

CAUSE NO. D-1-GV-13-000204

THE STATE OF TEXAS, Plaintiff	§	IN THE DISTRICT COURT OF
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
SANTA FE AUTO INSURANCE COMPANY Defendant	§	
	§	
	§	419 th JUDICIAL DISTRICT

SPECIAL DEPUTY RECEIVER'S REPORT PURSUANT
TO TEX. INS. CODE §443.303(C)

TO THE HONORABLE JUDGE OF SAID COURT:

CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Santa Fe Auto Insurance Company (the "SDR" and "Santa Fe" respectively), files its *Report Pursuant to TEX. INS. CODE §443.303(c)* (the "Report").

I. INTRODUCTION

1.1 Pursuant to TEX. INS. CODE § 443.303(c), the SDR reports that, based on financial reporting required by Section 443.016, at this time there are no distributable assets for early access payments to the affected guaranty associations.

II. BACKGROUND

2.1 On March 8, 2013, the Court entered an *Order Appointing Rehabilitator and Permanent Injunction*, appointing the Texas Commissioner of Insurance as Rehabilitator of Santa Fe. Effective March 8, 2013, the Rehabilitator appointed CANTILO & BENNETT, L.L.P., as Special Deputy Receiver of Santa Fe.

2.2 On April 5, 2013, the Court entered an *Order Appointing Liquidator and Permanent Injunction* (the “Liquidation Order”), placing Santa Fe in liquidation and appointing the Commissioner as Liquidator of Santa Fe.

III. JURISDICTION AND STATUTORY AUTHORITY

3.1 The SDR is mandated to file this Report pursuant to TEX. INS. CODE § 443.303.

3.2 This Court has exclusive jurisdiction over the subject matter of this Report pursuant to TEX. INS. CODE § 443.005.

3.3 This Report has been referred to the Special Master appointed in this proceeding in accordance with the *Amended Order of Reference to Master* entered on April 5, 2013.

IV. REPORT OF NO DISTRIBUTABLE ASSETS AT THIS TIME

4.1 TEX. INS. CODE § 443.303(c) provides:

Within 120 days after the entry of an order of liquidation by the receivership court, and at least annually after the entry of the order, the liquidator shall apply to the receivership court for approval to make early access payments out of the general assets of the insurer to any guaranty associations having obligations arising in connection with the liquidation or shall report that there are no distributable assets at that time based on financial reporting as required in Section 443.016.

4.2 SFAIC was a property and casualty insurance company that wrote only non-standard automobile insurance. It was licensed to and issued policies in eight (8) states: Arkansas, Arizona, Georgia, Nevada, New Mexico, Oklahoma, Texas and Utah. Following entry of the Liquidation Order, the Commissioner designated Santa Fe an “impaired insurer” under TEX. INS. CODE Chapter 462, effective April 5, 2013. The Texas Property and Casualty Insurance Guaranty Association (“TPCIGA”) and guaranty associations in Arkansas, Arizona, Georgia, Nevada, New Mexico, Oklahoma and Utah (collectively, the “Affected Associations”) are now responsible for “covered claims” in accordance with their states’ governing statutes.

4.3 The SDR's current financial reports pursuant to Section 443.016, the Statement of Assets and Statement of Liabilities as of May 31, 2013, are attached as Exhibits 1-A and 1-B, respectively. Four out of eight Affected Associations (Texas, Nevada, New Mexico and Georgia) have submitted loss and reserve information to the SDR. SFAIC maintained deposits in each of the four reporting states in the following amounts: Texas-\$2,000,000; Nevada-\$312,326; Georgia-\$25,009; and New Mexico-\$211,600. The Nevada deposit has been assigned to that state's association. The SDR has begun to coordinate with the New Mexico Superintendent of Insurance regarding that statutory deposit. TPCIGA has requested that the SDR release the Texas statutory deposit as early access. The SDR anticipates assigning the Georgia deposit to that state's Association.

4.4 TEX. INS. CODE § 443.303(a) defines "distributable assets" as all general assets of the receivership estate, less the necessary and appropriate amounts reserved for expenses of liquidation through and after closure and distributions on claims other than those of the guaranty associations. As of May 31, 2013, the date of the SDR's most recent financial report filed with the Receivership Court, the cash assets of the SFAIC receivership estate were \$6.8 million.

4.5 The SDR is unable to estimate "distributable assets" at this time due to uncertainty regarding the status of the statutory deposits.

