

Velva L. Price
District Clerk
Travis County
D-1-GV-06-000119
Nancy Rodriguez

NO. D-1-GV-06-000119

THE STATE OF TEXAS	§	IN THE DISTRICT COURT OF
	§	
VS.	§	TRAVIS COUNTY, TEXAS
	§	
UNIVERSAL INSURANCE EXCHANGE	§	
and UNIVERSAL PARATRANSIT	§	
INSURANCE SERVICES, CORP.	§	345TH JUDICIAL DISTRICT

**FINAL ACCOUNTING AND APPLICATION TO TERMINATE THE RECEIVERSHIP
OF UNIVERSAL INSURANCE EXCHANGE AND
UNIVERSAL PARATRANSIT INSURANCE SERVICES, CORP.
AND TO DISCHARGE THE RECEIVER AND SPECIAL DEPUTY RECEIVER OF
UNIVERSAL INSURANCE EXCHANGE**

TO THE HONORABLE JUDGE OF THIS COURT

DKJ Group, Inc., Special Deputy Receiver of Universal Insurance Exchange (SDR, UIE, and UPI, respectively), files this *Final Accounting and Application to Terminate the Receivership of Universal Insurance Exchange and Universal Paratransit Insurance Services, Corp. and to Discharge the Receiver and Special Deputy Receiver of Universal Insurance Exchange* (Application).

I. INTRODUCTION

1.1 On September 11, 2019, the Court entered its *Order Approving First Amended Application for Approval of Universal Paratransit Insurance Services, Corp. Release from Receivership Agreement*. The Release from Receivership Agreement has been executed.

1.2 On September 13, 2019, the Court entered its *Order Approving Final Report of Claims and Granting Application to Make Final Distribution and Destroy Records as to Universal Insurance Exchange* (Final Distribution Order). The SDR has completed the distribution of assets in accordance with the Final Distribution Order and submits its final accounting.

1.3 On December 31, 2019, the Court entered its *Order Approving Final Report of Claims and Final Accounting, Releasing Universal Paratransit Insurance Services, Corp. from*

Receivership, and Discharging the Receiver and the Special Deputy Receiver. The Order released UPI from receivership and discharged the Receiver and SDR as to UPI but did not terminate the receivership proceeding as to UPI.

1.4 The SDR now requests that the Court terminate this receivership proceeding as to UIE and UPI and discharge the Texas Commissioner of Insurance (Commissioner) as Receiver and DKJ, Group, Inc., as the SDR of UIE.

II. AUTHORITY

2.1 The SDR is authorized to file this Application pursuant to Chapter 443 of the Texas Insurance Code.¹ Under § 443.154(a), the SDR has all the Receiver's powers, except as limited by the Receiver. The Receiver is authorized to file this Application pursuant to § 443.352.

2.2 The subject matter of this Application is referred to the Master appointed in this proceeding in accordance with the *Order of Reference to Master* entered on April 13, 2006, which refers any application to approve an action by the SDR to the Master.

III. FINAL FINANCIAL STATEMENTS BACKGROUND

3.1 The Balance Sheet attached as Exhibit A-1 and the Sources and Uses of Cash Statement attached as Exhibit A-2 to the Affidavit of Darwin K. Johnson, reflect the financial condition of UIE as of January 15, 2020.

IV. EXPENSES

4.1 The Final Distribution Order approved an Expense Reserve of \$68,938.59 for the payment of estimated expenses from June 1, 2019, through the termination of the receivership proceedings. The actual expenses of the SDR and contractors were \$78,584.19. The difference arises because the original closing budget assumed a closing date of September 30, 2019. The actual closing date proved to be months later. Expenses on some budgeted items came in under

¹ All statutory references herein are to the Texas Insurance Code, unless otherwise indicated.

budget, while expenses on other budgeted items came in above budget. The result was that actual expenses exceeded the budget. Attached as Exhibit A-3 to the Affidavit of Darwin K. Johnson is the Final Statement of Expenses submitted pursuant to § 443.015.

V. DISTRIBUTIONS

5.1 The SDR paid one hundred percent (100.00%) of the allowed claims through Class 8 pursuant to the Final Distribution Order. The SDR paid one hundred percent (100.00%) of the principal amount of the allowed Class 9 claim of \$635,000.00 plus a partial distribution of the accrued interest thereon in the amount of \$52,761.

VI. UNCLAIMED FUNDS

6.1 There are no unclaimed funds.

VII. FEDERAL INCOME TAX RETURNS

7.1 The SDR filed the final UIE federal income tax return for the year 2019 before the filing of the Application. Within 25 days of the issuance of the requested order, the SDR will file a final return for the “stub” 2020 year. No income taxes are owed by UIE. UPI is responsible to file any federal, state or local tax returns required and to pay any taxes due for UPI pursuant to the Release from Receivership Agreement approved by this Court and executed by the parties thereto.

