

STATE OF SOUTH CAROLINA

IN THE COURT OF COMMON PLEAS

COUNTY OF RICHLAND

FOR THE FIFTH JUDICIAL CIRCUIT

Raymond G. Farmer, as Director of the South
Carolina Department of Insurance,

C.A. No. 2014-CP-40-5987

Petitioner,

**NOTICE OF FINAL PAYMENT OF
LIQUIDATION EXPENSES AND FINAL
DISTRIBUTION OF THE ASSETS OF
FIRST KEYSTONE RISK RETENTION
GROUP, INC. IN LIQUIDATION**

vs.

First Keystone Risk Retention Group, Inc.,

Respondent.

YOU WILL PLEASE TAKE NOTICE that final payment of liquidation expenses incurred to close out the liquidation estate of First Keystone Risk Retention Group, Inc. (First Keystone) has been made in full and that the final distribution of the assets of the liquidation estate of First Keystone has been completed. The Final Closing Accounting, Actual to Pro Forma, for First Keystone is attached hereto as Exhibit A; a schedule of Actual Administrative Costs to Close for First Keystone is attached hereto as Exhibit B; the Statement of Cash Receipts & Disbursements, October 21, 2014 through September 30, 2019 is attached hereto as Exhibit C; and, the Affidavit of the Special Deputy Liquidator of First Keystone is attached hereto as Exhibit D.

Pursuant to the Order of this Court entered on October 15, 2019, a copy of which is attached hereto as Exhibit E, the filing of this Notice of Final Payment of Liquidation Expenses and Final Distribution of the Assets of First Keystone Insurance Company, A Risk Retention Group, Inc. in Liquidation closes the First Keystone liquidation estate and the First Keystone liquidation proceedings in their entirety, and the Liquidator, Special Deputy Liquidator and their attorneys, accountants, assistants, representatives, contractors and agents are discharged, and all liability

whatsoever on their part arising out of or in connection with this proceeding is forever terminated; and all persons shall continue to be enjoined from commencing or prosecuting, without leave of the Court, any action or proceeding against the discharged persons in connection with or arising out of their service to the Court in the liquidation proceedings, and the Court retains jurisdiction for the purpose of enforcing this injunction.

Pursuant to S.C. Code Ann. § 38-27-660 (2015), this proceeding may only be reopened by order of this Court upon a petition and showing of good cause by the Director of the South Carolina Department of Insurance or his designee or other interested party.

January 21, 2019

s/Geoffrey R. Bonham
S.C. Bar No. 13058
Associate General Counsel

S.C. Department of Insurance
P.O. Box 100105
Columbia, SC 29202-3105

Capitol Center
1201 Main Street, Suite 1000
Columbia, SC 29201

Telephone: 803-737-6132
Fax: 803-737-6229
Email: gbonham@doi.sc.gov

One of the Attorneys for the Liquidator of
First Keystone Risk Retention Group, Inc.
in Liquidation

First Keystone Insurance Company, an RRG
Final Closing Accounting
Actual to Pro Forma

	Pro Forma Balance Sheet	Actual Balance Sheet	Variance
Assets			
Cash	3,025,311	3,033,761	8,450
Other	4,565	-	(4,565)
Total Assets	3,029,876	3,033,761	3,885
Liabilities			
Class 1	394,033	384,660	(9,373)
Class 2:	4,497,817	4,468,875	(28,942)
Class 3 and Other Subordinate Claims	4,399,199	4,399,199	-
Total Liabilities	9,291,049	9,252,734	(38,315)
Net Worth	(6,261,173)	(6,218,973)	42,200
Distribution			
Class 1	100%	100%	-
Amount	\$ 394,033	\$ 384,660	(9,373)
Class 2:	58.6%	59.3%	0.7%
Amount	\$ 2,635,843	\$ 2,649,101	13,258
Class 3 and Other Subordinate Claims	0%	0%	-

