

Cause No. D-1-GN-18-001285

TEXAS DEPARTMENT OF INSURANCE,	§	IN THE DISTRICT COURT OF
<i>Plaintiff,</i>	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
ACCESS INSURANCE	§	
COMPANY,	§	
<i>Defendant.</i>	§	261st JUDICIAL DISTRICT

**APPLICATION TO APPROVE SECOND EARLY ACCESS DISTRIBUTION  
TO THE HONORABLE JUDGE OF SAID COURT:**

CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Access Insurance Company (the “SDR” and “AIC” respectively), files this Application to Approve Second Early Access Distribution (“Application”).

**I. INTRODUCTION**

1.1 The SDR files this Application for authority to make a second early access distribution to the insurance guaranty associations affected by the AIC receivership (collectively, the “Affected Associations”). The SDR requests authority to distribute \$64,648,174.79 representing the amounts paid by the Affected Associations for Class 1 expenses and Class 2 loss and unearned premium claims as of October 31, 2020, less certain credits.

**II. AUTHORITY**

2.1 The SDR is authorized to file this Application pursuant to TEX. INS. CODE § 443.303, which provides for early access distributions to insurance guaranty associations with the approval of this Court.

2.2 The subject matter of this Application is referred to the Special Master appointed in this proceeding in accordance with Paragraph III of the *Order of Reference to Master* entered on March 21, 2018.

### **III. BACKGROUND**

3.1 On March 13, 2018, the Court entered an *Agreed Order Appointing Liquidator, Permanent Injunction, and Notice of Automatic Stay* (the “Liquidation Order”) appointing the Texas Commissioner of Insurance as Liquidator of AIC. Effective March 13, 2018, the Texas Commissioner of Insurance, as Liquidator, appointed CANTILO & BENNETT, L.L.P. as Special Deputy Receiver of AIC.

3.2 On August 3, 2018, the SDR filed its *Report Pursuant to TEX. INS. CODE § 443.303(c)*, reporting that the SDR had not had sufficient time to calculate “distributable assets” at that time.

3.3 On December 6, 2019 this Court granted the SDR’s Application to Approve First Early Access Distribution authorizing the SDR to distribute \$55,310,174 to the guaranty associations representing the amounts paid by the associations for Class 1 expenses and Class 2 loss claims as of August 31, 2019, less certain credits. The SDR distributed the money in January 2020.

3.4 The SDR has determined that the estate has additional distributable assets and now seeks Receivership Court authority to make a second early access distribution to the Affected Associations.

### **IV. STATUTORY REQUIREMENTS**

4.1 Pursuant to TEX. INS. CODE § 443.303, the SDR shall apply to the Court for approval to make early access payments to a guaranty association having obligations in connection with the liquidation on at least an annual basis, if distributable assets are available. However, distributions are not limited to a set timetable and the SDR may, at its sole and absolute discretion, seek a distribution at any time that it determines that an estate has distributable assets. Early access payments are not limited to the claims and expenses paid to date by a guaranty association;

however, the SDR may not make a distribution to a guaranty association in excess of all anticipated claims of the guaranty association. Deposits or assets advanced to a guaranty association are treated as advances against distributions to be made under TEX. INS. CODE § 443.302.

4.2 TEX. INS. CODE § 443.303(c) provides:

Within 120 days after the entry of an order of liquidation by the receivership court, and at least annually after the entry of the order, the liquidator shall apply to the receivership court for approval to make early access payments out of the general assets of the insurer to any guaranty associations having obligations arising in connection with the liquidation or shall report that there are no distributable assets at that time based on financial reporting as required in Section 443.016. . . .

TEX. INS. CODE § 443.303(f) directs that an application for early access payments shall, based on the best information available to the SDR at the time, provide the following:

- (1) the amount reserved for the entire expenses of the liquidation through and after its closure and for distributions on claims, to the extent necessary and appropriate;
- (2) the computation of distributable assets and the amount and method of equitable allocation of early access payments to each of the guaranty associations; and
- (3) the most recent financial information filed with the National Association of Insurance Commissioners.

