

STATE OF VERMONT
WASHINGTON COUNTY, SS

_____)	
COMMISSIONER OF THE)	
DEPARTMENT OF FINANCIAL)	
REGULATION)	
PLAINTIFF,)	SUPERIOR COURT
v.)	DOCKET NO. 175-3-18 Wncv
))	
ELITE TRANSPORTATION RISK)	
RETENTION GROUP, INC.,)	
RESPONDENT.)	
_____)	

LIQUIDATOR'S FIRST STATUS REPORT

I, J. David Leslie, Special Deputy Liquidator, hereby submit this status report concerning the liquidation of Elite Transportation Risk Retention Group, Inc. ("ETRRG" or the "Company").

1. On March 15, 2018, the Commissioner of the Department of Financial Regulation ("Commissioner") filed an *ex parte* Petition for Seizure Order pursuant to 8 V.S.A. § 7042(b), seeking, among other things, authorization to take possession and control of ETRRG. The petition was based in part on the Commissioner's conclusion that ETRRG's liabilities plus the legally required capital reserve exceeded its assets such that the Company was insolvent. The Court granted the Commissioner's petition by entering the requested order ("Seizure Order") on March 29, 2018. Following entry of the Seizure Order, the Commissioner further investigated the Company's condition, concluded that rehabilitation would be futile, and file a Petition for Order of Liquidation on April 20, 2018 which was assented to by ETRRG's Board of Directors. On May 15, 2018, the Court entered its Order of Liquidation ("Liquidation Order") that, among

other things, appointed the Commissioner as Liquidator (“Liquidator”), authorized him to appoint a special deputy liquidator, approved the Plan of Liquidation, and ordered that the Liquidator provide creditors and others with notice of the Liquidation Order and a claim filing deadline no less than 120 days after the date of the Liquidation Order. See Order of Liquidation ¶¶ 1, 5, 6, and 7. The Liquidator appointed me to serve as Special Deputy Liquidator on May 15, 2018.

2. The Claim Filing Deadline. ETRRG issued policies of commercial automobile insurance principally covering liability claims against its members (trucking companies) for bodily injuries and property damage. Such claims could arise anywhere in the country that the insured vehicles were operating and would be subject to statutes of limitation for personal injuries and damage to both real and personal property which typically range from 2 to 6 years. See, e.g., 12 V.S.A. §§ 511 (6 year limitation for civil actions not otherwise limited); 512 (3 year limitation for personal injuries and damage to personal property). The possibility of liability arising from a motor vehicle accident should typically become known to policyholders and other claimants within a short period after the incident occurs. Accordingly, the Liquidator determined that a claim filing deadline of May 15, 2019 -- one year after the date of the Liquidation Order but well before all statutes of limitation will have run -- would reasonably balance the interests of creditors with known claims (who benefit from early claim filing deadline) and the interests of creditors with unknown claims (who benefits from a later deadline.) See Liquidation Order, ¶ 6.b.

3. Provision of Notice. Pursuant to ¶ 6.a of the Liquidation Order, I caused notice of the Liquidation Order and May 15, 2019 claim filing deadline to be sent by first class mail, along with a blank proof of claim form and instructions for its submission, to the following:

- a. The chief insurance regulator in each of the fifty-one jurisdictions in which ETRRG was authorized to write business as well as twenty-seven taxing authorities previously receiving either returns, payments, or reports from the Company;
- b. Twenty-two entities insured by ETRRG from its formation to the present for which the Company had address information (there were no agents of record on ETRRG's policies);
- c. 231 third party claimants and 109 claimants' attorneys involved with claims shown as "open" in ETRRG's books and records;
- d. 152 other individuals and entities known or reasonable expected to have claims against ETRRG including vendors and former officers/employees.

