

Report for Special Master's Status Conference

April 29, 2019

R-559 Access Insurance Company

SDR: CANTILO & BENNETT, L.L.P.
Primary Responsible Person: Susan E. Salch
Estate Counsel: Christopher Fuller
Receiver's Counsel: Moya McKenna, Ellen Webking
RLO Analyst: Vicente Aguillon

Background on Receivership

- Date of Permanent Injunction (Liquidation): March 13, 2018
- Date of Appointment of SDR: March 14, 2018
- Claims Filing Deadline: TBD (Anticipated deadline: September 13, 2019)
- States Where Licensed: TX, AL, AZ, AR, CA, DE, TN, FL, GA, IN, KY, LA, MS, MO, MT, NV, NM, NC, OK, OR, PA, SC
- Lines of Business: Non-standard Auto
- Texas Guaranty Association Triggered: Texas Property and Casualty Insurance Guaranty Association ("TPCIGA")
- Date of Impairment: March 14, 2018
- Early Access Distributions: TBD (Anticipated distribution in 2019)

Statement of Assets and Liabilities as of March 31, 2019

Total Assets:	\$240,999,294
Cash & Invested Assets:	\$101,590,382
Non-Cash Assets:	\$139,408,912
Total Liabilities:	\$505,563,487
Negative Equity:	(\$264,564,193)

Asset Recovery through March 31, 2019

Premium Collected:	\$ 10,793,065
Subrogation/Salvage:	\$ 730,932
Reinsurance Collected:	\$ 30,560,035
FF&E Sold:	\$ 0
CDs Sold/Matured:	\$ 10,196,044
IOLTA Funds Recovered:	\$ 580,465

Status and Activity Since Last Status Conference

General Matters

Telephone Calls/Mails/Faxes/E-mails: The SDR continues to use third-party vendors to handle telephone calls and voice messages, scanning and indexing paper mail, e-mails, and faxes. The SDR has adjusted its third-party vendor contracts in anticipation of increased activity following the mailing and e-mailing of POC notices.

Early Access: The SDR expects to seek authority to make a distribution in the second quarter of 2019.

Records: The estate has current financial/accounting, claims, and reinsurance materials. Certain data and records remain commingled with AHM's materials.

There are several thousand boxes of paper records in an off-site storage facility in Atlanta held in AHM's name. The SDR's subcontractor conducted an on-site review of the records in the last quarter, and certain AIC records have been transferred to Austin. The remainder, primarily aged records, remain in storage in Atlanta.

Claims Activity

Proof of Claim Application: The Receivership Court granted the SDR's POC application. September 13, 2019, the eighteen-month anniversary of the receivership, is the claims filing deadline.

The Notice of Liquidation and Claims Filing Deadline has been posted to the estate's web site, published in newspapers across the country, and has been mailed or e-mailed to various categories of potential creditors as required by the Receivership Court's order. As of April 25, 2019, 16 POCs had been filed.

Claim Litigation: Many lawsuits, mostly *pro se*, have been filed against AIC and/or the SDR in various Superior Courts in California. The majority are referred to CIGA. However, some lawsuits are not covered by the guaranty association, requiring the SDR to monitor and consider appearing. A particularly litigious claimant has separately sued AIC, CIGA, and the SDR in connection with a rejected pre-receivership claim. His most-recent lawsuit naming the SDR's law firm as a defendant was recently dismissed upon the SDR's motion. The SDR is reviewing its options regarding similar lawsuits.

Guaranty Associations: The SDR's subcontractors continue to respond to claims calls and to provide the guaranty associations with UDS records as new or re-opened claims are reported.

The volume of new and re-opened claims is decreasing. As of March 31, 2019, UDS-A records have been sent to the associations for 48,878 open/reopened claims (47,093 as of 12/31/18). UDS-A records have been sent to the associations for 47,093 open/reopened claims. This represents an increase of 1,785 claims since the last report. The rate of

increase in new/reopened claims has dropped in the last two quarters but continues to be high for this line of business almost one year after all policies were canceled. UDS-A records have also been transferred for related closed claims, to allow the guaranty associations to evaluate policy limits.