## **V. DISTRIBUTABLE ASSETS**

5.1 TEX. INS. CODE § 443.303(a) defines “distributable assets” as all general assets of the receivership estate, less the necessary and appropriate amounts reserved for expenses of liquidation through and after closure and distributions on claims other than those of the guaranty associations that fall within the priority classes of claims established in Section 443.301(b). As of October 31, 2020, the cash assets of the receivership estate were \$75,429,782. Copies of the October 31, 2020 Statement of Assets and Statement of Liabilities are attached as Exhibits 1-A and 1-B, respectively. The amount reserved for the estimated remaining entire expenses of the liquidation through and after its closing is approximately \$29 million dollars. After adjustment for expenses of liquidation, the anticipation of future recoveries and establishing a prudent reserve,

the SDR's preliminary estimate for liquid "distributable assets" for the second early access distribution is approximately \$64.6 million.

5.2 The SDR's preliminary estimate for "distributable assets" is based upon current projections of the receivership's future activities. The receivership reserves may change substantially due to unforeseen factors beyond the SDR's control.

## **VI. GUARANTY ASSOCIATION CLAIMS**

6.1 Pursuant to TEX. INS. CODE § 443.252(d), all Affected Associations report their expense and loss payments and reserves on a monthly basis through the Uniform Data Standards ("UDS") protocol of the National Conference of Insurance Guaranty Funds. UDS is an electronic communication protocol that uses a series of defined computer file formats to permit guaranty associations to electronically report insolvency-related claims to receivers. In summary, as of October 31, 2020, the Affected Associations report as follows:

- a) Incurred (Paid) Class 1 claims of \$36,339,534.
- b) Paid Class 2 claims of \$83,712,503 (including return of unearned premium); and
- c) Class 1 expense reserves of \$3,998,541 and Class 2 reserves of \$13,810,832, for a total of \$17,809,373 in reserves.

6.2 All reporting on behalf of the Affected Associations is subject to supplementation as additional expenses and claims payments are incurred. The paid claims and reserve numbers reported by the associations have not been verified or audited. They are used exclusively for making the calculations necessary for this Application. Neither this Application, nor any other early access application, constitutes an adjudication of the POCs filed or to be filed by any Affected Association.

6.3 At this time, the SDR seeks to make early access distributions based on the "Incurred" (or paid) expenses for Class 1 and on the paid Class 2 claims. It appears that estate

assets will ultimately exceed the current and projected Class 1 claims of the Affected Associations so the SDR is able to make a distribution on Class 2 claims. The Schedule attached as Exhibit 2 sets out the paid Class 1 and paid Class 2 claims reported in the UDS reporting for each Affected Association as of October 31, 2020. As of the date of this Application, neither the New Mexico nor the North Carolina guaranty association has reported any expense or loss claim payments or reserves, so those associations will not receive distributions at this time.

6.4 An ancillary receiver for AIC was appointed in New Mexico and it recovered \$75,000 of the surety bond that was the statutory deposit in that state. No distribution was made to the New Mexico guaranty association in the first early access distribution. The New Mexico association will share in any future distributions to the extent that its recovery from the statutory deposit does not cover claims and expenses in that state.

6.5 Statutory deposits held by the insurance regulators in Arkansas (\$120,000) and Tennessee (\$55,000) exceed the amounts paid to date by the associations in those states. Thus, no distributions will be made to those states' associations at this time.

6.6 Section 443.303(i) provides: "Without the consent of the affected guaranty associations or an order of the receivership court, the liquidator may not offset the amount to be dispersed to any guaranty association by the amount of any specific deposit or any other statutory deposit or asset of the insolvent insurer held in that state unless the association has actually received the deposit." The SDR proposes to reduce the amounts distributed in the second early access distribution to the Arkansas and Tennessee associations by the amounts held by or withdrawn by insurance regulators in their respective states. Each association will share in any future distributions to the extent that its recovery from the statutory deposit does not cover claims and expenses in that state. The SDR moves the Court to order that the SDR may offset the amounts to be dispersed to these associations. To the extent that any deposits are not transferred to an

association, the SDR will make additional early access payments, out of future distributions, to the extent necessary to equalize the distributions between all associations.

## **VII. PROPOSED DISTRIBUTION**

7.1 The SDR proposes to distribute \$64,648,174.79 from the receivership estate as the second early access distribution to the Affected Associations in the amounts set out on Exhibit 2. The SDR agrees to make the distribution within thirty (30) business days after the date the Order is entered by the Receivership Court, unless a motion for new trial or an appeal is filed, or an order staying the distribution is entered and not yet expired.

## **VIII. NOTICE**

8.1 The SDR has served this Application to all known parties at interest and all individuals and entities identified by the SDR in the Certificate of Service including the Affected Associations, by e-mail and, as noted, by mail or overnight delivery to certain state and federal agencies. Further, the Affected Guaranty Associations have waived the thirty (30) days' actual notice of the filing of the application required by TEX. INS. CODE § 443.303(e).

