

Report for Special Master's Status Conference

January 21, 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, Ellen Webking
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: \$55,310,174 (anticipated in January 2020)

Statement of Assets and Liabilities as of December 31, 2019

Total Assets:	\$243,485,324
Cash & Invested Assets:	\$105,648,784
Non-Cash Assets:	\$137,836,540
Total Liabilities:	\$474,064,529
Negative Equity:	(\$230,579,205)

Asset Recovery through December 31, 2019

Premium Collected:	\$ 10,792,951
Subrogation/Salvage:	\$ 870,983
Reinsurance Collected:	\$ 42,830,881
FF&E Sold:	\$ 0
CDs Sold/Matured:	\$ 14,946,044
IOLTA Funds Recovered:	\$ 580,465

Status and Activity Since Last Status Conference

General Matters

Early Access: On November 8, 2019, the SDR filed its Application to Approve First Early Access Distribution. The application was granted on December 6, 2019, and in January 2020, the SDR anticipates distributing a total of \$55,310,174 to the associations. The distribution will fund all paid Class 1 and Class 2 claims reported as of August 31, 2019.

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 54 POCs have been received, bringing the total as of December 31, 2019, to 6,364.

Claim Litigation: There were no new lawsuits filed against AIC and/or the SDR in California in the last quarter. The SDR successfully resolved a default judgment against AIC in Massachusetts state court. The SDR continues to monitor all states for lawsuits against the company or SDR, and notifies plaintiff's counsel of the liquidation, and refers the claim to the appropriate guaranty association.

Guaranty Associations: As anticipated, claims volume declined consistently in 2019. UDS-A records have been sent to the associations for 50,699 open/reopened claims as of December 31, 2019. This is an increase of 286 claims since September 30, 2019.

The guaranty associations' collective reported loss payments, expense payments, and expense reserves continued to increase in the last quarter. As of December 31, 2019, the California association, which has the largest number of claims, reported paid losses of \$39.4 million, loss reserves of \$29.5 million, and UEP of \$16 million. At the end of the last quarter it had reported paid losses of \$32.5 million, loss reserves of \$39.9 million, and UEP of \$16 million.

As of December 31, 2019, the guaranty associations report 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

Subrogation: As noted above, subrogation claims are the largest category of POCs in this estate. The SDR will adjudicate subrogation claims against the company and report them to reinsurers. The order approving the POC application granted the SDR authority to deem as timely-filed all subrogation claims against AIC.

Asset Recovery Activity

Asset Recovery Litigation: By agreement, the answer deadline for AIC's former directors and officers has been extended to February 4, 2019.

Statutory Deposits: The SDR recovered two statutory deposits in this quarter. On November 21, 2019, approximately \$312,000 (the North Carolina deposit and interest earned thereon) was wired into the estate's Texas Treasury account. In addition, the \$200,000 statutory deposit held for Nevada was released and the security (US Treasury Note) was transferred to the estate. The SDR is working with the Arkansas department for the release of its \$120,000 deposit in exchange for an agreement to surrender AIC's certificate of authority in that state. The SDR and accounting staff are working to transfer the Georgia deposit to the Georgia association.

Cash/Securities: The SDR is liquidating AIC's portfolio of CDs as they mature. All proceeds are deposited in the estate's Texas Treasury Safekeeping Account.

Reinsurance: All reinsurers are now current on their obligations to the estate. In the last quarter, the SDR recovered \$5,790,961 from reinsurers.

General Legal Activities

Delaware Proceedings: All Delaware proceedings against the SDR are stayed pending the commencement of the Show Cause hearing. The Delaware state court has not ruled on pending motions to stay or dismiss filed by two other Holdco creditors.

On October 3, 2019, Judge Sulak entered an Order Denying the ABC and Embark Defendants' Special Appearances. The ABC and Embark Defendants appealed the rulings. The parties are briefing to the Third Court of Appeals. No hearing date is set.

Regulatory Action: AIC's license has been, or will be, restricted, revoked, or suspended in Alabama, North Carolina, Oregon, Mississippi, Montana, Florida, Louisiana, Tennessee, Kentucky, and Arkansas.

Subpoenas: The SDR continues to receive a substantial number of records subpoenas, primarily from California and Pennsylvania. The SDR received 133 new subpoenas and records requests in the last quarter, for a total of 1,093 from inception of the estate to December 31, 2019. 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). The SDR waives the fee for regulators but will not waive service. Documents are produced in the order that the money and appropriate releases are received.

New Mexico Ancillary Proceeding: The only activity since the last report was the entry of a "Notice of No Activity" on December 11, 2019.

Conclusion

Summary of Major Achievements:

- First Early Access Distribution.
- Recovered North Carolina and Nevada statutory deposits.

Estate Goals to Achieve Prior to Next Status Conference:

- Continue recovery or transfer of statutory deposits (Arkansas, Georgia).
- Litigate ABC/Embark Entities interlocutory appeal.
- Pursue asset recovery litigation.
- Continue reporting to reinsurers.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD