

II. AUTHORITY

2.1 Statutory Authority

The SDR files this Application pursuant to TEX. INS. CODE § 443.302, which provides for the Court's approval of a distribution of assets. The SDR is authorized to file this Application under TEX. INS. CODE § 443.154 (a). Unless otherwise indicated, all statutory references are to the Texas Insurance Code.

2.2 Reference to Master

The subject matter of the Application has been referred to the Special Master appointed in this proceeding in accordance with Paragraph III of the *Second Amended Order to Reference to Master* entered on November 3, 2005 ("Order of Reference").

III. BACKGROUND

3.1 Company History

ENIC was incorporated on December 6, 1954 and operated as a wholly owned subsidiary of Employers Casualty Company ("ECC") until receivership.

ENIC operated under Chapter 2 of the Texas Insurance Code. Its primary lines of business were: Accident, Air Physical Damage, Aircraft Liability, Allied Coverages, Auto Liability, Auto Physical Damage, Boiler & Machinery, Burglary & Theft, Credit, Employers Liability, Fire, Forgery, Glass, Hail, Health, Inland Marine, Liability Other, Ocean Marine, and Workers Compensation Employers Liability. The company was admitted in Alabama, Arizona, Arkansas, California, Colorado, Delaware, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, South Carolina, Texas, Washington, and Wyoming. The Texas Department of Insurance Identification Number is 25950. The NAIC identification number is 21385.

3.2 Initiation of Delinquency Proceeding and Appointment of Receiver and SDR

ENIC was placed in receivership on February 11, 1994 in Cause Number 94-00950 in the 53rd District Court of Travis County, Texas (the “Original Proceeding”). On February 11, 1994, the Court entered a *Permanent Injunction and Order Appointing Permanent Receiver* (the “Liquidation Order”) appointing the Commissioner of Insurance for the State of Texas (“Commissioner”) as Receiver. The Receiver designated Jack M. Webb as SDR of ENIC on February 11, 1994.

3.3 Enactment of Insurer Receivership Act

Effective September 1, 2005, all pending receivership proceedings became governed by the Insurer Receivership Act, which was enacted as Chapter 21A of the Texas Insurance Code. The Act was recodified as Chapter 443, effective September 1, 2007.¹

3.4 Closing of the Original Proceeding

The ENIC delinquency proceeding was closed on October 31, 2005. All approved Class 1 proofs of claim (“POCs”) were paid in full, and partial pro-rata distributions were made on approved Class 2 POCs. All unliquidated assets of ENIC, which included a POC filed in the ECC receivership for reinsurance due to ENIC, were assigned to the Commissioner.

3.5 Re-Opening of the Receivership

In 2009, the ECC receivership made a distribution on the Class 5 claim filed by ENIC. On January 25, 2010, the Commissioner filed an application to reopen the ENIC Proceeding, and disbursed the funds from the ECC receivership distribution to the ENIC receivership. On February 10, 2010, this Court reopened the ENIC proceeding (the “Reopened Proceeding”), and consolidated the proceeding in this delinquency proceeding for administrative purposes.

¹ References to the Insurer Receivership Act are to the article or chapter of the Texas Insurance Code in effect at the relevant time. Effective September 1, 2007, section prefixes were changed from 21A to 443.

IV. FINANCIAL STATEMENTS

4.1 The Statement of Net Assets and Statement of Net Liabilities for the receivership estate, attached as “Exhibit 1A” and “Exhibit 1B”, respectively, and incorporated herein by reference, are submitted in accordance with § 443.016 and incorporated herein by reference. The exhibits reflect the financial condition of the receivership estate as of October 31, 2011. The Consolidated Cash Sources and Uses Statement, which lists all funds received and disbursed from the receivership estate from the date this Court reopened the ENIC Proceeding through October 31, 2011 is attached as “Exhibit 2” and incorporated herein by reference.

V. ASSETS

5.1 ECC Distribution

On February 10, 2010, this Court reopened the ENIC Proceeding and the SDR recorded \$27,854,711, representing the payment of the Class 5 claim filed in the ECC receivership.

5.2 Disposition of Assets

ENIC’s Disposition of Assets Schedule is attached as “Exhibit 3” and incorporated herein by reference. The schedule sets forth all asset transactions since February 10, 2010.

5.3 Unliquidated Assets

There are no known unliquidated assets. At closing, all unknown assets will be assigned to the ECC receivership as contemplated by Paragraph 9.1 below.

VI. CLAIMS

6.1 Handling of Claims in the Original Proceeding

The Court established July 31, 1995 as the deadline to file proofs of claims (“POCs”) with the SDR under its *Order Granting Special Deputy Receiver’s Application to Provide Notice, Set Claims Filing Deadline and Establish a Claims Processing Procedure* in the ENIC Original Proceeding. In accordance with this Order, the SDR provided notice of the claim filing

deadline to all persons who may have had claims as shown by the books and records of ENIC. On January 30, 1996, this Court granted the SDR authority to provide late notice to claimants and approving procedures relating to late claims pursuant to article 21.28, §3(b).

A total of 1747 Proofs of Claims (“POCs”) were filed in the Original Proceeding. Pursuant to the Court’s May 19, 1994 Order approving the *Application Requesting a Claims Processing Scheduling Order* in the Original Proceeding, the SDR reviewed all POCs, and notified all claimants in writing of his determination of the amount and classification of their claims pursuant to article 21.28, § 3 (h). With certain exceptions, classes with a priority of lower than Class 2 under art. 21.28, §8 were adjudicated solely as to classification and not as to liability or amount as of the date that the ENIC was closed in 2005.

6.2 Handling of Claims in the Reopened Proceeding

On April 30, 2010, the SDR filed his *Application for Orders Regarding Processing of Proofs of Claims*. On May 17, 2010, this Court entered its Order granting the application (the “POC Processing Order”), which provided that the SDR would process POCs that were properly filed in the ENIC Proceeding in the Reopened Proceeding pursuant to Chapter 443. Thereafter, the SDR adjudicated all remaining POCs. Also, it was necessary to reclassify the priority of certain claims to comport with § 443.301.

Following the re-opening, the SDR requested Receivership Court approval of his adjudication of claims pursuant to § 443.258. On July 20, 2010, this Court entered an order approving the SDR Report of Class 2 Claims. On December 27, 2010, this Court entered an order approving the SDR Second Report of Claims and authorizing distribution to Class 5 Claims. On June 13, 2011, this Court granted the SDR’s application to approve a plan to pay Class 10 interest on all approved claims. There were no approved claims in Classes 3, 4, and 6 through 9.

6.3 Claim Payments

In the Original Proceeding, all approved Class 1 POCs were paid in full, and partial pro-rata distributions were made on approved Class 2 POCs pursuant to article 21.28. On July 20, 2010, this Court approved the SDR's application to make a distribution on the unpaid balances of all allowed Class 2 claims totaling \$21,903,122.11. On December 27, 2010, this Court approved a 100% distribution to allowed Class 5 creditors for \$179,991.13. There were no claims classified as Class 3-4 and 6-9 in the ENIC receivership. On June 13, 2011, this Court granted the SDR's application to approve a plan to pay Class 10 interest on all approved claims. The SDR has distributed the Class 5 and Class 10 payments to claimants, with the exceptions noted below.

6.4 Release of Federal Claims

The SDR entered into a Release Agreement with the U.S. Department of Justice, which is attached as "Exhibit 4". Under this agreement, the United States releases the SDR and the Receiver from any federal claims arising under 31 U.S.C. § 3713(b). The agreement is subject to any required approval by this Court. The SDR requests that the Court approve the terms of the Release Agreement.

VII. EXPENSES

7.1 Approval and Payment of Expenses

Since the ENIC estate was re-opened on February 10, 2010, Statement of Expenses have been filed pursuant to § 443.015, and the terms of compensation of the SDR and subcontractors were approved in accordance with this Court's order entered on May 17, 2010. Section 443.015 (g) requires that Statements of Expenses be filed quarterly, or as otherwise provided by this Court. The last Statement of Expenses was filed in this proceeding as of August 31, 2011. The SDR requests that the next Statement of Expenses be filed with the final accounting.

7.2 Reserve for Final Expenses

The fees and expenses of the receivership have been paid through October 31, 2011. The SDR proposes to reserve \$43,263 from the distribution to pay the costs of the closing of the ENIC receivership estate. Attached as Exhibit 5 and incorporated by reference is the SDR's Summary of Closing Costs. The SDR will submit a final statement of expenses pursuant to § 443.015 with the final accounting.

VIII. PROPOSED FINAL DISTRIBUTION OF ASSETS

8.1 Classes Eligible for Distribution

The SDR has paid all approved claims and all Class 10 interest claims in full, with the exception of claimants who cannot be located, pursuant to the SDR's plan approved by the Receivership Court. There are three claimants who cannot be paid with an approved distribution, each with Class 5 and Class 10 claims totaling \$7,969. These funds will be transferred pursuant to the provisions of paragraph 8.4, below. In accordance with § 443.301, all funds remaining after the payment of the final expenses of the ENIC receivership will be distributed to ENIC's sole shareholder, ECC.