4.6 The SDR projects that it will be able to begin making early access distributions after obtain reporting from all eight of the Affected Associations, accounting for any statutory deposits and clarifying the entitlement to the Texas statutory deposit. Typically, claims are reported and adjudicated quickly on non-standard automobile policies. Timing for completion of these requirements is not certain, but the SDR believes that the estate will be in a position to seek approval of an early access application in early 2014.

4.7 In conclusion, the SDR reports that there are no distributable assets at this time to make an early access distribution to the Affected Associations.

V. NOTICE

5.1 The SDR has served this Report to all known parties in interest and all individuals and entities identified by the SDR in the Certificate of Service by e-mail and, as noted, by mail or overnight delivery to certain state and federal agencies. All Affected Associations have been served. The thirty (30) day notice requirement in Section 443.303(e) is not applicable because this is not an “application” to make an early access distribution.

VI. OFFER OF PROOF AND VERIFICATION

6.1 This Report is verified by the affidavit and certification pursuant to TEX. INS. CODE § 443.017(b) of Susan E. Salch, designated representative of CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Santa Fe Auto Insurance Company.

VII. NOTICE OF ELECTRONIC SERVICE REQUIREMENT

7.1 All pleadings filed in response to this Report shall be served by e-mail on the undersigned counsel and all parties shown in the attached Certificate of Service.

PRAYER

WHEREFORE, PREMISES CONSIDERED, CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Santa Fe Auto Insurance Company, prays that the Court and all parties in interest take notice of this Report and that the SDR obtain such other and further relief to which it may be justly 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 CANTILO & BENNETT,
LLP, SPECIAL DEPUTY RECEIVER OF
SANTA FE AUTO INSURANCE COMPANY**

CERTIFICATE OF SERVICE

I certify that on August 5, 2013, a true and correct copy of this Report was served pursuant to the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. SEC. 443.007(d) on the following by email, except as specifically otherwise noted.

Via Email: todd.ridley@santafeinsurance.net
Todd Ridley
13703 Neutron Road
Dallas, Texas 75244

Via Email: agonzales@winstead.com
Via Email: pnolan@winstead.com
Alex Gonzales
Peter Nolan
Winstead, PC
401 Congress Avenue, Suite 2100
Austin, Texas 78701

Via Email: Jemmie.Russell@tdi.texas.gov
Jemmie Russell
Interim Director
Rehabilitation & Liquidation Oversight
Texas Department of Insurance
PO Box 149104
Austin, Texas 78714-9104

Via Email: kimberly.hammer@tdi.texas.gov
Kimberly Hammer
Texas Department of Insurance
PO Box 149104
Austin, Texas 78714-9104

Via Email: dwight.ward@tdi.texas.gov
Dwight Ward
Receivership Analyst
Rehabilitation & Liquidation Oversight
Texas Department of Insurance
PO Box 149104
Austin, Texas 78714-9104

Via Email: lmeltzer@tpciga.org
Linda R. Meltzer
Texas Property Casualty Insurance Guaranty
Association
9120 Burnet Road
Austin, Texas 78758

Via Email: gmarks@azinsurance.gov
Germaine L. Marks
Director
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7256

Via Email: jay.bradford@arkansas.gov
Jay Bradford
Commissioner
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Via Email: mmarchman@gaiga.org
Michael C. Marchman
Executive Director
Georgia Insurers Insolvency Pool
2177 Flintstone Drive, Suite R
Tucker, Georgia 30084

Via Email: jwells@laiga.org
John Wells
Director of Operations
Louisiana Insurance Guaranty Association
2142 Quail Run Drive
Baton Rouge, Louisiana 70808-4126

Via Email: jean.sustaita@tdi.state.tx.us
Jean Sustaita
Docket Clerk
Texas Department of Insurance
582 Liquidation Oversight
PO Box 149104
Austin, Texas 78714-9104

Via Email: joshua.godbey@oag.state.tx.us
Joshua R. Godbey
Assistant Attorney General
Financial Litigation, Tax and Charitable Trusts
Division
Office of the Texas Attorney General
PO Box 12548
Austin, Texas 78711-2548

Via Email: msurguine@azinsurance.gov
Michael E. Surguine
Executive Director
Arizona Insurance Guaranty Funds
1110 West Washington, Suite 270
Phoenix, Arizona 85007

Via Email: steve.uhrynowycz@arkansas.gov
Steve Uhrynowycz
Liquidation Division
Arkansas Property & Casualty Guaranty Fund
1023 W. Capitol Avenue, Suite 2
Little Rock, Arkansas 72201

Via Email: rhudgens@oci.ga.gov
Ralph T. Hudgens
Commissioner
Georgia Office of Insurance and Safety Fire
2 Martin Luther King, Jr. Drive
West Tower, Suite 704
Atlanta, Georgia 30334

