

Report for Special Master's Status Conference

July 30, 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: 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 June 30, 2019

Total Assets:	\$239,833,553
Cash & Invested Assets:	\$105,373,399
Non-Cash Assets:	\$134,460,154
Total Liabilities:	\$507,063,202
Negative Equity:	(\$267,229,649)

Asset Recovery through June 30, 2019

Premium Collected:	\$ 10,793,065
Subrogation/Salvage:	\$ 771,998
Reinsurance Collected:	\$ 34,276,304
FF&E Sold:	\$ 0
CDs Sold/Matured:	\$ 11,446,044
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 third quarter of 2019.

Claims Activity

Proof of Claim Application: As of July 22, 2019, 1,835 POCs had been filed. Many of the claims seek subrogation recoveries. The claims filing deadline is September 13, 2019.

Claim Litigation: There were no new lawsuits filed against AIC and/or the SDR in California in the last quarter. The SDR has retained California defense counsel to represent the estate in the lawsuits that remain open in that state and to domesticate the Texas receivership order.

Guaranty Associations: As of June 30, 2019, UDS-A records have been sent to the associations for 49,839 open/reopened claims. This is an increase of 961 claims since March, however the volume of new and re-opened claims is decreasing somewhat. The increase from the prior quarter was 1,785 new or re-opened claims.

The guaranty associations' collective reported loss payments, expense payments, and expense reserves continued to increase in June. As of June 30, 2019, California, the association with the largest number of claims by far, reported paid losses of \$25 million, loss reserves of \$50 million, and UEP of \$15.9 million.

As of June 30, 2019, the associations made the following reports:

State	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
AL	\$2,403,506.04	\$281,723.23	\$779,443.69	\$51,231.81	\$139,775.00
AR	\$2,628.59	\$1,705.00	\$71.41	\$295.00	\$0.00
AZ	\$61,647.85	\$33,294.35	\$9,296.57	\$877.05	\$8,675.00
CA	\$25,172,654.53	\$4,006,161.39	\$49,821,493.87	\$3,940,300.63	\$15,909,800.75
GA	\$306,058.87	\$48,697.64	\$778,805.51	\$13,725.25	\$186,578.00
IN	\$0.00	\$0.00	\$3,800.00	\$0.00	\$0.00
LA	\$139,490.38	\$16,970.10	\$83,419.00	\$7,806.42	\$30,287.86
MS	\$8,407.01	\$42,243.67	\$39,600.00	\$47,254.68	\$2,004.00
NV	\$0.00	\$0.00	\$16,300.00	\$7,500.00	(\$103.00)
OK	\$109,410.55	\$8,014.04	\$5,125.00	\$0.00	\$16,128.00
PA	\$5,211,295.52	\$1,069,243.85	\$9,356,506.57	\$1,858,200.68	\$1,597,910.59
SC	\$1,381,960.82	\$107,448.18	\$855,866.47	\$14,670.28	\$490,518.43
TN	\$0.00	\$1,085.00	\$3,900.00	\$1,915.00	\$455.00
TX	\$0.00	\$3,313.16	\$8,802.00	\$502.00	\$452.50

By comparison, as of March 31, 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

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.

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. In June, the SDR served the amended petition on AIC's former officers and directors as defendants. The SDR has entered into agreements with counsel for all defendants to extend their deadlines to answer until late July/early August 2019. The deadlines may be further extended.

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 very few remaining salvage vehicles belonging to the estate.

Reinsurance: All reinsurers are now current on their obligations to the estate. In the last quarter, the SDR recovered \$3,716,269 from reinsurers.

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.

Subpoenas: The SDR continues to receive a substantial number of records subpoenas, primarily from California and Pennsylvania. The SDR received 116 new subpoenas and records requests in the last quarter for a total of 814 from inception of the estate to June 30, 2019. Many of the subpoenas seek the production of voluminous records, which take additional time to retrieve and review. Accordingly, the SDR increased the 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. The SDR will not waive service of process for any subpoena. The SDR normally waives the fee for subpoenas issued by a regulator, such as the California Department of Insurance.

New Mexico Ancillary Proceeding: There has been no activity since the last report.

Conclusion

Summary of Major Achievements:

- Amended asset recovery lawsuit to name former officers and directors; all defendants have been served.
- Continued opening/re-opening claims and working with guaranty associations.

Estate Goals to Achieve Prior to Next Status Conference:

- 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