4. Pursuant to ¶ 6.a.(iv) of the Liquidation Order, I caused notice of the Liquidation Order and claim filing deadline to be published in the Burlington Free Press on July 12, 2018. In addition to traditional publication notice, ETRRG's former website was replaced with a webpage (www.etrreg.com) announcing entry of the Liquidation Order, advising of the claim filing deadline, and permitting the download of the proof of claim form, filing instructions, and related materials. See *id.*, ¶ 6.a.(v). This website will be maintained for at least six months after the claim filing deadline.

5. Receipt of Proofs of Claim. As of July 12, 2018, the Liquidator had received and acknowledged a total of 14 completed proofs of claim. (Incomplete proofs of claim were returned to their senders with instructions for resubmission.)

6. Consolidation of ETRRG Assets. ETRRG's 2017 Annual Statement showed total cash and invested assets of \$5.3 million as well as letters of credit in the amount of \$1.8 million.

When the Seizure Order entered, the Commissioner drew on the letters of credit in their full amount which, in the event, totaled more than \$2.4 million. These funds were held in escrow pending the Court's consideration of the Petition for Order of Liquidation. When the Liquidation Order entered, I directed that a banking account and custodial account controlled by the Liquidator be established in Vermont (People's United Bank) and funded initially with the proceeds of the letters of credit which were wired to People's United on June 25, 2018. ETRRG's banking account with Alliance Bank in Arizona was closed and the \$1.6 million balance was transferred to the People's United account on July 3, 2018. ETRRG's Fulton Bank account has been closed and the \$0.9 million balance was transferred to People's United on July 11, 2018. ETRRG's investments were held in a custodial account at SEI Private Trust Company in Pennsylvania. The necessary forms and instructions have been provided and the investments (market value of \$1.6 million as of June 26, 2018) will be wired to the People's United custody account. Once that has occurred, all ETRRG's liquid assets will have been consolidated at People's United.

7. Consolidation of administrative functions. Responsibility for ETRRG administrative functions (e.g. preparation of financial statements, cash management, etc.) was spread among a number of organizations at the time the Liquidation Order entered. For purposes of efficiency and greater control, these functions have been consolidated with Risk Services, a large captive management organization.

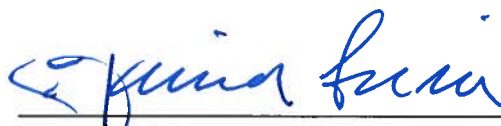
8. ETRRG's Tax Litigation. While the Seizure Order was in place, the Company requested authorization from the Commissioner to file a complaint against the Internal Revenue Service seeking payment of \$1.3 million in tax refunds alleged to be wrongfully withheld. The Commissioner authorized filing of the complaint to avoid running of the statute of limitations.

The matter is presently pending in the United States District Court for the District of Vermont (No. 5:18-CV-00077) and the parties have agreed to extend the Internal Revenue Service's deadline to respond to the complaint.

9. Collection of Assessments. The Company's shareholder agreements contemplate that the board of directors may assess the membership for additional funds under certain circumstances. In three rounds between July of 2016 and December of 2017, ETRRG invoiced its members for assessments totaling approximately \$5.1 million. In aggregate, members paid approximately \$2.7 million in assessments leaving \$2.4 million in receivables. Given the materiality of the issue and its implications for ETRRG's claims-paying ability, evaluating the collectability of these assessments is one of the Liquidator's highest priorities. Among the issues under consideration is whether the assessments were duly made in a manner consistent with the terms of the Shareholder Agreement, supported by suitable actuarial and financial analysis, and equitably allocated among members. Further, we are evaluating the Liquidator's powers to assess members/shareholders for ETRRG's capital insufficiency. I am hopeful that process can be completed within the next sixty days.

10. Next Steps. Over the coming months the Liquidator will continue to accept proof of claim forms, review the collectability of historical assessments and the tax refund, and (using that information) evaluate the feasibility of making interim distributions from the estate.

Dated this 13th day of July, 2018,



J. David Leslie
Special Deputy Liquidator

Subscribed and sworn before me
this 13th day of July, 2018



Notary Public

My commission expires:

