

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 217-2006-EQ-00380

In the Matter of the Liquidation of
ACA Assurance

LIQUIDATOR'S EIGHTH REPORT

I, Roger A. Sevigny, Commissioner of Insurance, as Liquidator ("Liquidator") of ACA Assurance ("ACA"), hereby submit this eighth report on the liquidation of ACA, pursuant to RSA 402-C:25 and RSA 402-C:26, I(c).

1. Proofs of Claim. Consistent with the terms of the Order of Liquidation and the Court's entry of the Order, the claim filing deadline in the ACA liquidation passed on April 22, 2013. As of July 1, 2014, 20 proofs of claim with stated amounts totaling \$388,185 have been filed with the Liquidator, including a claim in the amount of \$376,000 filed by ACA's former landlord in Manchester, New Hampshire ("Landlord"). The Liquidator has received no new proofs of claim between the last Liquidator's report and July, 2014. In addition to these 20 proofs of claim, and pursuant to the Order of Liquidation, each of ACA's policyholders whose policies were assessed are deemed to have valid claims in the estate for the full amount of all assessments imposed on ACA's insurance policies without the policyholder being required to file proofs of claim with the Liquidator.

2. Claim Determinations and Claims Motion. Since the entry of the Liquidation Order on October 22, 2012, the Liquidator has been determining the proofs of claim and negotiating with certain claimants to wind up the affairs of ACA in accordance with the Insurers Rehabilitation and Liquidation Act, RSA Chapter 402-C, (the "Act"). The Liquidator has now made final claim determinations for all but two (2) proofs of claim filed with the estate, as follows: (i) a claim for a policyholder assessment,

which will be addressed in a manner consistent with all other policyholder assessment claims; and (ii) a claim from ACA's former Landlord, which is the subject of a settlement agreement. Other than the foregoing, the only remaining claims to be determined by the Liquidator are the 24,640 policy assessment claims ("Assessment Claims") deemed to have been filed with the estate as per the Order of Liquidation.

3. In order to address these remaining claims, as well as to expedite closure of the estate, on July 3, 2014, the Liquidator filed two verified motions with the Court. The first motion is an omnibus "Claims Motion" which seeks the Court's approval of all remaining claims, settlement agreements, the distribution of ACA's assets and the mandatory RSA 402-C:35 report. The second motion is a "Notice Motion" which seeks the Court's approval of the proposed procedures to be used for notice to policyholders and other creditors, and for the filing of objections related to the relief requested in the Claims Motion. A copy of the Claims Motion and the Notice Motion, described below, including their exhibits, may be obtained from the New Hampshire Insurance Department's website: www.state.nh.us/insurance, or ACA's website, www.aca-assurance.org.

The individual requests for relief described in detail in the Claims Motion are as follows:

- (i) Approval of the determination of the Landlord claim as a Class V priority classification in an allowed amount of \$125,000 and approval of the Liquidator's Settlement Agreement with the Landlord;
- (ii) Approval of the Liquidator's Settlement Agreement with the Supreme Council of the Royal Arcanum ("Royal Arcanum"), including the Liquidator's determinations with respect to the approval of Royal Arcanum's claims for administrative expenses;
- (iii) Approval of the determination of all Assessment Claims in full as valid Class IX priority claims pursuant to RSA 402-C;
- (iv) Approval of the proposed application of funds for the payment of the Assessment Claims, such that the funds available for payment of the Assessment Claims would be applied beginning at the forty percent (40%) assessment level, with the effect of partially reducing the assessment on the pre-need policyholders, but without reducing the level of the assessment on the remaining policyholders;
- (v) Approval of the Proposed Plan of Distribution;

(vi) Approval of the distribution of ACA's assets (after establishment of a reserve not to exceed \$52,000.00 for the Liquidator's administration costs) to claimants with allowed claims in ACA's estate in accordance with the Plan of Distribution; and

(vii) Approval of the Liquidator's report pursuant to RSA 402-C:35, including the Liquidator's determination that an additional assessment is not required or appropriate under RSA 402-C:35 and acceptance of the Liquidator's recommendation that no additional assessment be imposed pursuant to RSA 402-C:35.

4. Notice Motion, Distribution of Assets. Pursuant to the Notice Motion, the Liquidator is seeking an order (i) approving the Liquidator's proposed notice procedures, including the method, manner and form of notice to be given substantially by means of publication rather than by individual mailing and (ii) establishing a deadline for the filing and service of any objections to the Claims Motion or the Notice Motion forty (40) days from the date of the Court's order approving the Notice Motion so as to allow the Liquidator ten (10) days to complete the contemplated Publication Notice and to allow any interested party thirty (30) days to file an objection. In the event no objections are received by the Court by the objection deadline, the Liquidator has requested that the Court grant the Claims Motion and the Liquidator will proceed with the distribution of ACA's assets to claimants in accordance with the Plan of Distribution as described in the Claims Motion. If an objection to the Claims Motion is timely filed with the Court pursuant to the procedures outlined in the Notice Motion, the Liquidator has requested that the Court schedule a hearing. Finally, the Liquidator will file a report with the Court confirming that notice has been made as outlined in the Notice Motion, including the details thereof, whereupon, if no objection has been timely filed with the Court, the Liquidator has requested that the Court enter an Order approving the relief sought in the Claims Motion without a hearing.