## **IX. OFFER OF PROOF AND VERIFICATION**

9.1 This Application is verified by the affidavit and certification pursuant to TEX. INS. CODE § 443.017(b) of Susan E. Salch, designated representative of CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Access Insurance Company.

## **X. NOTICE OF ELECTRONIC SERVICE REQUIREMENT**

10.1 All pleadings filed in response to this Application shall be served by e-mail on the undersigned counsel and all parties shown in the attached Certificate of Service.

## **PRAYER**

WHEREFORE, PREMISES CONSIDERED, CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of Access Insurance Company, respectfully prays that this Court enter an order:

1. Granting the Application in all respects;
2. Authorizing the Special Deputy Receiver to distribute \$64,648,174 from the assets of the receivership estate to the Affected Associations as the second early access distribution pursuant to TEX. INS. CODE § 443.303 as set out in Exhibit 2;
3. Authorizing the SDR to reduce the amounts distributed in the second early access distribution to the Arkansas and Tennessee associations by the amounts held by or withdrawn by insurance regulators in their respective states and treated as advances against any distributions to be made to those states' insurance guaranty associations under TEX. INS. CODE § 443.303;
4. Authorizing the SDR to make the second early access distribution within thirty (30) business days after the date the Order is entered by the Receivership Court, unless a motion for new trial or an appeal is filed, or an order staying the distribution is entered and not yet expired;
5. Ordering the Affected Guaranty Associations to return to the Special Deputy Receiver any amount of the second early access distribution that may be required to pay secured creditors and other claims as provided in TEX. INS. CODE § 443.303(g);
6. Authorizing the Special Deputy Receiver to take any actions necessary to implement the Order;

7. Finding that the Order constitutes a final order fully resolving all issues relating to this Application, provided that this Court may issue further orders pursuant to TEX. INS. CODE Chapter 443.303; and
8. Granting the SDR such other and further relief to which it may be justly entitled.

Respectfully submitted,

FULLER LAW GROUP

By: /s/Christopher Fuller  
Christopher Fuller  
Texas Bar No. 07515500  
4612 Ridge Oak Drive  
Austin, Texas 78731  
Telephone: (512) 470-9544  
Email: [cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org)

**ATTORNEY FOR CANTILO & BENNETT,  
L.L.P., SPECIAL DEPUTY RECEIVER OF  
ACCESS INSURANCE COMPANY**



## **CERTIFICATE OF SERVICE**

I certify that on January 26, 2021, a true and correct copy of this Application was served pursuant to TEX. INS. CODE § 443.007(d) and § 443.303(e), the Order of Reference, and the Court's order requiring electronic service on the following by electronic mail, except as specifically noted.

*Via Email:* [specialmasterclerk@tdi.texas.gov](mailto:specialmasterclerk@tdi.texas.gov)

Special Master's Clerk  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, TX 78714-9104

*Via e-Service:* [James.Kennedy@tdi.texas.gov](mailto:James.Kennedy@tdi.texas.gov)

James Kennedy  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, TX 78714-9104

*Via Email:* [John.Alexander@tdi.texas.gov](mailto:John.Alexander@tdi.texas.gov)

John Alexander  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
P.O. Box 149104  
Austin, TX 78714-9104

*Via Email:* [kathy.gartner@tdi.texas.gov](mailto:kathy.gartner@tdi.texas.gov)

Kathy Gartner  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
P.O. Box 149104  
Austin, TX 78714-9104

*Via Email:* [Vicente.Aguillon@tdi.texas.gov](mailto:Vicente.Aguillon@tdi.texas.gov)

Vicente Aguillon  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, TX 78714-9104

*Via Email:* [Moya.McKenna@tdi.texas.gov](mailto:Moya.McKenna@tdi.texas.gov)

Moya McKenna  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, TX 78714-9104

*Via Email:* [Shawn.Martin@tdi.texas.gov](mailto:Shawn.Martin@tdi.texas.gov)

Shawn Martin  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, TX 78714-9104

*Via e-Service:* [cynthia.morales@oag.texas.gov](mailto:cynthia.morales@oag.texas.gov)

Cynthia Morales  
Assistant Attorney General  
Financial, Litigation Division  
OFFICE OF THE TEXAS ATTORNEY GENERAL  
P.O. Box 12548  
Austin, TX 78711-2548