Via Email: jdonelon@ldi.state.la.us
James J. Donelon
Commissioner
Louisiana Department of Insurance
PO Box 94214
Baton Rouge, Louisiana 70804-9214

Via Email: icommish@doi.nv.gov
Scott J. Kipper
Commissioner
Division of Insurance
Nevada Department of Business & Industry
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

Via Email: bgilbert@niga-pc.org
Bruce W. Gilbert
Executive Director
Nevada Insurance Guaranty Association
3821 West Charleston Boulevard, Suite 100
Las Vegas, Nevada 89102-1859

Via Email: john.franchini@state.nm.us
John G. Franchini
Superintendent
New Mexico Public Regulation Commission
Division of Insurance
P.O. Box 1269
Santa Fe, New Mexico 87501

Via Email: counsel@dfs.ny.gov
Benjamin M. Lawsky
New York State Department of Financial
Services
One State Street
New York, New York 10004

Via Email: kelly.callahan@oid.ok.gov
Kelley Callahan
Assistant General Counsel
Oklahoma Department of Insurance
2401 N.W. 23rd, Suite 28
Oklahoma City, Oklahoma 73152-3408

Via Email: toddkiser@utah.gov
Todd Kiser
Deputy Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114-6901

Via Email: pwillard@doi.state.nv.us
Peggy Willard-Ross
Assistant Chief Examiner
Nevada Division of Insurance
788 Fairview Drive, Suite 300
Carson City, Nevada 89701

Via Email: craig.dunbar@state.nm.us
Craig Dunbar
Deputy Superintendent
New Mexico Insurance Division
P.O. Box 1269
Santa Fe, New Mexico 87504-1269

Via Email: gkeenan@keenan-assoc.com
Via Email: vramirez@keenan-assoc.com
Gary M. Keenan
Fund Administrator
Vanessa Ramirez
New Mexico Insurance Guaranty Association
Keenan & Associates, Inc.
P.O. Box 14590
Albuquerque, New Mexico 87191-4590

Via Email: john.doak@oid.ok.gov
John D. Doak
Commissioner
Oklahoma Insurance Department
7645 E. 63rd St., Suite 102
Tulsa, Oklahoma 74133

Via Email: lwfitch@opciga.org
Larry W. Fitch
General Manager
Oklahoma Property & Casualty Insurance
Guaranty Association
2601 Northwest Expressway, Suite 330E
Oklahoma City, Oklahoma 73112

Via Email: allenm@utgf.org
Allen Muhlestein
Executive Director
Utah Property & Casualty Insurance Guaranty
Association
P.O. Box 1608
Sandy, Utah 84091-1626

Via Email: akoury@subrogatelaw.com

Aaron G. Koury
Carpenter & ScHumacher, P.C.
Parkway Centre IV
2701 N. Dallas Parkway, Ste. 570
Plano, TX 75093

Via First Class Mail

Internal Revenue Service
Centralized Insolvency Operation
PO Box 7346
Philadelphia, PA 19101-7346

Via Email: lauras@downeycleveland.com

Laura Schaefer
Downey & Cleveland
288 Washington Avenue
Marietta, Georgia 30060

Via First Class Mail

Internal Revenue Service
Special Procedures Branch
P.O. Box 250
300 East 8th Street, Suite 352
Mail Stop 5022AUS
Austin, Texas 78701

Via Email: brentea@rentealaw.com

Bogdan Rentea
Rentea & Associates
1002 Rio Grande
Austin, Texas 78701

Via Email: jim@insurancedepot.com

Jim Maxwell

/s/Christopher Fuller

Christopher Fuller

**SPECIAL DEPUTY RECEIVER'S CERTIFICATION PURSUANT TO
TEX. INS. CODE ANN. § 443.017(b)
AFFIDAVIT OF SUSAN E. SALCH**

State of Texas

County of Travis

BEFORE ME, the undersigned authority appeared Susan E. Salch, who after being by me duly sworn, stated the following under oath:

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

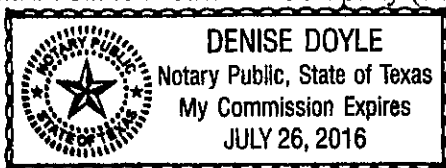
2. I am a partner in CANTILO & BENNETT, L.L.P., the duly appointed Special Deputy Receiver of Santa Fe Auto Insurance Company (the "SDR" and "SFAIC" respectively). I am duly authorized to make this Certification and Affidavit on behalf of the SDR.