5. Administrative Expenses. The Liquidator continues to receive and pay Class I administrative expenses as to which proofs of claim are not required to be filed. These expenses generally will not be recorded in the financial statements until paid since such statements are presented solely on a cash basis and, as such, do not reflect accrued administrative expenses. Employees of Home have been providing liquidation services to ACA during the period of the liquidation. There are other

consultants, contractors and parties who also have claims for Class I administrative expenses with respect to ACA which arise from prior contracts or in the ordinary course of handling the ongoing liquidation. These claims for administrative expenses will be reflected in the financial statements when and as they are paid. As these claims arise from the services that are being provided to the Liquidator in connection with the liquidation of ACA, these claims will constitute Class I administrative expenses but the total amount will not be finally determinable until the closure of ACA's liquidation proceeding.

6. Collection of Assets/Satisfaction of Liabilities. As described in the various reports filed with the Court by the Commissioner acting as ACA's Rehabilitator, the Rehabilitator satisfied or transferred many of ACA's liabilities and collected almost all of ACA's assets during the rehabilitation. Liabilities included a range of obligations to policyholders (net of applicable assessment), retirees and creditors. ACA's collected assets consisted primarily of real estate, mortgages, and tax refunds from Canadian tax authorities.

Assets collected during Liquidation include a tax refund of \$7,213 that was received from Revenue Quebec in March of 2013. The Liquidator on March 19, 2013 communicated with Revenu Quebec to determine if any balance is due ACA and has been advised that the file has been transferred to another department within Revenu Quebec for further review. No response has been received to date. The Liquidator no longer believes that any further recoveries will be received from Revenu Quebec. Otherwise, the only asset which remains to be collected are the monthly brokerage commissions due ACA, which totaled approximately \$8,157 in 2013, and which will be assigned to Royal Arcanum under the Settlement Agreement between the Liquidator and Royal Arcanum.

6. Status of U.S Tax Return. The Liquidator has no evidence of any governmental claim or obligation, apart from the filing of the 2013 Form 990 with the IRS which was filed on May 2, 2014. The Liquidator in July 2013 received a questionnaire from the IRS concerning the status of ACA's subordinates. The Liquidator advised the IRS that ACA had the same subordinate during the time

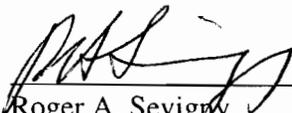
relevant to the query, that ACA had been placed into liquidation and that the subordinate's remaining policies terminated by operation of state law no later than 30 days after the date of the order of liquidation.

7. Financial Report. A copy of the unaudited Statement of Cash Receipts and Disbursements for the period ended April 30, 2014 for ACA is attached as Exhibit A to this report. The statement reflects \$450,643 in cash under the Liquidator's direct control at April 30, 2014, including \$3,818 in cash receipts and \$39,285 in cash disbursements from January 1, 2014 to April 30, 2014. The disbursements paid in 2014 consist of \$17,912 paid to Home for its claim for Class I administrative expenses, with the remainder paid for legal fees incurred and other administrative expenses. ACA's cash is held at TD Bank.

8. Next Steps. The Liquidator's next steps are premised upon the Court's approval of the Liquidator's Notice Motion and Claims Motion. The Claims Motion contemplates, among other things, the distribution of ACA's assets. Once this has been completed, the Liquidator will file a report with the Court, and a motion regarding disposition and destruction of liquidation records, preparation and filing of final tax reports on ACA's behalf, distribution of any remaining funds, discharge of the Liquidator and closure of the ACA estate.

Respectfully submitted,

Dated: July 2, 2014



Roger A. Sevigny
Insurance Commissioner
As Liquidator of ACA Assurance

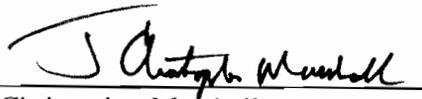
CERTIFICATE OF SERVICE

I, J. Christopher Marshall, do hereby certify that on July 3, 2014, I served a true copy of the foregoing, by first class mail, postage prepaid, to:

Roger A. Sevigny
NH Commissioner of Insurance
21 S. Fruit Street, Suite 14
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J. Christopher Marshall

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ACA Assurance In Liquidation
Statement of Cash Receipts and Disbursements

	January 1, 2014 to April 30, 2014	October 1, 2013 to December 31, 2013
Beginning Cash	\$ <u>486,110</u>	\$ <u>486,468</u>
Cash Receipts:		
Commission Income	3,818	1,355
Misc Income	-	-
Total Cash Receipts	\$ <u>3,818</u>	\$ <u>1,355</u>
Cash Disbursements:		
Legal Expenses	19,023	-
Consultant and Outside Service Expenses	18,404	259
Bank Fees	889	583
Other Expenses	970	871
Total Cash Disbursements	\$ <u>39,285</u>	\$ <u>1,713</u>
Excess of Receipts Over (Disbursements)	<u>(35,468)</u>	<u>(358)</u>
Ending Cash	\$ <u><u>450,643</u></u>	\$ <u><u>486,110</u></u>

Note - Basis of Accounting

This financial statement is prepared using the cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator are recorded; cash was the only asset as of the dates of the statements above. Certain administrative expenses have accrued during the period of the Liquidation and these expenses are not reflected as liabilities in the foregoing.