**First Keystone Insurance Company, an RRG
Final Administrative Expenses
Exhibit B**

Vendor	Budget	Actual	Variance Fav(Unfav)	Variance Reason	Purpose
FitzGibbons and Company	66,080	69,100	(3,020)	1	Administrative Fees and Costs
Plante Moran	10,000	-	10,000	2	Tax Preparation 2018 and 2019
Cube Smart, Arimingo and SC DOI	5,292	6,769	(1,478)	3	Storage of Records
Allstate Information Management	10,995	11,526	(531)	4	Record Destruction Fees
Go Daddy	55	-	55	5	IT Domain Fees
Mutual of Omaha Bank	1,000	450	550	n/a	Banking Fees
South Carolina Department of Insurance	288,562	296,043	(7,481)	6	SCDOI § 38-27-610 (1)(b)
Various Defense Counsel	12,050	773	11,278	7	Fees re: Stay/Notice Termination of Liquidation
Total	394,034	384,660	9,373		

- 1) Underestimated Philidelphia Travel Fees for Record destruction, Fed X and Go -Daddy costs paid by F&C.
- 2) Fees paid prior.
- 3) One year storage fees underestimated.
- 4) Assured destruction costs underestimated.
- 5) Paid by F&C. See 1 above.
- 6) 3Q19 activity increases, remaining residual.
- 7) Overestimate of fees due.

**First Keystone Risk Retention Group, Inc. in Liquidation
Statement of Cash Receipts and Disbursements
October 21, 2014 to September 30, 2019**

	10-21 to 12-31 2014	2015	2016	2017	2018	1-1 to 9-30 2019	ITD
Beginning cash and cash equivalents	1,957,655	1,658,456	3,232,267	2,980,133	3,004,236	3,099,326	1,957,655
Receipts							
Premiums	17,549	-	1,744	-	-	-	19,293
Investment income	4,125	41,288	29,850	33,456	49,131	49,962	207,812
Other	1,060	3,701	19,138	-	230	-	24,129
Checks voided (issued prior to liquidation)	94,207	-	-	-	-	-	94,207
Proceeds from investments, net	-	2,434,548	250,000	550,000	247,750	-	3,482,298
Total receipts	116,941	2,479,537	300,732	583,456	297,111	49,962	3,827,739
Disbursements							
Loss adjustment expenses	107,304	110,123	252,091	280,633	58,185	27,461	835,797
Losses	-	-	-	-	-	2,649,101	2,649,101
Salary and employee benefits	239,923	255,579	47,561	67,055	34,316	21,093	665,527
Professional fees	10,391	47,761	13,370	10,725	7,589	12,464	102,300
SC DOI	-	-	-	-	-	296,043	296,043
Special Deputy Liquidator	-	398,441	198,337	157,917	72,749	100,149	927,593
Rent, rent items and utilities	29,864	66,047	30,820	29,103	21,921	33,792	211,547
Offices supplies, postage and printing	18,655	12,791	6,177	9,279	2,479	3,878	53,259
Insurance	-	6,493	1,950	2,047	2,112	1,082	13,684
Bank charges	7,543	3,983	2,560	2,540	2,540	3,623	22,789
Other	2,460	4,508	-	54	131	602	7,755
Total disbursements	416,140	905,726	552,866	559,353	202,021	3,149,288	5,785,394
Net cash flows	(299,199)	1,573,811	(252,134)	24,103	95,090	(3,099,326)	(1,957,655)
Ending cash and cash equivalents	1,658,456	3,232,267	2,980,133	3,004,236	3,099,326	-	-

EXHIBIT D

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

IN THE COURT OF COMMON PLEAS
FOR THE FIFTH JUDICIAL CIRCUIT

Raymond G. Farmer, as Director of the South
Carolina Department of Insurance,

Petitioner,

vs.

First Keystone Risk Retention Group, Inc.,

Respondent.

C.A. No. 2014-CP-40-5987

**AFFIDAVIT OF MICHAEL J.
FITZGIBBONS AS SPECIAL DEPUTY
LIQUIDATOR OF FIRST KEYSTONE
RISK RETENTION GROUP, INC.**

Michael J. FitzGibbons, being first duly sworn, deposes and says as follows:

1. I am the Special Deputy Liquidation of First Keystone Risk Retention Group, Inc. (First Keystone). I was appointed to my position by the Liquidator, Raymond G. Farmer of the South Carolina Department of Insurance and by Order of this Court.

