate of Southern American from any and all liability under 31 U.S.C. § 3713(b) in connection with the Southern American liquidation.

2. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right during normal business hours, on a date and at a location agreed upon by the Parties, and upon thirty (30) days written notice to the Special Deputy Liquidator, to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the estate, and of the Special Deputy Liquidator, as shall be reasonably necessary to determine the existence and amount of claims the United States may have against the estate. It is acknowledged by the United States that the Southern American estate has been in

liquidation for in excess of twenty (20) years and is expected to close within 60 days, or sooner, after execution of this Release Agreement. The Liquidation Court has previously issued court orders allowing for the destruction of records on an ongoing basis.

3. Except for the express undertakings of the Liquidators and the United States in this Release Agreement, nothing in this Release Agreement shall be construed

(a) to establish or perfect any claims, substantive rights, or procedural rights of the United States;

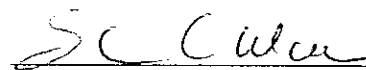
(b) to limit, restrict, diminish, or defeat any claims, substantive rights, or procedural rights of the United States;

(c) to establish or perfect any objections or defenses, substantive rights, or procedural rights of the Liquidators; or

(d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Liquidators or the South American estate.

4. The Parties agree that this Release Agreement shall not be effective unless and until it is approved by the Court, if approval is required, and the time for appeals of any such approval has expired. The Parties further agree to cooperate with each other in seeking prompt approval of this Release Agreement from the Court, including but not limited to making the necessary witnesses available for testimony considered necessary or appropriate to provide the Court with an adequate record upon which to approve this Release Agreement.

Dated: 12/3/12


By: Sharon C. Williams
Trial Attorney
Civil Division
Department of Justice
Attorney for the United States

Dated: 11/27/2012

Rheta Beach
By: Rheta Beach
Special Deputy Liquidator
Southern American Insurance
Company, in Liquidation