

## Report for Special Master's Status Conference

July 26, 2022

### R-559 Access Insurance Company

SDR: CANTILO & BENNETT, L.L.P.  
Primary Responsible Person: Susan E. Salch  
Estate Counsel: Christopher Fuller  
Receiver's Counsel: Kimberly Hammer  
RLO Analyst: Kathy Gartner

#### 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: \$119,969,601
  - January 2020: \$ 55,321,427
  - April 2021: \$ 64,648,174

#### Statement of Assets and Liabilities as of June 30, 2022

Total Assets:	\$262,165,146
Cash & Invested Assets:	\$ 63,919,895
Non-Cash Assets:	\$198,245,251
Total Liabilities:	\$484,787,418
Negative Equity:	(\$222,622,272)

#### Asset Recovery through June 30, 2022

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 919,052
Reinsurance Collected:	\$100,378,153
CDs Sold/Matured:	\$ 25,499,715
IOLTA Funds Recovered:	\$ 592,965
Litigation/Settlement Recovery:	\$ 16,600,000

## Status and Activity Since Last Status Conference

### Asset Recovery Litigation

**SDR v. Holdco, et al., Texas Litigation:** The SDR collected a total of \$16.6 million, and the litigation is finished. All lawsuits and appeals between the SDR and the various defendants and related parties have been dismissed.

### Claims Activity

**Proofs of Claim (“POCs”):** The SDR has received a total of 7,337 POCs as of June 30, 2022. The vast majority of the POCs (including the POCs filed after the September 13, 2019, deadline) are subrogation claims from other insurers. Pursuant to the Receivership Court’s POC Order, there is no deadline for the timely filing of subrogation claims. As of June 30, 2022, the SDR has approved 35 non-guaranty association Class 2 claims for \$30,248, largely consisting of uncovered unearned premium (“UEP”) and one non-covered loss claim; 5,440 Class 5 subrogation claims for \$31,793,104; and 6 Class 6 claims for \$57,284, which are subrogation claims submitted by state or municipal governments.

**Subrogation Claims:** Since the Claims Committee began reviewing POCs in early 2020, the SDR has adjudicated 6,345 POCs. The 45-day appeal period has run on 6,112 claims. The total amount of approved subrogation claims is approximately \$31.9 million.

**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:

**Early Access:** The SDR will file an application to make a Third Early Access Distribution that will cover unpaid guaranty association loss and expense payments through May 31, 2022, which is approximately \$15.2 million. To date, the SDR has made early access distributions in the amount of \$119,969,601 to the guaranty associations. All Class 1 and Class 2 claims for the associations, including UEP claims, have been paid up to October 31, 2020.

Claims data is provided to all affected guaranty associations via transfer of UDS records. As of June 30, 2022, UDS-A records have been sent to the associations for 51,317 open/reopened claims (51,310 as of March 31, 2022).

As of June 30, 2022, California, the association with by far the largest number of claims, 40,390, reports paid losses of \$56.1 million, loss reserves of \$1.9 million, and UEP of \$16 million. Total guaranty association loss reserves totaled \$3.52 million as of June 30, 2022.

As of June 30, 2022, the guaranty associations reported the following totals:

<b>Loss Payments</b>	<b>Expense Payments</b>	<b>Loss Reserves</b>	<b>Expense Reserves</b>	<b>Return of Premium</b>
\$71,888,803	\$16,953,454	\$3,521,778	\$1,688,780	\$19,654,499

In comparison, the guaranty associations reported the following totals as of March 31, 2022:

<b>Loss Payments</b>	<b>Expense Payments</b>	<b>Loss Reserves</b>	<b>Expense Reserves</b>	<b>Return of Premium</b>
\$71,435,754	\$16,667,256	\$4,086,473	\$2,035,776	\$19,654,206

### **Asset Recovery Activity**

**Reinsurance:** Reinsurance collections, from inception of the estate through June 30, 2022, total \$100,378,163.

**Cash/Securities:** As AIC's portfolio of CDs mature, proceeds are deposited in the estate's Texas Treasury Safekeeping Trust account. Since the last report, CDs totaling \$500,000 matured, bringing the total investments matured from inception of the estate to \$25,499,715, and leaving \$250,000 which will mature in 2023.

### **General Administrative Matters**

**Financial Statements:** The SDR updated the estate's Statements of Assets and Liabilities to reflect the most recent reserves established by Merlinos & Associates, Inc., and the adjudication of POCs. The revised figures were posted in the quarterly financial report filed on June 15, 2022.

The updates to the financial statements are intended to provide approved creditors of the estate with sufficient information for them to accurately estimate their potential distribution while at the same time securing the historic financial reporting for NOL calculations and tax filings.

**COVID-19 Response:** The estate continues to function without delays despite the pandemic.

### **General Legal Activities**

**Subpoenas:** The SDR continues to receive a substantial number of records subpoenas, primarily from California, and Pennsylvania. The SDR has received 1,919 subpoenas and records requests from inception of the estate through June 30, 2022, including 49 new requests in the last quarter.

## **Conclusion**

### **Summary of Major Achievements:**

- Approved approximately \$1.4 million in Class 5 subrogation claims.
- Collected approximately \$3.2 million in reinsurance remittances.

### **Estate Goals to Achieve Prior to Next Status Conference:**

- Continue adjudicating subrogation POCs.
- Pursue collection of judgment against Mr. Fuchs.
- Continue reporting to reinsurers.
- Seek approval for Third Early Access Distribution.

**Estate Closing Date of Receivership:** TBD

**Factors Affecting Closing Date and Final Distribution:** TBD