2. I am over 21 years of age and suffer no legal disability.

3. By Affidavit, I certify that the final payment of liquidation expenses incurred to close the liquidation estate of First Keystone has been made in full and that the final distribution of the assets of the liquidation estate of First Keystone has been completed pursuant to the Order entered by the supervising Court in this proceeding entered on October 15, 2019.

FURTHER AFFIANT SAYETH NOT.



Michael J. FitzGibbons
Special Deputy Liquidator

SWORN to before me this 14th day of January 2020.

Sarah Alexander

Notary Public for the State of Arizona

My Commission Expires 09/15/22

Sarah E. Alexander



SARAH E. ALEXANDER
Notary Public - Arizona
Maricopa Co. / #551135
Expires 09/15/2022

EXHIBIT E

STATE OF SOUTH CAROLINA

IN THE COURT OF COMMON PLEAS

COUNTY OF RICHLAND

FOR THE FIFTH JUDICIAL CIRCUIT

Raymond G. Farmer, as Director of the South
Carolina Department of Insurance,

Petitioner,

vs.

First Keystone Risk Retention Group, Inc.,

Respondent.

C.A. No. 2014-CP-40-5987

**ORDER APPROVING PRO-FORMA
CLOSING FINAL ACCOUNTING,
ADMINISTRATIVE EXPENSES, FINAL
DISPOSITION OF CLAIMS,
DISTRIBUTION OF ASSETS,
DESTRUCTION OF RECORDS,
DISCHARGE OF SPECIAL REFEREE,
DISCHARGE OF LIQUIDATOR AND
CLOSING OF LIQUIDATION ESTATE**

This matter comes before the Court pursuant to the South Carolina Insurers Supervision, Rehabilitation and Liquidation Act, S.C. Code Ann. §§ 38-27-10 *et seq.* (2015). Petitioner has filed an Application seeking an order approving the pro forma closing accounting, which was filed with the Application and which includes the payment of administrative expenses and the proposed distribution of the remaining assets to claimants in Class 2 pursuant to S.C. Code Ann. § 38-27-610 (2015). Pursuant to S.C. Code Ann. § 38-27-650(a) (2015), Petitioner also seeks his discharge as Liquidator as well as the discharge of the Special Deputy Liquidator and the Special Referee for claims appointed in this matter by previous order of this Court. Finally, Petitioner seeks an order closing the estate of First Keystone Risk Retention Group, Inc. (First Keystone) and providing for the destruction and maintenance of records and termination of these proceedings pursuant to S.C. Code Ann. §§ 38-27-650 and -670 (2015). Based upon the pleadings, filings orders and other submissions in the file, including the Application and exhibits thereto, I find the following:

1. First Keystone was placed in liquidation by Order of the supervising court (Liquidation Order) on October 21, 2014. On that same date, the supervising court approved the appointment by the Director of the South Carolina Department of Insurance, acting in his capacity as Liquidator for First Keystone, of Michael J. FitzGibbons as Special Deputy Liquidator pursuant to S.C. Code Ann. § 38-27-400, with all the powers of the Liquidator granted by and set forth in that Code section.

2. Consistent with the Liquidation Order, the deadline for filing claims was set for February 28, 2015; and, pursuant to S.C. Code Ann. § 38-27-580(a) (2015), all claims received have been adjudicated and each claimant has been given notice by first class mail of the action taken and notice of the time period to object to the Special Deputy Liquidator's determination of the claim.

3. All claim determinations by the Special Deputy Liquidator have been accepted by the parties or adjudicated by the court-appointed Special Referee whose report and recommendation was approved by the supervising court, except that if the Special Referee's report and recommendation was subject to an objection, either the supervising court upheld the Special Referee's recommendation, with the time for appeal now expired, or the claim was subject to a subsequent settlement approved by the supervising court.

4. The priority of distribution of claims from an insolvent insurer's estate is set forth in S.C. Code Ann. § 38-27-610 (2015). This Code section requires that every claim in each class must be paid in full before members of the next class receive payment.

5. The financial statement and exhibits attached to the Application of the Liquidator reflect that the distribution of the Class 1 administrative expenses is \$394,033.

