

Report for Special Master's Status Conference

May 3, 2024

R-559 Access Insurance Company

SDR: CANTILO & BENNETT, L.L.P.
Primary Responsible Person: Susan E. Salch
Estate Counsel: Christopher Fuller
Receiver's Counsel: Shawn Martin
RLO Analyst: David Carbajal

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: \$134,403,678

Statement of Assets and Liabilities as of March 31, 2024

Total Assets:	\$266,436,932
Cash & Invested Assets:	\$ 57,761,291
Non-Cash Assets:	\$208,675,641
Total Liabilities:	\$486,829,880
Negative Equity:	(\$220,392,948)

Asset Recovery through March 31, 2024

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 925,068
Reinsurance Collected:	\$106,035,572
CDs Sold/Matured:	\$ 25,749,715
IOLTA Funds Recovered:	\$ 639,736
Litigation/Settlement Recovery:	\$ 16,600,000

Status and Activity since Last Status Conference

Claims Activity

Proofs of Claim (“POCs”): The SDR has received a total of 9,425 POCs as of March 31, 2024. The SDR continues to get new subrogation claims in response to notifying carriers of unfiled claims last year. There have been 69 new subrogation claims in 2024 including ten received since the last status conference.

The vast majority of the POCs (including all 1,305 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. The SDR anticipates seeking Court authority to cut off subrogation POCs and all late claims in late 2024.

As of March 31, 2024, the SDR has approved 322 Class 1 claims for \$37,740 arising from POCs filed by AIC defense counsel for post-receivership work expressly authorized by the SDR (some of the defense counsel POCs include both pre-receivership Class 5 claims and post-receivership Class 1 claims). In addition, the SDR has approved 45 non-guaranty association Class 2 claims for \$143,567, largely consisting of uncovered unearned premium (“UEP”) and 12 non-covered loss claims; 6,069 Class 5 subrogation claims for \$35,308,924; 845 Class 5 AIC defense counsel claims for pre-receivership fees and expenses for \$909,694; 201 Class 5 vendor claims for \$124,347; and 6 Class 6 claims for \$57,284, which are subrogation claims submitted by state or municipal governments. One POC has been withdrawn, five are pending because more information or documentation is needed, and 1,513 have been denied (disallowed).

In total, the SDR has approved claims for \$36,885,190 as of March 31, 2024. In comparison, the figure was \$36,254,308 as of December 31, 2023.

The SDR has not processed the POCs filed by the guaranty associations, which consist of Class 1 and Class 2 claims. These will be adjudicated after they have largely completed the processing of covered claims. The SDR anticipates that the guaranty association claims will be paid in full.

Deemed Deductible POC Project: The Receivership Court’s order granting the SDR’s application on the filing of POCs authorized the SDR “to deem statutory deductible claims, consisting of claims arising from the application of deductibles or co-insurance payments under some guaranty association statutes, as duly filed claims against the estate.” The SDR is conferring with claims subcontractors on the process of notifying claimants. The SDR estimates that the estate will deem 14,430 claims for a total value of \$908,228. All deemed deductible claims will have a Class 2 priority. The SDR expects to begin issuing determination letters in the third quarter of 2024.

Guaranty Associations

Early Access: To date, the SDR has made early access distributions in the amount of \$134,403,678 to the guaranty associations. All Class 1 and Class 2 claims for the associations, including UEP claims, have been paid through May 31, 2022. The Arkansas association, which retains its statutory deposit, has not been included in any distribution. The SDR filed an application to make a fourth early access distribution in April 2024 to pay all association claims up to February 29, 2024.

Claims data is provided to all affected guaranty associations via transfer of UDS records. As of March 31, 2024, UDS-A records have been sent to the associations for 51,338 open/reopened claims. Three new or reopened claims were reported in the quarter.

Although there are fourteen guaranty associations that report their activity to the UDS system, the California Insurance Guarantee Association (“CIGA”) has by far the largest number of claims, payouts, and reserves. Therefore, the SDR typically discusses only CIGA’s claims activity in this Report. As of March 31, 2024, California, with 40,406 claims, reported paid losses of \$57.2 million, loss reserves of \$366,029, and UEP of \$16 million. For comparison, at year end 2023, California (with 40,404 claims) reported paid losses of \$57.15 million, loss reserves of \$430,188, and UEP of \$16 million. Total guaranty association loss reserves decreased in the last quarter by approximately \$235,000 to \$843,465.