3. I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached hereto 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 this delinquent insurer, and are held by the Special Deputy Receiver in its official capacity.

4. I have read the foregoing Response 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 subcontractors.

By: *Susan E. Salch*
Susan E. Salch

SUBSCRIBED AND SWORN TO BEFORE ME on July 26, 2013, by Susan E. Salch, on behalf of CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Santa Fe Auto Insurance Company (the "SDR" and "SFAIC" respectively).



Denise Doyle
Notary Public

R-554

**Santa Fe Auto Insurance Company
Statement of Net Assets**

**For the Period Ending
05/31/13**

Line		05/31/13
Cash		
1	Cash	
	Cash - Unrestricted	6,802,085
	APF Funds (Loan proceeds)	
Investments		
2	Short-Term Investments	
3	Bonds	
4	Stocks - Preferred & Common	
5	Investments in Subsidiaries, Controlled or Affiliated Entities	
6	Mortgage Loans	
7	Real Estate	
8	Policy Loans	
9	Other Invested Assets	
Restricted Assets		
10	Statutory Deposits	2,548,935
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	
15	Reinsurance Recoverables on UEP & Contingent Commissions	
Other Receivables		
16	Salvage & Subrogation Recoveries	19,007
17	Premiums Due from Agents & Policyholders	0
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	
20	Other Receivables	
Other Assets		
21	FF&E	504,620
22	Other Assets	
	Total Assets	9,874,647

NOTES

Ref No.

10 Represents statutory deposits held with various states as follows: Texas \$2,000,000, New Mexico \$211,600, Nevada \$312,326 and Georgia \$25,009

EXHIBIT
1-A

**Santa Fe Auto Insurance Company
Statement of Net Assets**

**For the Period Ending
05/31/13**

Reinsurance recoverables are undetermined as of the report date due to the complexity of the company's records. In future months, an amount will be determined as information is obtained from company records.

16 Represents gross receivable amounts of \$40,773 less an allowance for uncollectibility of \$20,000.

21 Represents the following items:

Building & Land at Cost	792,828
Less: Allowance to fair market value based on 2013 appraisal by the Dallas Central Appraisal District	(312,158)
Office Equipment at Cost	202,991
Computer Equipment at Cost	839,288
Computer Software at Cost	141,855
Leasehold Improvements at Cost	193,036
Allowance to Estimated Fair Market Value pending Formal Appraisal Estimated Value	(1,353,220)
	504,620

R-554

**Santa Fe Auto Insurance Company
Statement of Net Liabilities**

**For Period Ending
05/31/13**

Line		05/31/13
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
Administrative Claims - Class 1		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	222,419
	Liquidation Oversight	
	Special Master's Fees	
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	
	LAE Reserves	
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Loss Claims Reserves	
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	11,112,183
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	3,220,133
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	630,200
15	Class 5 Reinsurance Related Unsecured Claims	7,483,000
16	Class 6 Claims	
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	
	Total Liabilities	22,667,935
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(12,793,288)
	Total Liabilities & Equity	9,874,647

EXHIBIT
1-B

**Santa Fe Auto Insurance Company
Statement of Net Liabilities**

**For Period Ending
05/31/13**

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

8 Represents amounts reserved based on review of company books and records. As of May 31, 2013, the proof of claim process had not yet been approved. As a result, none of these claims have been formally adjudicated. In addition, the handling of these claims are in the process of being turned over to the Texas Property & Casualty Insurance Guaranty Association (TPCIGA) and other states' guaranty associations. The appropriateness and reasonableness of the reserve amounts will be determined by TPCIGA and other associations, and reviewed by the SDR in future months.

11 Represents amounts reserved based on review of company books and records. As of May 31, 2013, the proof of claim process had not yet been approved. As a result, none of these claims have been formally adjudicated. In addition, the handling of these claims are in the process of being turned over to the Texas Property & Casualty Insurance Guaranty Association (TPCIGA) and other states' guaranty associations. The appropriateness and reasonableness of the reserve amounts will be determined by TPCIGA and other associations, and reviewed by the SDR in future months.

14 Represents amounts reserved for pre receivership goods and services. As of May 31, 2013, the proof of claims process has not yet been approved. As a result, this amount has not been formally adjudicated. Once the proof of claims process has been approved, this amount will be updated as warranted.

15 Represents amounts reserved based on review of company books and records. As of May 31, 2013, the proof of claims process has not yet been approved. As a result, this amount has not been formally adjudicated. Once the proof of claims process has been approved, this amount will be updated as warranted.