8.2 Calculation of Distribution

As of October 31, 2011, there was \$1,572,451 in cash, after payment of accrued payables. After reserving for unclaimed distributions and final expenses as shown on Exhibit 5, it is projected that \$1,521,219 will be available for distribution to the ECC receivership as the sole approved Class 11 claimant.

8.3 Withheld Distributions

There will be no unclaimed funds from the final distribution to the ECC receivership. However, the SDR holds funds from earlier distributions, which remain undistributed and/or unclaimed notwithstanding the SDR's efforts to identify and pay the appropriate claimant(s).

Funds that remain undistributed and/or unclaimed at the closing of the estate shall be remitted to the Commissioner pursuant to § 443.304.

IX. ASSIGNMENT

9.1 Section 443.154 authorizes the SDR to transfer, abandon or otherwise dispose of property on terms and conditions that are fair and reasonable. Further, § 443.352 permits the Court to enter orders in connection with an application to terminate a receivership proceeding, including orders to transfer any remaining assets that are uneconomic to distribute. There are no known unliquidated assets. The SDR requests that this Court approve the assignment of all unknown assets of ENIC to the ECC receivership pursuant to § 443.352. Attached as “Exhibit 6” and incorporated by reference is the proposed Assignment to the ECC receivership of all unknown assets of the ENIC receivership.

X. UNCLAIMED FUNDS

10.1 The SDR will deliver any funds that are unclaimed as of the closing of the account to the Commissioner as required by § 443.304 (a).

XI. RECORDS

11.1 Requested Approvals

The SDR requests the Court to (1) authorize him to convey certain records to the ECC SDR, and (2) convey the remaining records to the Commissioner at closing.

11.2 Transfer of Records to the ECC SDR

Certain ENIC records that are not transferred to the Commissioner will be delivered to the ECC SDR. The SDR requests that this Court authorize it to transfer such records to the ECC SDR. The ECC SDR shall have discretion to retain, dispose and/or transfer these records as appropriate.

11.3 Transfer of Records to the Commissioner

The records that are not transferred to the ECC SDR will be delivered to the Commissioner pursuant to § 443.354 (b). The Receiver estimates that the cost of retaining such records will be \$ 480, and requests that such amount be reserved for the maintenance of the records. The SDR requests that this Court authorize him to transfer such records and funds to the Commissioner. Pursuant to § 443.354 (b), the Commissioner shall have discretion to retain or dispose of these records as appropriate.

XII. TAX RETURNS

12.1 The SDR has filed all required income tax returns with the Internal Revenue Service through 2010, consolidated with ENIC's parent company, Employers Casualty Company. The final tax return for 2011 and, if necessary, 2012 will not be filed prior to the filing of the final accounting since it will be filed with ECC's consolidated filing for these years.

XIII. CHARTER AND LICENSES

13.1 Charter and License

On June 8, 2004, this Court granted the SDR's application to sell ENIC's insurance charter. The charter of ENIC was sold to Dunnottar Group LLC of Duluth, GA.

XIV. NOTICE

14.1 Notice of the Application

Pursuant to § 443.007(d), this Application has been served on the entire service list for this proceeding, including without limitation, all IGAs, in the manner shown on the Certificate of Service.

In addition, the SDR will send notice of this Application to taxing authorities in the form attached as "Exhibit 7", which is incorporated by reference. The SDR requests that the Court find that Exhibit 7 constitutes adequate notice to such parties.

14.2 Notice of Electronic Service Requirement

Pursuant to the *Order Granting SDR's Application to Use Electronic Service of Pleadings and Notices* entered on February 8, 2008, all pleadings filed in response to this application or in regards to this estate shall be served on the undersigned counsel and all parties shown on the attached Certificate of Service.

XV. OFFER OF PROOF

15.1 Jack M. Webb, as Special Deputy Receiver, submits his affidavit and certification pursuant to § 443.017(b) verifying the statements in this Application and authenticating the attached exhibits.

XVI. CONCLUSION

16.1 In summary, the SDR has completed the administration of the estate. The SDR has distributed \$26,063,252, representing a 100% distribution to all creditors, including interest on all approved claims. Upon approval of this Application, the SDR shall distribute all remaining assets, with the exception of the unclaimed distributions, as a Class 11 distribution to the ECC receivership estate.