The guaranty associations' collective reporting has become more complete as additional data has been transferred and assimilated. As of March 31, 2019, California, the association with the largest number of claims by far, reported paid losses of \$18.6 million, loss reserves of \$57.9 million, and UEP of \$16 million. Both California and Pennsylvania associations reported decreased UEP payments apparently due to the cancellation of unclaimed/uncashed checks.

As of March 31, 2019, the associations made the following reports:

State	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
AL	\$2,133,396.72	\$211,346.29	\$1,050,030.06	\$93,956.49	\$138,948.00
AR	\$2,628.59	\$1,705.00	\$71.41	\$295.00	\$0.00
AZ	\$61,647.85	\$32,910.35	\$12,546.57	\$655.25	\$8,675.00
CA	\$18,602,566.41	\$2,931,887.65	\$57,885,325.32	\$3,634,313.21	\$15,998,829.20
GA	\$185,641.66	\$34,465.44	\$1,031,655.99	\$16,217.50	\$186,578.00
IN	\$0.00	\$0.00	\$7,600.00	\$0.00	\$0.00
LA	\$124,990.38	\$12,256.93	\$81,519.00	\$6,519.59	\$30,287.86
MS	\$8,407.01	\$41,513.17	\$39,600.00	\$47,985.18	\$2,004.00
NV	\$0.00	\$0.00	\$16,300.00	\$3,500.00	\$0.00
OK	\$109,410.55	\$8,014.04	\$8,325.00	\$700.00	\$16,128.00
PA	\$4,462,968.49	\$858,307.82	\$11,140,895.62	\$1,916,807.38	\$1,597,910.59
SC	\$973,066.80	\$81,275.00	\$1,224,256.16	\$14,105.77	\$490,518.43
TN	\$0.00	\$0.00	\$3,900.00	\$0.00	\$455.00
TX	\$0.00	\$3,097.56	\$8,802.00	\$2,501.00	\$452.50

By comparison, as of December 31, 2018, the associations made the following reports:

State	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
AL	\$1,900,169.63	\$172,439.98	\$1,313,398.21	\$123,257.87	\$138,138.00
AR	\$2,628.59	\$528.00	\$71.41	\$472.00	\$0.00
AZ	\$50,897.85	\$22,555.70	\$37,696.57	\$10,643.30	\$8,601.00
CA	\$11,933,193.38	\$1,636,136.20	\$62,351,067.49	\$2,742,459.38	\$15,810,871.13
GA	\$164,696.11	\$18,761.75	\$1,128,628.35	\$22,132.75	\$186,765.00
IN	\$0.00	\$0.00	\$7,600.00	\$0.00	\$0.00
LA	\$117,833.09	\$5,015.86	\$73,119.00	\$2,259.32	\$30,287.86
MS	\$8,407.01	\$14,498.35	\$41,744.55	\$41,026.65	\$1,855.00

NV	\$0.00	\$0.00	\$1,300.00	\$0.00	\$0.00
OK	\$79,297.24	\$6,510.94	\$69,760.10	\$4,834.10	\$16,084.00
PA	\$2,828,239.31	\$483,574.70	\$15,322,733.10	\$1,658,243.66	\$1,802,229.75
SC	\$571,928.66	\$52,492.45	\$1,577,667.98	\$36,820.18	\$488,853.43
TN	\$0.00	\$0.00	\$3,900.00	\$0.00	\$455.00
TX	\$0.00	\$2,801.00	\$1,601.00	\$2.00	\$452.50

Subrogation: The SDR is compiling subrogation claims against the company to report them to reinsurers. The order approving the POC application granted the SDR authority to deem as timely filed all subrogation claims against AIC. Estate subcontractors have been conferring with large insurance carriers on the documentation of their subrogation claims against AIC.

The SDR received reports from two third-party contractors retained by AIC (before receivership) to recover on subrogation claims. The reports are under review.

Asset Recovery Activity

Litigation: On February 15, 2019, the SDR filed its Original Petition against the Access Holdco affiliates, the Delaware ABC entities, and the Embark successors to the Access Holdco affiliates in Travis County District Court. On February 19, 2019, the SDR's Delaware counsel filed proofs of claim in the ABC proceedings. All defendants have been served; the SDR has entered into agreements with the defendants to extend their answer deadlines until May 2019. The SDR is going to amend the petition to name AIC's officers and directors as individual defendants.