*Via e-Service:* [bburner@mwlaw.com](mailto:bburner@mwlaw.com)

Burnie Burner  
MITCHELL, WILLIAMS, SELIG, GATES &  
WOODYARD, PLLC  
500 W. 5th Street Suite 1150  
Austin, TX 78701  
*Counsel for Defendant*  
*Access Insurance Company*

*Via Email:* [aiga01@bellsouth.net](mailto:aiga01@bellsouth.net)  
Andrea Lentine  
Executive Director  
ALABAMA INSURANCE GUARANTY  
ASSOCIATION  
2020 Canyon Road, Suite 200  
Birmingham, AL 35216

*Via Email:* [MSurguine@azinsurance.gov](mailto:MSurguine@azinsurance.gov)  
Michael E. Surguine  
Executive Director  
ARIZONA P&C INSURANCE GUARANTY FUND  
2910 N. 44<sup>th</sup> Street, Second Floor  
Phoenix, AZ 85018

*Via Email:* [Steve.Uhrynowycz@arkansas.gov](mailto:Steve.Uhrynowycz@arkansas.gov)  
Steve Uhrynowycz  
Administrator  
ARKANSAS PROPERTY & CASUALTY GUARANTY  
FUND  
1023 W. Capitol Avenue, Suite 2  
Little Rock, AR 72201

*Via Email:* [RoeberB@caiga.org](mailto:RoeberB@caiga.org)  
Brad Roeber  
Executive Director  
CALIFORNIA INSURANCE GUARANTEE  
ASSOCIATION  
PO Box 29066  
Glendale, CA 91209-9066

*Via Email:* [tstreukens@agfgroup.org](mailto:tstreukens@agfgroup.org)  
Tom Streukens  
Executive Director  
FLORIDA INSURANCE GUARANTY ASSOCIATION  
PO Box 15159  
Tallahassee, FL 32317

*Via Email:* [fknighton@gaiga.org](mailto:fknighton@gaiga.org)  
Frank Knighton  
Executive Director  
GEORGIA INSURERS INSOLVENCY POOL  
3700 Crestwood Parkway NW, Suite 400  
Duluth, GA 30096

*Via Email:* [abarbera@quadassoc.org](mailto:abarbera@quadassoc.org)  
Amanda Barbera  
Executive Director  
INDIANA INSURANCE GUARANTY ASSOCIATION  
3502 Woodview Trace, Suite 100  
Indianapolis, IN 46268

*Via Email:* [JWells@laiga.org](mailto:JWells@laiga.org)  
John Wells  
Executive Director  
LOUISIANA INSURANCE GUARANTY ASSOCIATION  
2142 Quail Run Drive  
Baton Rouge, LA 70808-4126

*Via Email:* [blaw@gfms.org](mailto:blaw@gfms.org)  
Barbara Peterson law  
President  
GUARANTY FUND MANAGEMENT SERVICES  
One Bowdoin Square  
Boston, MA 02114-2916

*Via Email:* [arussell@msiga.net](mailto:arussell@msiga.net)  
Arthur Russell  
Executive Director  
MISSISSIPPI INSURANCE GUARANTY ASSOCIATION  
713 South Pear Orchard Road, Suite 200  
Ridgeland, MS 39157-4823

*Via Email:* [BGilbert@niga-pc.org](mailto:BGilbert@niga-pc.org)  
Bruce W. Gilbert  
Executive Director  
NEVADA INSURANCE GUARANTY ASSOCIATION  
3821 West Charleston Boulevard, Suite 100  
Las Vegas, NV 89102-1859

*Via Email:* [debbiel@integriongroup.com](mailto:debbiel@integriongroup.com)  
Debbie Luera  
Director of Operations  
NEW MEXICO INSURANCE GUARANTY  
ASSOCIATION - Integrion Group, Inc.  
PO Box 27815  
Albuquerque, NM 87125

*Via Email:* [JCannon@opciga.org](mailto:JCannon@opciga.org)

Jesica Cannon  
OKLAHOMA PROPERTY & CASUALTY  
INSURANCE GUARANTY ASSOCIATION  
2601 Northwest Expressway, Suite 330E  
Oklahoma City, OK 73112

*Via Email:* [smitty@scwind.com](mailto:smitty@scwind.com)

J. Smith Harrison  
Executive Director/Secretary  
SOUTH CAROLINA PROPERTY & CASUALTY  
INSURANCE GUARANTY ASSOCIATION  
PO Box 407  
Columbia, SC 29202