PRAYER

WHEREFORE, PREMISES CONSIDERED, the SDR respectfully requests this Court to enter an order as follows:

1. Granting the Application;
2. Accepting Exhibit 1 A, Exhibit 1 B and Exhibit 2 as the final statements under §443.016, subject to the final accounting;
3. Accepting Exhibit 3, the Disposition of Assets Schedule;
4. Approving the agreement with the United States attached as Exhibit 4;
5. Approving the reserve for estimated expenses described in Exhibit 5;

6. Authorizing the SDR to distribute all cash assets of the ENIC receivership remaining after the payment of the final expenses in accordance with § 443.302, as described in the Application;
7. Authorizing the assignment of ENIC's unknown assets to the ECC receivership in a form substantially similar to Exhibit 6;
8. Authorizing the SDR to transfer to the ECC receivership title to certain ENIC's records and authorizing him to retain or dispose of such records at his discretion;
9. Authorizing the SDR to deliver the remaining records of ENIC to the Commissioner, approving the reserve for estimated expenses to maintain such records after the termination of this proceeding, and authorizing the Commissioner to maintain or dispose of such records at her discretion;
10. Approving the SDR's proposed treatment of withheld funds;
11. Authorizing the SDR to deliver all withheld and/or unclaimed funds to the Commissioner pursuant to § 443.304 (a);
12. Approving the form of the notice attached as Exhibit 7 and further finding that service of the form constitutes adequate notice;
13. Authorizing the SDR to file the next expense report with the final accounting; and
14. Granting such further relief to which the SDR may be entitled.

Respectfully submitted,

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Special Deputy Receiver of Employers National
Insurance Company

CERTIFICATE OF SERVICE

I certify that on December 11, 2011, a true and correct copy of this Application was served pursuant to the provisions of the *Amended Order of Reference*, the *Order Granting SDR's Application to Use Electronic Service of Pleadings and Notices*, the Texas Rules of Civil Procedure and TEX. INS. CODE §443.007(d) on the following by electronic mail, except as specifically noted.

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APPLICANT'S NOTICE OF SUBMISSION

Pursuant to the terms of the Second Amended Order of Reference to Master entered by the District Court in this cause, the SDR's *Final Report and Application to Make Final Distribution [Employers National Insurance Company]* (the "Application") is hereby set for written submission before the Special Master, Tom Collins, on December 26, 2011.

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, Ms. Jean Sustaita, at Jean.Sustaita@tdi.state.tx.us.
 - (b) All interested parties, including the undersigned counsel, Christopher Fuller at cfuller@fullerlaw.org and those listed on the Applicant's Certificate of Service.
3. 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.
4. If a matter is set for submission, an objecting party shall expeditiously coordinate with Applicant's counsel and the master's docket clerk [(512) 463-6450] to obtain an oral hearing, unless the master determines that an oral hearing is not necessary. The objecting party shall serve a Notice of Oral Hearing on applicant's counsel and all interested parties, including those listed on the Applicant's Certificate of Service.
5. 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.
6. 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.

Christopher Fuller
Christopher Fuller

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**Employers National Insurance Company
Statement of Net Assets**

**For the Period Ending
10/31/11**

EXHIBIT 1 A

Line	10/31/11
Cash	
1 Cash	
Cash - Unrestricted	1,582,772
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	
Detail Item if any	
Detail Item if any	
Restricted Assets	
10 Statutory Deposits	
11 Funds held by or deposited with Reinsured Companies	
12 Restricted - Other	
Detail Item if any	
Detail Item if any	
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	
17 Premiums Due from Agents & Policyholders	
18 Receivable from Parents, Subsidiaries & Affiliates	
19 Receivable from Guaranty Associations - Early Access Payments	
20 Other Receivables	
Detail Item if any	
Detail Item if any	
Other Assets	
21 FF&E	
22 Other Assets	
Detail Item if any	
Detail Item if any	
Total Assets	1,582,772

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**Employers National Insurance Company
Statement of Net Liabilities**

**For Period Ending
10/31/11**

EXHIBIT 1 B

Line

10/31/11

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	10,321
	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	
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	3,196
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	4,833
21	Class 11 Claims	
22	Other Liabilities	
	Detail Item if any	
	Detail Item if any	
	Total Liabilities	18,290
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	1,564,481
	Total Liabilities & Equity	1,582,772