VIII. TRANSFERS

8.1 The Final Distribution Order authorized the SDR to transfer the Tri-Continental Exchange, Ltd., (Tri-Continental) allowed claim and all other non-cash assets of UIE including unknown assets and rights of UIE to the Commissioner. There are no other known unliquidated assets of UIE. If funds are collected on the Tri Continental claim or any other asset transferred to the Commissioner and such funds are sufficient to justify a distribution, this proceeding may be reopened pursuant to § 443.353. If such funds cannot be distributed economically, the SDR requests that the Court authorize the Commissioner to deposit any such funds in an account under

§ 443.304. The SDR proposes to establish a threshold of \$10,000.00 as the minimum amount of additional funds collected to be sufficient to justify reopening the receivership for distribution purposes.

8.2 Section 443.253(h) provides for the disallowance of claims for *de minimis* amounts, as determined by the Court. In the event that the receivership is reopened pursuant to Section 8.1 of this Application, the SDR proposes to establish a distribution threshold of \$100.00 on any single claim distribution. The SDR requests that the Court find that any distribution under the proposed threshold be considered *de minimis*, that any such distribution be withheld and authorize the Commissioner to deposit any such funds in an account under § 443.304.

IX. RECORDS

9.1 All records of UIE have been transferred to the Commissioner. In accordance with the Final Distribution Order, the Commissioner is authorized to dispose of any or all records transferred at the Commissioner's discretion.

X. CHARTER AND LICENSE

10.1 The SDR has determined that a sale of the charter and license of UIE is not feasible. The SDR requests that the Court dissolve the charter pursuant to § 443.153(e)(1) on the termination of this proceeding.

XI. CERTIFICATION OF ACTIVITIES

11.1 The SDR certifies that all activities necessary to conclude this proceeding have been performed along with the final accounting of UIE funds.

XII. TERMINATION AND DISCHARGE

12.1 The SDR requests that the Court issue an order terminating this proceeding as to both UIE and UPI and discharging the Receiver and SDR of UIE.

XIII. OFFER OF PROOF

13.1 This Application is verified by the affidavit and certification pursuant to § 443.017(b) of Darwin K. Johnson, President of DKJ Group, Inc., solely in its capacity as SDR.

XIV. NOTICE

14.1 In accordance with § 443.007(d) and the *Order of Reference*, the SDR served the Application at least 14 days before the submission date of this Application on: (i) parties that filed an appearance in the proceeding and (ii) other parties as determined by the SDR as shown on the Certificate of Service.

REQUEST FOR RELIEF

WHEREFORE, PREMISES CONSIDERED, DKJ Group, Inc., Special Deputy Receiver of UIE, respectfully requests that the Court enter an Order:

1. Granting the Application;
2. Approving the Final Statement of Expenses;
3. Authorizing the Commissioner to distribute any funds recovered from the Tri-Continental claim or from the unknown assets in accordance with the Final Distribution Order, provided however, that if the amount of such funds collected is less than \$10,000.00, the Commissioner is authorized to deposit any such funds in an account under § 443.304;
4. Authorizing the Commissioner to withhold any distribution under \$100.00 as a *de minimis* amount;
5. Authorizing the dissolution of UIE's charter;
6. Authorizing the SDR (or the Receiver) to file the final tax return(s) for UIE following the entry of this order;
7. Discharging the Receiver and the SDR of UIE from all duties other than the filing of the final tax return(s);
8. Terminating the delinquency proceeding as to UIE and UPI; and

9. Granting such further relief to which the SDR or Receiver may be entitled.

Respectfully submitted,

By:  _____

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*Attorneys for DKJ Group, Inc.,
Special Deputy Receiver*

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served on all interested parties in accordance with the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. § 443.007(d) this 20th day of February, 2020, via electronic mail, unless otherwise noted.

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United States Attorney General
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Via Certified Mail/RRR

United States Attorney General
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Washington, D.C. 20530
Via Certified Mail/RRR

Chief of Special Procedures Staff
U.S. Internal Revenue Service
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Austin, Texas 78701
Via Certified Mail/RRR

Chief of Special Procedures Staff
U.S. Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224
Via Certified Mail/RRR

/s/ Michael Roth
Michael Roth

Exhibit A

NO. D-1-GV-06-000119

THE STATE OF TEXAS

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IN THE DISTRICT COURT OF

VS.

TRAVIS COUNTY, TEXAS

UNIVERSAL INSURANCE EXCHANGE
and UNIVERSAL PARATRANSIT
INSURANCE SERVICES, CORP.