As of March 31, 2024, the guaranty associations reported the following totals:

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$73,630,742	\$17,536,721	\$843,465	\$477,276	\$18,540,762

In comparison, the guaranty associations reported the following totals as of December 31, 2023:

Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Return of Premium
\$73,522,393	\$17,472,087	\$1,078,396	\$543,100	\$18,540,389

Asset Recovery Activity

Reinsurance: Collections total \$106,035,572 from inception through March 31, 2024. Estate actuary, Merlinos, has circulated to the SDR and counsel a draft reserve report, as of September 30, 2023. The draft reflects a significant reduction in reserves, specifically IBNR.

Statutory Deposits: The Arkansas statutory deposit of \$120,000, plus accrued interest and less bank fees, remains outstanding. That state’s guaranty association reports a total of only \$4,700 in paid and reserved losses and expenses. Nevertheless, the Arkansas Department of Insurance insists that AIC cancel its certificate of authority (“COA”) before

agreeing to the release of the deposit. However, the Arkansas Department of Insurance also requires an affidavit certifying that all Arkansas claims have been paid before the COA will be canceled. The SDR is preparing a submission to the Department setting out the status of any known Arkansas-based claims that have not already been paid by its guaranty association. The Arkansas guaranty association has not received any early access distributions, but it would either be paid in full after the deposit is released or paid from the deposit before it is released.

SDR v. John Paul Fuchs: The SDR's judgment against attorney Fuchs totals \$52,213.73 and accrues simple interest at 5% per year. The award includes return of the missing \$30,000.00 in trust funds, \$16,744.00 in attorney fees, and \$5,469.73 in pre-judgment interest. The SDR hired California collections counsel, who is pursuing recovery on the judgment against Mr. Fuchs in California. California collections counsel has domesticated the judgment against Mr. Fuchs in California. Mr. Fuchs provided his alleged value of his home and mortgage balance. Based on the information provided by Mr. Fuchs, he appears to have approximately \$200,000 in equity in his residence. California has more limited homestead protection than Texas. On March 26, 2024, the California court issued a Writ of Execution on the judgment.

General Administrative Matters

Financial Statements: The SDR has continued to update the estate's financial reporting to include current information regarding the amounts approved on POCs and their classification, along with the amounts potentially available for distribution. 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.

General Legal Activities

Subpoenas: The SDR continues to receive a number of records subpoenas, primarily from California and Pennsylvania. The SDR has received 2,249 subpoenas and records requests from inception of the estate through March 31, 2024, including 52 new requests in the quarter.

Many of the subpoenas seek the production of voluminous records, which take additional time to retrieve and review, at receivership expense. A non-refundable fee of \$1,000 must be paid for subpoenas that require additional work (such as the production of an entire litigation claim file). The standard \$500 fee remains in place for subpoenas that seek a smaller number of records (such as requests for policy-related documents). Very few parties pay the fees.

Normally, the SDR will not waive service of process for any subpoena because a party responding to a subpoena, as compared to a simple document request, has certain legal protections. The SDR does not want to expose the estate to potential litigation in other states. However, the SDR will produce records for regulators at no cost provided a

subpoena is served or when the regulator has authority to obtain the records without a subpoena.

Conclusion

Summary of Major Achievements:

- Continued processing new subrogation claims and completed adjudication of non-subrogation POCs.
- Issuance of writ of execution against Mr. Fuchs.
- Filed Application for Approval of Fourth Early Access Distribution.

Estate Goals to Achieve Prior to Next Status Conference:

- Obtain approval of Application for Fourth Early Access Distribution and make distribution.
- Complete adjudication of subrogation POCs.
- Continue reporting to reinsurers.
- Resolve Arkansas statutory deposit issue.

Estimated Closing Date of Receivership: The SDR estimates that the estate could close in mid-to late 2026.

Factors Affecting Closing Date and Final Distribution:

- Reinsurance Commutations
- Federal Waiver of Claims