**EMPLOYERS NATIONAL INSURANCE COMPANY
EXHIBIT 2**

	A	B	C	R
1				Inception
2	R-490		Employers National Insurance Company	to Date
3	Beginning Unencumbered Cash			
4	Premium			
5			Premium Collections	
6			Premium Collection Expense - SDR	
7			Premium Collection Expense - Legal	
8			Premium Collection Expense - Other	
9	Receivable			
10			Agents Balance Receipts	
11			Agent Balance Expense - SDR	
12			Agent Balance Expense - Legal	
13			Agent Balance Expense - Other	
14			Reinsurance Recovery	27,854,711
15			Reinsurance Expense - SDR	(58)
16			Reinsurance Expense - Legal	
17			Reinsurance Expense - Other	
18			Subrogation Recovery	
19			Subrogation Expense - SDR	
20			Subrogation Expense - Legal	
21			Subrogation Expense - Other	
22			Affiliates Recovery	
23			Affiliates Expense - SDR	
24			Affiliates Expense - Legal	
25			Affiliates Expense - Other	
26			Settlement/Litigation Recovery	
27			Settlement/Litigation Expense - SDR	
28			Settlement/Litigation Expense - Legal	
29			Settlement/Litigation Expense - Other	
30			Other Receivable Receipts	
31			Other Receivable Expense - SDR	
32			Other Receivable Expense - Legal	
33			Other Receivable Expense - Other	
34	Sale/Conversion of Assets			
35			Sales of Real & Personal Property	
36			Sales Real & Personal Prop Expense - SDR	
37			Sales Real & Personal Prop Expense - Legal	
38			Sales Real & Personal Prop Expense - Other	
39			Investment Sales/Receipts	
40			Investment Expense - SDR	
41			Investment Expense - Legal	
42			Investment Expense - Other	
43			Other Asset Receipts	
44			Other Asset Expense - SDR	
45			Other Asset Expense - Legal	
46			Other Asset Expense - Other	
47	NET INCOME FROM ASSETS/RECEIVABLE			27,854,653
49	Passive Income			
50			Investments Interest/Dividends	
51			Cash Deposit Interest Income	26,793
52			Early Access Imputed Interest Income	
53	NET INCOME/INCLUDING PASSIVE			27,881,446

EMPLOYERS NATIONAL INSURANCE COMPANY
EXHIBIT 2

	A	B	C	R
1				Inception
2	R-490		Employers National Insurance Company	to Date
55	CLAIMS EXPENSE:			
56	Claims Administrative Expenses:			
57			Claims Expense - SDR	(108,415)
58			Claims Expense - Legal	(13,314)
59			Claims Expense - Other	-
60	TOTAL CLAIMS EXPENSES			(121,729)
61				
62	Distributions: (not included in claims totals)			
63			Refunds	
64			Loss Claims Payments	(26,060,372)
65			LAE Expense Payments	-
66			Early Access - Guaranty Associations	
67			Other Distributions	
68	TOTAL DISTRIBUTIONS			(26,060,372)
69				
70				
71	GENERAL ADMINISTRATION EXPENSES			
72			Takeover Expense (pre-appointment)	
73			Bank Charges	(4,857)
74			Building/Utilities/Related Expenses	
75			Employee - Payroll, PIR Tax, Benefits, Contract	
76			Equipment/Lease/Maintenance	-
77			Inventory/Storage/Moving	
78			IT/Computer Expense	
79			Mailing/Printing/Postage/Publication	(86)
80			Miscellaneous expenses	(4,311)
81			Telephone	(91)
82			Receivership Allocation	(17,252)
83	GENERAL ADMINISTRATION EXPENSES			(23,579)
84				
85	SUBCONTRACTOR ADMINISTRATIVE FEES & EXPENSES:			
86			Accounting/Auditing/Federal Income Tax Services	(2,200)
87			Accounting HSP Administration	
88			Accounting/Auditing - Expenses	
89			Consulting Fees/Services	
90			Consulting Fees/Services - Expenses	
91			Legal Fees/Services	(8,357)
92			Legal Fees/Services HSP Administration	
93			Legal Fees/Services - Expenses	(338)
94	SUBCONTRACTOR ADMINISTRATIVE FEES & EXP			(8,495)
95				
96	SDR ADMINISTRATIVE FEES & EXPENSES:			
97			SDR Administration Fees	(82,476)
98			SDR Accounting Fees	(12,850)
99			SDR HSP Administration	
100			SDR Special Services	(100)
101			SDR Travel Expenses	-
102			SDR Expenses	(1,364)
103	SDR ADMINISTRATIVE FEES & EXPENSES			(96,620)
104				
105	TOTAL RECEIVERSHIP ADMINISTRATIVE EXPENSE			(128,804)
106				
107	NET RECOVERIES			27,632,823
108				
109				
100	Net Recoveries including Distributions			1,572,451