345TH JUDICIAL DISTRICT

**AFFIDAVIT OF DARWIN K. JOHNSON IN SUPPORT OF
FINAL ACCOUNTING AND APPLICATION TO TERMINATE THE RECEIVERSHIP
OF UNIVERSAL INSURANCE EXCHANGE AND
UNIVERSAL PARATRANSIT INSURANCE SERVICES, CORP.
AND TO DISCHARGE THE RECEIVER AND SPECIAL DEPUTY RECEIVER OF
UNIVERSAL INSURANCE EXCHANGE**

State of Texas
County of Dallas

Came before me, a notary public, Darwin K. Johnson, who, being duly identified to me and duly sworn, did upon his oath attest:

1. I am Darwin K. Johnson. I am over the age of eighteen years. I am competent to be a witness. I have personal knowledge of the facts to which I attest. I acquired my personal knowledge in my role as President of DKJ Group, Inc. the Special Deputy Receiver of Universal Insurance Exchange (“UIE”) and through my personal involvement in the facts and events described in this Affidavit.
2. I attach to this Affidavit and incorporate into this Affidavit by reference Exhibits A-1 through A-3. Those Exhibits contain the materials described in the application which my affidavit supports. These records were prepared at my direction by the accountant for the receivership. These exhibits are records created and filed with the Special Deputy

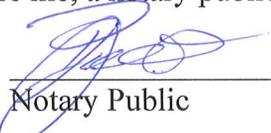
Receiver's Office and are true and correct copies of records maintained in the ordinary course of the receivership by the Special Deputy Receiver's office.

3. As set forth in the application for which this affidavit is filed to support, the SDR requests that the Court grant authority to perform the tasks set forth in the application as well as enters a discharge of the Receiver and Special Deputy Receiver and all other relief requested in the application.

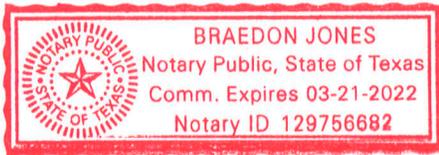


Darwin K. Johnson

Subscribed and sworn to before me, a notary public, on this 27th day of January, 2020.



Notary Public



**Universal Insurance Exchange in Receivership
Statement of Net Assets**

**As of January 15, 2020
EXHIBIT A-1**

Cash		
1	Cash	
	Cash - Unrestricted	0
	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	
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	
17	Premiums Due from Agents & Policyholders	
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	
20	Other Receivables	
	Large Cab Deductible Recoverable	
	Allowance for Uncollectible Amounts	
	Federal Income Tax Recoverable-UPI	
Other Assets		
21	FF&E	
22	Other Assets	
	Total Assets	0

**Universal Insurance Exchange in Receivership
Statement of Net Liabilities**

**As of January 15, 2020
EXHIBIT A-1**

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	0
	Liquidation Oversight	0
	Special Master's Fees	0
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	0
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	0
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	0
17	Class 7 Claims	
18	Class 8 Claims	0
19	Class 9 Claims	0
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	
	Total Liabilities	0
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	0
	Total Liabilities & Equity	0

Universal Insurance Exchange & Universal Paratransit Service Corp
Combined Sources & Uses of Cash
EXHIBIT A-2

Inception to Closing

Income	
Premium Receipts	9,419,018
Agents' Balances Received	0
Reinsurance Recoveries	200,000
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	924,173
Other Receipts	420,334
Sale of Real & Personal Property	2,150
Investment Sales/Receipts	5,995,909
Other Asset Receipts	0
Total Receipts from Assets/Receivables	16,961,584
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	1,120,037
Total Cash Receipts	18,081,621
Disbursements	
SDR Fees & Expenses	3,064,505
Subcontractor Legal Fees & Expenses	1,713,362
Subcontractor Other Fees & Expenses	1,289,121
Non-Subcontractor Fees & Expenses	0
Other Expenses	4,615,567
RLO Fees & Expenses	238,568
Total Disbursements for Operations	10,921,123
Loss Claims & LAE Expense Payments	10,204,512
Distributions to Parent	687,761
Refunds & Other Distributions	134,582
Total Cash Distributions	11,026,855
Total Cash Disbursements & Distributions	21,947,978
Net Increase(Decrease) in Cash	(3,866,357)
Cash at Beginning of Period	3,866,357
Cash at End of Period	0

Universal Insurance Exchange & Universal Paratransit Service Corp
Final Statement of Expenses
EXHIBIT A-3

SDR

Administration		\$21,950.00
Expenses		<u>567.83</u>
Total SDR Fees		<u>22,517.83</u>

Miscellaneous Expenses

Records Storage and Disposal		3,192.00
Records Shredding		6,570.00
Web Hosting		32.48
Copies, Faxes, Postage/Courier		738.25
Bank Charges, Wiring Fees & Treasury Account		<u>213.64</u>
Total Miscellaneous Expenses		<u>10,746.37</u>

Subcontractors Fees & Expenses

Legal-Consulting-Firm 1		14,825.05
Legal-Consulting-Firm 2		3,475.40
Accounting Subcontractor		9,426.71
Accounting Subcontractor- Tax Preparation		8,500.00
IT Subcontractor		<u>5,298.00</u>
Total Subcontractor Fees & Expenses		<u>41,525.16</u>

Other Fees & Expenses

Records Storage by Commissioner		1,221.00
Liquidation Oversight Allocated Expenses		483.83
Class 1 Administrative Expense		1,250.00
Special Master Fees		<u>840.00</u>
Total Other Fees & Expenses		<u><u>3,794.83</u></u>

Total Closing Expenses

\$78,584.19