

Report for Special Master's Status Conference

October 27, 2020

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
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
- First Early Access Distribution: \$55,321,427

Statement of Assets and Liabilities as of September 30, 2020

Total Assets:	\$253,681,614
Cash & Invested Assets:	\$ 79,545,767
Non-Cash Assets:	\$174,135,847
Total Liabilities:	\$467,846,993
Negative Equity:	(\$214,165,379)

Asset Recovery through September 30, 2020

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 896,303
Reinsurance Collected:	\$ 64,314,706
CDs Sold/Matured:	\$ 21,549,715
IOLTA Funds Recovered:	\$ 592,965

Status and Activity Since Last Status Conference

General Matters

Early Access: In January 2020, the SDR distributed a total of \$55,321,427 to twelve associations. The distribution funded all paid Class 1 and Class 2 claims reported as of

August 31, 2019. By year end, the SDR anticipates seeking approval to make a distribution which will fully cover the guaranty associations' paid losses and expenses through at least September 30, 2020.

Subrogation: The estate recovers approximately \$.90 in reinsurance for every dollar of approved claims. To accelerate estate cash flow and convert the IBNR into recognized paid losses, the SDR instituted a program to efficiently adjudicate the large block of subrogation claims. To date, the SDR has approved approximately \$5.3 million in subrogation claims, including more than \$1.7 million in September.

COVID-19 Response: The estate continues to function during the pandemic with no delays. The SDR and estate employees continue to work remotely, although a small staff supports the SDR's Minimum Basic Operations in compliance with the State of Texas' and City of Austin's guidance. Mail, faxes, voice mail messages, and e-mails are forwarded to the responsible estate staff or subcontractor, as usual.

Claims Activity

Proof of Claim Application: The claims filing deadline was September 13, 2019. As of that date, 6,310 POCs were timely filed, the majority of which seek subrogation recoveries. Since the filing deadline, an additional 110 POCs have been received, bringing the total as of September 30, 2020, to 6,420.

Claim Litigation: The SDR continues to be served with lawsuits against the company, SDR, or alleged insured. Upon receipt, the SDR notifies plaintiff's counsel of the liquidation and, if applicable, refers the claim to the appropriate guaranty association.

Guaranty Associations: Claims data is provided to all affected guaranty associations via transfer of UDS records. As of September 30, 2020, UDS-A records have been sent to the associations for 51,122 open/reopened claims (50,022 as of June 30, 2020). In the last nine months, new and re-opened claims have fallen precipitously; only 423 have been transferred since the beginning of the year. Whereas for the year 2019, more than 3,600 were sent to the associations.

The guaranty associations continued to convert claims and expense reserves into reported loss and expense payments in June. As of September 30, 2020, California, the association with by far the largest number of claims (40,266), reports paid losses of \$ 48.7 million, loss reserves of \$11.4 million, and UEP of \$16 million. In contrast, as of June 30, 2020, California, reported paid losses of \$46.8 million, loss reserves of \$14.6 million, and UEP of \$16 million.

As of September 30, 2020, the guaranty associations report the following totals:

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$63,074,835	\$12,622,615	\$15,136,590	\$4,048,006	\$19,753,766

As of June 30, 2020, the guaranty associations reported the following totals:

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$60,708,350	\$11,702,699	\$18,949,156	\$4,350,699	\$19,753,142

As of December 31, 2019, the guaranty associations reported the following totals:

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$51,665,368	\$8,604,167	\$36,212,972	\$5,718,776	\$19,797,855

Asset Recovery Activity

Reinsurance: All reinsurers are current on their payment obligations to the estate. The SDR has collected \$65,314,706 in reinsurance recovery to date.

SDR v. Holdco et al., Texas Litigation: The SDR settled the estate's claims against Access' former officers and directors for \$9,600,000. Judge Sulak approved the SDR's settlement application on October 6, 2020. Payment is due no later than November 19, 2020.

On October 3, 2019, Judge Sulak entered an Order Denying the ABC and Embark Defendants' Special Appearances in the SDR's asset recovery lawsuit and the SDR's application to enjoin the Delaware litigation against the SDR. The ABC and Embark Defendants appealed the rulings. All briefing to the Third Court of Appeals is complete. The appellate court has denied the appellants' request for oral argument and the parties await a ruling.

Cash/Securities: The SDR is liquidating AIC's portfolio of CDs as they mature. The SDR is consolidating the portfolio so that all instruments will be with one broker. As the CDs mature, proceeds are deposited in the estate's Texas Treasury Safekeeping Trust Account.

Attorney Trust Funds: As previously reported, AIC had a practice of transferring the policy limits to defense counsel's trust account pending the ultimate settlement of the underlying lawsuit. After receivership, the SDR attempted to claw back any unspent funds

from counsel. To date, the SDR has recovered \$592,965 from defense counsel. In October 2020, the SDR filed suit against a California defense counsel who failed to account for \$30,000 deposited into his trust account in January 2018.

General Legal Activities

Delaware Proceedings: The SDR's motion to dismiss the lawsuit filed by the ABC and Embark parties is stayed pending the Texas appeals of the special appearances.

Subpoenas: The SDR continues to receive a substantial number of records subpoenas, primarily from California and Pennsylvania. The SDR received 265 new subpoenas and records requests in the last two quarters, for a total of 1,480 from inception of the estate to September 30, 2020. 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). Very few parties actually end up paying the fee. The SDR waives the fee for regulators and other government agencies. Documents are produced in the order that the money and appropriate releases are received.

Conclusion

Summary of Major Achievements:

- Settled claims against AIC's former directors and officers.
- Collected approximately \$23.6 million in reinsurance remittances.
- Continued to process subrogation POCs.

Estate Goals to Achieve Prior to Next Status Conference:

- Collect on settlement with directors and officers.
- Litigate claims against ABC/Embark entities after interlocutory appeal.
- Seek Receivership Court approval of second early access distribution.
- Pursue litigation against former defense counsel for recovery of trust funds.
- Pursue preferential recovery claims.
- Continue reporting to reinsurers and pursue commutations.

Estate Closing Date of Receivership: TBD

Factors Affecting Closing Date and Final Distribution: TBD