**EMPLOYERS NATIONAL INSURANCE COMPANY
EXHIBIT 2**

	A	B	C	R
1				Inception
2	R-400		Employers National Insurance Company	to Date
110				
135			CASH RECONCILIATION	
136			Beginning Unencumbered Cash	
137			Distributions	(25,060,372)
138			Net Increase (Decrease)	27,632,823
139			Ending Unencumbered Cash	1,572,451
140				
141			Accounts Payable	6,321
142			APR Loan	
143			FY 2012 Reconciliation Adjustments	0
144			Ending Cash Available	1,582,772
145				
146			Cash Assets (from Balance Sheet)	1,582,772
147			Difference (avoid <Z)	

EXHIBIT 3

EMPLOYERS NATIONAL INSURANCE COMPANY
 DEPOSITION OF ASSETS SCHEDULE
 Fiscal Year ending 10/31/11

ASSET DESCRIPTION	ASSET BALANCE AS OF 12/31/10	NEW ASSETS	SOURCE OF NEW ASSETS	ASSET RECOVERY	SOURCE OF RECOVERY	DATE OF RECOVERY	AMOUNT OF WRITE OFF	REASON FOR WRITE OFF	DATE OF WRITE OFF	SOURCE OF SETTLEMENT	DATE OF SETTLEMENT	ASSET BALANCE AS OF 10/31/11
CASH												
Beginning Cash	0	1,872,451	Cash from Operations									
		10,327	Payroll (10/31/11)									
INVESTMENTS												
Accounts Traded	0	5,662,772		0	Interest Receipts	Various	0					5,662,772
		25,793	Interest Income	28,793								0
REINSURANCE												
Reinsurers	0	25,793		28,793								0
RECEIVABLES												
Receivables	27,854,711	0		27,854,711	ECC, POC Dividends	02/11/10	0					0
OTHER ASSETS												
Other Assets	0	0		0								0
RESTRICTED ASSETS												
Restricted Assets	0	0		0								0
TOTAL												
	27,854,711	1,811,566		27,883,504			0					1,811,566

RELEASE AGREEMENT

In order to permit a distribution of the assets of the estate of Employers National Insurance Company ("Employers National"), pursuant to the orders of the 353d District Court of Travis County, Texas ("Court"), this Release Agreement is being executed by the United States and Jack M. Webb, Special Deputy Receiver of Employers National ("Deputy Receiver").

I. PARTIES

The parties to this Release Agreement are the United States and the Deputy Receiver (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), or criminal liabilities to the United States.

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 Deputy Receiver or the estate of Employers National.

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

4. The United States enters into this Release Agreement in reliance upon the representations of the Deputy Receiver contained in his affidavit dated January 25, 2011, attached as Exhibit A to this Release Agreement ("Affidavit").

III. AGREEMENT

1. Except only for possible federal tax, fraud, or criminal claims, the United States hereby releases and discharges the Deputy Receiver and the estate of Employers National from any and all liability under 31 U.S.C. § 3713(b) in connection with the Employers National liquidation.

2. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right, prior to the destruction of Employers National's records in accordance with the orders of the Court, during normal business hours, on a date and at a location agreed upon by the Parties, to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the estate, and of the Deputy Receiver, as shall be reasonably necessary to determine the existence and amount of claims the United States may have against the Employers National estate, or to determine the Deputy Receiver's compliance with the terms of this Release Agreement. No documents, books, or records of the estate or Deputy Receiver may be destroyed unless notice is given to the United States of any motion filed with the Court requesting approval of the destruction. If the Deputy Receiver does not request approval from the Court, he must obtain prior written authorization from the United States before destruction of any documents, books, or records of the estate or Deputy Receiver.

3. Except for the express undertakings of the Deputy Receiver 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 Deputy Receiver; or

(d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Deputy Receiver.

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: 3/1/11


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

Dated: March 7, 2011

By: Jack M. Webb
Special Deputy Receiver
Employers National Insurance Company,
In Liquidation

R-490 EMPLOYERS NATIONAL INSURANCE COMPANY
ESTIMATED CLOSING BUDGET

EXHIBIT 5

	Estimated Expenses
Estimated SDR Fees	
Administration	17,220.00
Accounting	3,640.00
Total SDR Fees	<u>20,860.00</u>
Estimated Miscellaneous Expenses	
Miscellaneous Expenses:	
Copies, Faxes and Postage	400.00
Record Shipping	500.00
Total Miscellaneous Expenses	<u>900.00</u>
Estimated Subcontractor Fees & Expenses	
Legal	15,173.00
Tax Returns	2,000.00
Bank Charges	400.00
Total Subcontractor Fees & Expenses	<u>17,573.00</u>
Estimated TDI Fees	
* TSL Records Storage	480.00
Liquidation Oversight	3,450.00
Total TDI Fees	<u>3,930.00</u>
Grand Total of All Expenses	<u><u>43,263.00</u></u>

* Texas State Library Records Storage fees should be remitted by separate check

ASSIGNMENT

This Assignment is made by Jack M. Webb, Special Deputy Receiver of Employers National Insurance Company (the "SDR" and "ENIC", respectively) to Jack M. Webb, Special Deputy Receiver of Employers Casualty Company (the "ECC SDR")

Whereas ENIC were placed into permanent receivership on February 10, 2010, and Jack M. Webb., was appointed as Special Deputy Receiver;

Whereas, the SDR does not believe it is in the best interests of the receivership estate of ENIC to continue the proceeding to attempt to collect any potential remaining assets;

Whereas, the Court has approved the SDR's Final Report and Application to Make Final Distribution (the "Final Report"), and pursuant to such order the SDR has distributed of the remaining cash assets of the receivership estate of ENIC;

Whereas, the Court's order approving the Final Report authorized the SDR to convey any and all unknown assets of ENIC to the ECC SDR;

Therefore, for value received, the sufficiency of which is acknowledged, the SDR conveys to the ECC SDR all right, title and interest in any and all assets of ENIC, including but not limited to unknown asserts, whether known or unknown, and any assets that have been written off by ENIC or the SDR. Such right, title and interest shall include any and all claims, potential claims, suits, demands, causes of action, charges or grievances of any kind or character, regardless of the nature or extent, whether arising in tort, contract, by statute or otherwise, and include claims for breach of fiduciary duty, constructive fraud and fraud. It is the intent of the Parties to this Assignment to convey to the ECC SDR all legal and equitable rights held by the receivership estate of ENIC, whether or not specifically identified herein.

This Assignment constitutes the entire agreement of the parties, and the Parties expressly agree that its terms supersede any other agreements or understandings with respect to the subject matter of this Assignment. This Assignment shall not waive, release or otherwise affect any liabilities or obligations of any party to ENIC.

The laws of the State of Texas govern this Assignment, and sole venue and jurisdiction for any action relating to this Assignment shall be in Travis County, Texas.

Jack M. Webb, Special Deputy Receiver of Employers National Insurance Company.

By: _____
Jack M. Webb

Date: _____

EXHIBIT 7

Employers National Insurance Company in Liquidation

**NOTICE REGARDING EMPLOYERS NATIONAL INSURANCE COMPANY
[TAXING AUTHORITIES NOTICE]**

As you were previously notified, Employers National Insurance Company was placed in receivership. This notice is to inform you that Jack M. Webb, the Special Deputy Receiver, has filed his Final Report and Application to Make Final Distribution (the "Application"). The Special Deputy Receiver will file an application to close the receivership, discharge the Receiver and Special Deputy Receiver, and dismiss this proceeding after the Receivership Court approves the Application. **You are *not* required to take any further action in response to this Notice.**

The Application in the *State of Texas v. Employers National Insurance Company*, Cause No. D-1-GN-92-002133 in the 353d Judicial District Court of Travis County, Texas will be submitted for approval on December 26, 2011 (the "Submission Date"). If granted, the distribution will be made within approximately thirty (30) days after the approval of the Final Report and Application to Make Final Distribution.

If you do have any questions you may contact this office at 281-586-7166. If you wish to review the Application, a copy is available at the Travis County District Clerks' Office, 1000 Guadalupe Street, Austin, Texas or at the estate's website at www.TexasReceiver.com. If you wish to file an objection to the Application, including but not limited to any objection to the approved expenses or any claims, you must comply with the following rules:

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, Ms. Jean Sustaita, at Jean.Sustaita@tdi.state.tx.us.
 - (b) All interested parties by email, including the undersigned counsel, Christopher Fuller at cfuller@fullerlaw.org and those listed on the Applicant's Certificate of Service.
3. The objecting party shall coordinate with opposing counsel and the Docket Clerk at (512) 463-6450 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.

EXHIBIT 7

5. 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.
6. Any Acknowledgment of Notice and Waiver to be filed by the Guaranty Association or other interested party should be filed at least (3) calendar days before the submission or hearing date.

You are required to follow these procedures only if you have an objection to the Application.