*Via Email:* [mkelly@tpciga.org](mailto:mkelly@tpciga.org)

Marvin Kelly  
Executive Director  
TEXAS PROPERTY CASUALTY INSURANCE  
GUARANTY ASSOCIATION  
9120 Burnet Road  
Austin, TX 78758

*Via Email:* [Wallock.Michael@aaa-calif.com](mailto:Wallock.Michael@aaa-calif.com)

Mike Wallock  
Office of the General Counsel  
AUTOMOBILE CLUB OF SOUTHERN CALIFORNIA  
(AAA)  
3333 Fairview Rd., A-451  
Costa Mesa, CA 92626

*Via Email:* [Stanley.jason@aaa-texas.com](mailto:Stanley.jason@aaa-texas.com)

Jason Stanley  
Subrogation Claims Team Manager  
AAA TEXAS  
Dallas, TX

*Via Email:* [rbauso@ppciga.org](mailto:rbauso@ppciga.org)

Raymond Bauso  
Executive Director  
PENNSYLVANIA PROPERTY & CASUALTY  
INSURANCE GUARANTY ASSOCIATION  
One Penn Center, Suite 1850  
1617 John F. Kennedy Boulevard  
Philadelphia, PA 19103

*Via Email:* [lbrouse@tiga.net](mailto:lbrouse@tiga.net)

*Via Email:* [jmurphy@tiga.net](mailto:jmurphy@tiga.net)

Lorrie Brouse, Executive Secretary  
Jane Murphy, Plan Administrator  
TENNESSEE INSURANCE GUARANTY ASSOCIATION  
3100 West End Ave., Suite 670  
Nashville, TN 37203-5805

*Via Email:* [AWalker@tpciga.org](mailto:AWalker@tpciga.org)

*Via Email:* [Slang@tpciga.org](mailto:Slang@tpciga.org)

Amber A. Walker  
Sara Lang  
TEXAS PROPERTY CASUALTY INSURANCE  
GUARANTY ASSOCIATION  
9120 Burnet Road  
Austin, TX 78758

*Via Email:* [Young.Courtney@aaa-calif.com](mailto:Young.Courtney@aaa-calif.com)

Courtney Young  
Office of the General Counsel  
AUTOMOBILE CLUB OF SOUTHERN CALIFORNIA  
(AAA)  
3333 Fairview Rd., A-451  
Costa Mesa, CA 92626

*Via First Class Mail*

INTERNAL REVENUE SERVICE  
Special Procedures Branch  
300 East 8th Street, Suite 352  
Mail Stop 5026AUS  
Austin, TX 78701

*Via e-Service:* [anthony@icenoglefirm.com](mailto:anthony@icenoglefirm.com)  
Anthony Icenogle  
ICENOGLE & BOGGINS, P.L.L.C.  
6805 N. Capital of Texas Hwy., Ste 220  
Austin, TX 78731  
*Attorneys for Allianz Risk Transfer AG  
(Bermuda Branch)*

*Via e-Service:* [Elliott.Kroll@arentfox.com](mailto:Elliott.Kroll@arentfox.com)  
Elliott Kroll  
ARENT FOX, LLP  
1301 Avenue of the Americas, Floor 42  
New York, NY 10019  
*Attorneys for Allianz Risk Transfer AG (Bermuda  
Branch)*

/s/Christopher Fuller  
Christopher Fuller

### **APPLICANT'S NOTICE OF SUBMISSION**

Pursuant to the terms of the Order of Reference to Master entered by the District Court in this cause, the SDR's *Application to Approve Second Early Access Distribution* is hereby set for written submission before the Special Master, Tom Collins, on February 16, 2021.

The Special Master has asked that the following rules be provided you:

1. Any objection must be filed with the Travis County District Clerk at least three (3) calendar days before the submission date.
2. A copy of any objection shall be served by email by such date on:
  - (a) The Special Master's Docket Clerk, at [specialmasterclerk@tdi.texas.gov](mailto:specialmasterclerk@tdi.texas.gov);
  - (b) The undersigned counsel, Christopher Fuller at [cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org); and
  - (c) All interested parties, including those listed on the SDR's Certificate of Service.
3. The objecting party shall coordinate with the SDR's counsel and the Docket Clerk [(512) 676-6915]] to obtain an oral hearing setting for argument on the Application and Objection, and complete and attach an "Objecting Party's Notice of Oral Hearing" to the objection.
4. The written objection must specifically list all reasons for objection with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally.
5. **Please note that if an objection is not filed as described in the Notice of Submission, the Master may consider the Application without a hearing.**
6. **Failure to file timely a written objection before the Special Master constitutes a waiver of the right to object to the Special Master's recommendation to the District Court.**
7. Any Acknowledgment of Notice and Waiver to be filed by the Guaranty Association or other interested party should be filed at least three (3) calendar days before the submission or hearing date.

