

## RECEIVERSHIP STATUS REPORT TO THE SPECIAL MASTER

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August 2, 2024

### R-559 Access Insurance Company

	CANTILO &		
<b>Special Deputy Receiver:</b>	BENNETT, L.L.P.	<b>TX Guaranty Assoc.:</b>	TPCIGA
<b>SDR Responsible Person:</b>	Susan E. Salch	<b>Receiver's Counsel:</b>	Shawn Martin
<b>SDR's Counsel:</b>	Christopher Fuller	<b>Est'd Closing Date:</b>	Q3/Q4 2026

### SPECIFIC ACCOMPLISHMENTS SINCE LAST STATUS CONFERENCE

- Obtained approval for release of Arkansas statutory deposit.
- Received and circulated to reinsurers an updated reserve report.
- Of 9,458 Proofs of Claim (“POCs”) only twenty-eight remain to be adjudicated. Twenty of the remaining POCs are from guaranty associations.
- Obtained Receivership Court approval of the estate’s fourth early access application and distributed \$4,346,855 to the associations on July 19, 2024.

### SPECIFIC ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER

- Pursue reinsurance commutations.
- Deem timely filed POCs for statutory deductible claims.
- File estate tax returns.

## Receivership Background

- Date of Permanent Injunction (Liquidation): March 13, 2018
- Date of Appointment of SDR: March 14, 2018
- Claim 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
- Line of Business: Non-standard Auto
- Early Access Distributions: \$138,750,533, including \$4,346,855 on July 19, 2024

## Statement of Assets and Liabilities as of June 30, 2024

Total Assets:	\$238,082,166
Cash & Invested Assets:	\$ 58,584,832
Non-Cash Assets:	\$179,497,334
Total Liabilities:	\$418,227,917
Negative Equity:	(\$180,145,751)

## Asset Recovery through June 30, 2024

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 925,269
Reinsurance Collected:	\$106,329,589
CDs Sold/Matured:	\$ 25,749,715
IOLTA Funds Recovered:	\$ 639,736
Litigation/Settlement Recovery:	\$ 16,600,000

## Asset Recovery Activity

**Reinsurance:** Collections total \$106,329,589 from inception through June 30, 2024. Estate actuary, Merlinos (n/k/a Davies), reduced the remaining reserves to approximately \$69.4 million, a 45% decrease from its September 30, 2021, report.

**SDR v. John Paul Fuchs:** The Fuchs judgment totals \$56,027.59 plus post-judgment 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 \$9,283.59 in pre-judgment interest as of May 31, 2024. The SDR hired California collections counsel, who is pursuing recovery on the judgment against Mr. Fuchs in California.

## Claims Activity

**POCs:** As of June 30, 2024, the SDR had received 9,458 POCs, an increase of thirty-three since the last report. Pursuant to the Receivership Court's POC Order, there is no deadline for the timely filing of subrogation claims. The SDR still anticipates seeking Court authority to cut off subrogation POCs and all late claims in late 2024.

As of June 30, 2024, the SDR has approved 323 Class 1 claims for \$38,765 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 47 non-guaranty association Class 2 claims for \$169,249, largely consisting of uncovered unearned premium (“UEP”) and 14 non-covered loss claims; 6,085 Class 5 subrogation claims for \$35,472,470; 845 Class 5 AIC defense counsel claims for pre-receivership fees and expenses for \$909,694; 453 Class 5 vendor claims for \$458,085; and 9 Class 6 claims for \$78,676, which are claims submitted by state or municipal governments. One POC has been withdrawn, two are pending because more information or documentation is needed, and 1,623 have been denied (disallowed).

In total, the SDR had approved claims for \$37,439,245 as of June 30, 2024, compared to \$36,885,190 as of March 31, 2024.

The SDR has not processed the POCs filed by the guaranty associations, which consist of Class 1 and Class 2 claims. The POC filed by the Arkansas association will be processed as part of the recovery of that state’s statutory deposit. The other association POCs will be adjudicated after they have largely completed the processing of covered claims. The SDR anticipates that the guaranty associations’ 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 working with the claims subcontractors to develop the process for 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 \$138,750,533 to the guaranty associations, including \$4,346,855 pursuant to the Fourth Early Access order on July 19, 2024. All Class 1 and Class 2 claims for the associations, including UEP claims, have been paid through February 29, 2024.

Total guaranty association loss reserves decreased in in the last quarter to \$624,322 from \$843,465.

As of June 30, 2024, 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>
\$73,811,434	\$17,646,031	\$624,322	\$321,464	\$18,541,078

## **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.

**Tax Returns:** Based on discussions with the estate's tax subcontractor, Mr. Petrosewicz, the SDR expects to file the returns for tax years 2018 through 2023 by the end of the third quarter of this year.

**Federal Claims Release Submission:** The SDR expects to submit the request for the release of federal claims after the tax returns are filed.

**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 and release of claims