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

AFFIDAVIT OF JACK M. WEBB

State of Texas
County of Harris

BEFORE ME, the undersigned authority appeared Jack M. Webb, who after being by me
duly sworn, stated the following under oath:

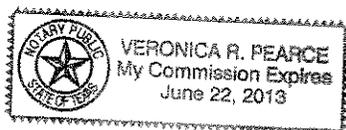
1. My name is Jack M. Webb. I am competent to make this affidavit. The statements of fact set forth herein are true and correct, and are within my personal knowledge.
2. I am the Special Deputy Receiver of Employers National Insurance Company. I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached hereto were produced pursuant to TEX. INS. CODE § 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 his official capacity.
3. I further state that I have read the statements contained in the attached Application and that they 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: _____

Jack M. Webb
Jack M. Webb

SUBSCRIBED AND SWORN TO BEFORE ME on December 6, 2011, by Jack M. Webb, Special
Deputy Receiver of Employers National Insurance Company in receivership.

Veronica R. Pearce
Notary Public



NO. D-1-GN-92-002133

STATE OF TEXAS	§	IN THE DISTRICT COURT
<i>Plaintiff,</i>	§	
	§	
V.	§	
	§	
EMPLOYERS CASUALTY	§	TRAVIS COUNTY, TEXAS
COMPANY, EMPLOYERS	§	
NATIONAL INSURANCE	§	
COMPANY AND EMPLOYERS	§	
OF TEXAS LLOYDS	§	
<i>Defendants.</i>	§	353rd JUDICIAL DISTRICT

**ORDER APPROVING SPECIAL DEPUTY RECEIVER'S FINAL REPORT AND
APPLICATION TO MAKE FINAL DISTRIBUTION
[EMPLOYERS NATIONAL INSURANCE COMPANY]**

On this day the Court heard the *Final Report and Application to Make Final Distribution* (the "Application") filed by Jack M. Webb, Special Deputy Receiver of Employers National Insurance Company (the "SDR" and "ENIC", respectively). The SDR appeared by and through its counsel. Having considered the Application, and the recommendation of the Special Master appointed in this proceeding ("the Master"), the Court finds as follows:

1. The *Seconded Amended Order of Reference to Master* ("Order of Reference") entered by this Court on November 3, 2005 provides that the Application is referred to the Master;
2. The Application was submitted to the Master in accordance with the Order of Reference;
3. Notice of the Application were provided in accordance with TEX. INS. CODE §443.007 (d) and the Order of Reference;
4. No objections were filed to the Application, and the Texas Property & Casualty Insurance Guaranty Association ("TPCIGA") filed its Acknowledgment and Waiver to the Application;

5. The Master has issued a recommendation that the Application should be granted pursuant to Rule 171 of the Texas Rules of Civil Procedure;

6. The Court has jurisdiction over the Application and the parties in interest; and

7. The Application should be GRANTED in all respects.

It is therefore ORDERED, ADJUDGED and DECREED as follows

1. The Application is granted in all respects.

2. Exhibits 1 through 3 to the Application are accepted and approved.

3. The SDR shall file a final report of expenses with its final accounting. No further interim reports of expenses are required pursuant to TEX. INS. CODE § 443.015 (g).

4. The SDR's Release Agreement with the United States, Exhibit 4, is approved.

5. The reserve for the estimated expenses to administer this proceeding through its termination, as set forth in Exhibit 5 to the Application, is approved.

6. The SDR shall distribute the assets of the receivership in accordance with TEX. INS. CODE § 443.302 as described in the Application.

7. The SDR's proposed treatment of withheld distributions to claimants who cannot be located or identified or who refuse to accept earlier distributions or failed to cash earlier distribution checks is approved.

8. The assignment to the ECC receivership of unknown assets of ENIC is approved, and the SDR is authorized to execute an assignment in a form substantially similar to Exhibit 6.

9. The SDR is authorized to dispose of ENIC's records in the manner described therein.

10. The SDR is authorized to transfer to the ECC receivership title to certain ENIC's records and authorizing him to retain or dispose of such records at his discretion.

11. The SDR is authorized to transfer to the Commissioner all remaining records of ENIC in his possession that may be required after the termination of this proceeding pursuant to TEX. INS. CODE § 443.354 (b), and the reserve for the estimated expenses to maintain such records is approved. The Commissioner is authorized to maintain or dispose of such records at her discretion.

12. The SDR's proposed notice, Exhibit 7, is approved and the Court finds that such notice is proper.

13. The SDR is authorized to execute and file any other tax forms as may be necessary.

14. The SDR is authorized to file a final expense report with the final accounting.

15. The SDR is authorized to take any action necessary to implement this Order.

16. This Order does not modify any of the terms or provisions of this Court's *Permanent Injunction and Order Appointing Permanent Receiver* against ENIC.

17. This Order constitutes a final judgment fully resolving all issues relating to the Application, provided that this Court shall retain jurisdiction to issue further orders pursuant to TEX. INS. CODE Chapter 443.

SIGNED this ____ day of _____, 2011.

JUDGE PRESIDING