Cash/Securities: The SDR is liquidating AIC's portfolio of CDs as they mature. All proceeds are deposited with the Texas Treasury.

Salvage: The estate's subcontractor continues to work with the primary salvage vendor, IV Auto, to liquidate the remaining salvage vehicles belonging to the estate.

Reinsurance: In January 2019, the SDR drew down on two letters of credit securing the reinsurance obligations of Allianz Risk Transfer AG (Bermuda Branch) ("Allianz"). The draws total \$15,108,087. Allianz was the only AIC reinsurer that had failed to pay since the inception of the receivership. Instead, Allianz contends it was defrauded by AIC's former management and is entitled to rescind the treaties. All reinsurers are now current on their obligations to the estate.

In February 2019, the SDR received the December 31, 2018, actuarial report from estate actuary Merlinos. The report has been sent to the broker and (by the broker) to all reinsurers.

Statutory Deposits: In February 2019, Florida released AIC's statutory deposit of \$225,000. New Mexico has drawn on its statutory deposit bond, in part, to fund its ancillary

estate. Louisiana is expected to draw on its \$20,000 statutory deposit bond and transfer the proceeds to its guaranty association. The SDR expects to transfer some of the remaining deposits to the guaranty associations as advances towards early access.

General Legal Activities

Litigation: All first-party lawsuits involving AIC are stayed. There does not appear to be any non-claim related litigation against AIC or the SDR. There are many claims-related lawsuits that name AIC as a party. These are typically stayed or dismissed once the SDR notifies plaintiff's counsel and the appropriate guaranty association. At least one case has been filed to prevent the statute of limitations from running while the guaranty association considers the claim. The SDR will not take any action in this case (or any similar cases), provided the plaintiffs do not attempt to move forward with the lawsuit.

Regulatory Action: AIC's license has been, or will be, restricted, revoked, or suspended in Alabama, North Carolina, Oregon, Mississippi, Montana, Florida, Louisiana, Tennessee, and Arkansas.

Judgments Report: In February, the SDR responded to RLO's request to report on the status of all judgments held by the estate.

Subpoenas: The SDR still receives a substantial number of records subpoenas, primarily from California and Pennsylvania. A total of 636 subpoenas and 15 records requests were received and processed from May 1, 2018 to March 31, 2019. Many of the subpoenas seek the production of voluminous records, which take additional time to retrieve and review. Accordingly, as of January 1, 2019, the SDR increased the \$500 non-refundable fee to \$1,000 for subpoenas that require additional work (such as the production of an entire litigation claim file), while leaving the standard \$500 fee in place for subpoenas that seek a smaller number of records (such as requests for policy-related documents). Documents are produced in the order that the money and appropriate releases are received.

New Mexico Ancillary Proceeding: There has been no activity since the last report. On September 20, 2018, the New Mexico state court granted the New Mexico Department of Insurance's motion for an ancillary receivership. The order provides that the ancillary receiver will pay costs and claims out of \$75,000 it will draw from the New Mexico bond, and at closing, it will distribute any remaining money to the SDR. The ancillary receiver has the legal right to make further draws from the surety bond in the unlikely event that there are other claims. The bond will be effectively canceled when the New Mexico ancillary closes, and the SDR does not have any independent right to the bond or its proceeds.

Conclusion

Summary of Major Achievements:

- Obtained order setting claims filing deadline, manner of notice and approving deemed claims.

- Published Notice of Liquidation and Claims Filing Deadline in newspapers across the country, mailed and e-mailed POC notices.
- Filed asset recovery lawsuit.
- Filed claims in Delaware ABC proceedings.
- Recovered Florida statutory deposit.
- Drew down on letters of credit securing reinsurance obligations.
- Continued opening/re-opening claims and working with guaranty associations.

Estate Goals to Achieve Prior to Next Status Conference:

- Amend petition in asset recovery lawsuit to name directors and officers.
- File Application to make first early access distribution.
- Continue reporting to reinsurers.
- Complete review estate books and records for preferential transfers.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD