

Report for Special Master's Status Conference

October 25, 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: Lori Talley

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
- Third Early Access Distribution:
 - (EST) November 2022: \$15,234,286

Statement of Assets and Liabilities as of September 30, 2022

Total Assets:	\$262,498,705
Cash & Invested Assets:	\$ 65,399,881
Non-Cash Assets:	\$196,098,824
Total Liabilities:	\$484,761,732
Negative Equity:	(\$223,263,027)

Asset Recovery through September 30, 2022

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 919,460
Reinsurance Collected:	\$101,857,053
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

Claims Activity

Proofs of Claim (“POCs”): The SDR has received a total of 7,539 POCs as of September 30, 2022. Most of the new claims opened since June 30 arose because some POCs included multiple claims so each was given its own POC number. 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 September 30, 2022, the SDR has approved 35 non-guaranty association Class 2 claims for \$30,248, largely consisting of uncovered unearned premium (“UEP”) and 1 non-covered loss claim; 5,667 Class 5 subrogation claims for \$32,508,923; 80 Class 5 AIC defense counsel claims for pre-receivership fees and expenses for \$94,245; 1 Class 5 vendor claim for \$9,910; and 6 Class 6 claims for \$57,284, which are subrogation claims submitted by state or municipal governments. One POC has been withdrawn and 959 have been denied (disallowed).

Subrogation Claims: The Claims Committee has issued 6,667 determination letters. The appeal deadline has run on 6,382 of the determinations. The total amount of approved claims is approximately \$32.7 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: On September 29, 2022, the Receivership Court granted the SDR’s application to make a third early access distribution of approximately \$15.2 million to cover unpaid guaranty association loss and expense payments reported through May 31, 2022. The distribution includes the Tennessee association because that state released its statutory deposit. The Arkansas association, which retains its statutory deposit, will not be included. Barring an appeal, the SDR will make the distributions in November.

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 September 30, 2022, UDS-A records have been sent to the associations for 51,324 open/reopened claims (51,317 as of June 30, 2022).

As of September 30, 2022, California, the association with by far the largest number of claims, 40,396, reports paid losses of \$56.3 million, loss reserves of \$1.47 million, and UEP of \$16 million. Total guaranty association loss reserves totaled \$3.09 million as of September 30, 2022.

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

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$72,244,387	\$17,138,259	\$3,089,230	\$1,483,577	\$19,654,499

In comparison, the guaranty associations reported the following totals as of June 30, 2022:

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

Asset Recovery Activity

Reinsurance: Reinsurance collections, from inception of the estate through September 30, 2022, total \$101,857,053.

Cash/Securities: As AIC's portfolio of CDs mature, proceeds are deposited in the estate's Texas Treasury Safekeeping Trust account. The total investments matured from inception of the estate is \$25,499,715. One CD in the amount of \$250,000 remains and will mature in 2023.

Statutory Deposits: Tennessee released its \$56,000 statutory deposit and its guaranty association will be included in the third early access distribution. Only the Arkansas statutory deposit of \$122,375 remains outstanding. That state's guaranty association reports only a total of \$4,700 in paid and reserved losses and expenses (and will not receive an early access distribution). Nevertheless, the Arkansas Department of Insurance insists that AIC cancel its certificate of authority before agreeing to the release of the deposit. The issue is under review.

General Administrative Matters

Financial Statements: The SDR has continued to update the financial reporting to include current information on the amounts approved on POCs and their classification. 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 1,969 subpoenas and records requests from inception of the estate through September 30, 2022, including fifty new requests in the last quarter.

Conclusion

Summary of Major Achievements:

- Obtained Receivership Court approval of Third Early Access application.
- Processed the majority of the subrogation POCs and began working on other Class 5 claims.
- Approved approximately \$716,000 in Class 5 subrogation claims.
- Collected \$1,478,890 in reinsurance remittances.
- Closed the last of the pre-receivership bank accounts at SunTrust (n/k/a Truist) Bank.

Estate Goals to Achieve Prior to Next Status Conference:

- Make third early access distribution.
- Continue adjudicating remaining POCs.
- Pursue collection of judgment against Mr. Fuchs.
- Continue reporting to reinsurers.
- Resolve Arkansas statutory deposit issue.

Estate Closing Date of Receivership: TBD

Factors Affecting Closing Date and Final Distribution: TBD