6. The remaining cash available for distribution to Class 2 claimants amounts to

\$2,635,843 and the Class 2 approved claims total amounts to \$4,497,817. Individual distributions as set forth in Exhibit C to the Application are subject to final adjustment pursuant to S.C. Code Ann. § 38-27-610(2) (2015) for recoveries from other sources that have not yet been reported. *See also* S.C. Code Ann. § 38-27-550(a)(3) & (c) (2015) (proof of claim must include payments made on claim and receiver may require additional information).

7. These amounts, as set forth on Exhibit A to the Application, reflect that there are sufficient remaining assets contained in the liquidation estate of First Keystone to pay a pro rata share of approximately fifty-nine percent (59%) on each Class 2 claim.

8. Upon payment of the approximately 59% pro rata distribution to Class 2 claimants, all funds will be exhausted and there will not be any remaining funds to pay claims with a priority subordinate to Class 2.

9. In light of the above findings and conclusions,

IT IS THEREFORE ORDERED THAT

1. The pro forma closing accounting and administrative expenses are approved and that all the claim determinations by the Special Deputy Liquidator, Special Referee and the supervising court are hereby confirmed and the proposed distribution of the remaining assets by the Liquidator/Special Deputy Liquidator as set forth in the Application and exhibits attached thereto is proper and is hereby approved.

2. The Special Deputy Liquidator is hereby authorized to distribute the remaining assets as set forth in the Special Deputy Liquidator's Application and attached exhibits.

3. Gerald M. Finkel as the claims Special Referee is hereby discharged and he and his agents, successors and employees are forever terminated from any liability whatsoever arising out of or in connection with this proceeding.

4. Following Final Distribution of Assets and filing of the final tax return. The Liquidator shall dispose of the insurer's records, except that the insurer's financial record books for five years (2014-2019) and a copy of a list of paid claims shall be retained by the South Carolina Department of Insurance for one year from the date of the closing of the estate.

5. In the event there are any remaining unclaimed funds after a reasonable attempt is made by the Petitioner to distribute all of the funds of the Liquidation Estate as authorized by this Order, the Petitioner is authorized and directed to transfer such remaining funds to the Treasurer of the State of South Carolina pursuant to S.C. Code Ann. § 38-27-640 (2015) to be disposed of pursuant to S.C. Code Ann. § 27-19-220.

6. The Court recognizes that some of the costs set forth in Exhibit B are estimates and subject to change. The Liquidator shall file with this Court a Final Accounting which sets for the actual final administrative costs and actual final distribution to Class 2 claimants, together with all cash receipts and disbursements from the inception of the receivership.

7. Subject to the terms and conditions set forth in paragraph 9 below and the receipt of the Final Accounting as set forth in Paragraph 6 above, the Liquidator, Special Deputy Liquidator and their attorneys, accountants, assistants, representatives, contractors and agents are discharged from their responsibilities pursuant to these proceedings and all liability whatsoever on their part arising out of or in connection with this proceeding is forever terminated.

8. All persons shall continue to be enjoined from commencing or prosecuting, without leave of this Court, any action or proceeding against the discharged persons in connection with or arising out of their service to the Court in the liquidation proceedings, and the Court shall retain jurisdiction for the purpose of enforcing this injunction.

9. These proceedings and the Liquidation Estate shall be closed as of the date of the

filing of the final closing accounting and that date shall become the date of the discharge of the Liquidator, Special Deputy Liquidator and their attorneys, accountants, assistants, representatives, contractors and agents.

AND IT IS SO ORDERED.

Jocelyn Newman
Chief Administrative Judge
Fifth Judicial Circuit

October __, 2019
Columbia, South Carolina

ELECTRONICALLY FILED - 2019 Oct 15 9:16 AM - RICHLAND - COMMON PLEAS - CASE#2014CP4005987
ELECTRONICALLY FILED - 2020 Jan 21 9:38 AM - RICHLAND - COMMON PLEAS - CASE#2014CP4005987



Richland Common Pleas

Case Caption: Raymond G Farmer , plaintiff, et al vs First Keystone Risk
Case Number: 2014CP4005987
Type: Order/Other

So Ordered

Jocelyn Newman, Chief Judge for Administrative
Purposes, Court of Common Pleas, 5th Judicial
Circuit