/s/ Christopher Fuller/

Christopher Fuller

**SPECIAL DEPUTY RECEIVER'S VERIFICATION AND CERTIFICATION  
PURSUANT TO TEX. INS.CODE ANN. §443.017(b)**

**AFFIDAVIT OF SUSAN E. SALCH**

State of Texas

County of Travis

BEFORE ME, the undersigned authority appeared Susan E. Salch, who after being by me duly sworn, stated the following under oath:

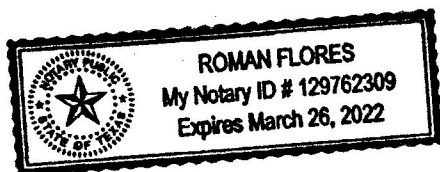
1. "My name is Susan E. Salch. I am of sound mind, capable of making this affidavit, and am competent to testify to the matters contained in this affidavit.
2. I am a partner in CANTILO & BENNETT, L.L.P., the Special Deputy Receiver of Access Insurance Company (the "SDR" and "AIC" respectively), I am duly authorized to make this Affidavit on behalf of the SDR.
3. I have reviewed the Application to Approve Second Early Access Distribution and the facts stated therein are true and correct based on my personal knowledge, my review of estate records and my consultation with the staff and subcontractors.
4. I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached hereto were produced pursuant to TEX. INS. CODE § 443.017, are either true and correct copies of records of AIC and were received from the custody of AIC or found among its effects, or were created by and filed with the Receiver's office in connection with the receivership of this delinquent company, and are held by the Special Deputy Receiver in its official capacity."

By: Susan E. Salch  
Susan E. Salch

**SUBSCRIBED AND SWORN TO BEFORE ME** on January 26, 2021, by  
Susan E. Salch, Special Deputy Receiver of Access Insurance Company

[Signature]

Notary Public



# **EXHIBIT 1-A**

**Access Insurance Co  
Statement of Net Assets**

**For the Period Ending  
10/31/2020**

Line		10/31/20
<b>Cash</b>		
1	Cash	
	Cash - Unrestricted	75,429,782
	APF Funds (Loan proceeds)	
<b>Investments</b>		
2	Short-Term Investments	4,200,000
3	Bonds	
4	Stocks - Preferred & Common	
5	Investments in Subsidiaries, Controlled or Affiliated Entities	
6	Mortgage Loans	
7	Real Estate	
8	Policy Loans	
9	Other Invested Assets	
<b>Restricted Assets</b>		
10	Statutory Deposits	178,638
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
	Funds Held in Trust for Others-Allianz & Partner Re	11,653,049
	Funds Held-Premium Collected on Cancelled Policies	271
<b>Reinsurance Receivable</b>		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	5,000,785
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	101,305,960
15	Reinsurance Recoverables on UEP & Contingent Commissions	
<b>Other Receivables</b>		
16	Salvage & Subrogation Recoveries	
17	Premiums Due from Agents & Policyholders	
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	55,356,894
20	Other Receivables	
	Income and Premium Tax Receivable	96,451
	Litigation Settlement Receivable	9,600,000
<b>Other Assets</b>		
21	FF&E	
22	Other Assets	
	<b>Total Assets</b>	<b>262,821,830</b>

**NOTES**

Ref No.



# **EXHIBIT 1-B**

**Access Insurance Co**  
**Statement of Net Liabilities**

**For Period Ending**  
**10/31/20**

Line		10/31/20
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
<b>Administrative Claims - Class 1</b>		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	124,402
	Liquidation Oversight	11,021
	Special Master's Fees	
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	23,237,205
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	13,102,329
	LAE Reserves	3,998,541
<b>Policy Claims - Class 2</b>		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	63,958,608
	Loss Claims Reserves	13,810,832
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	166,036,567
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	19,753,896
11	Unearned & Advance Premium Claims - Other	
<b>Other Liabilities</b>		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	15,180,902
15	Class 5 Reinsurance Related Unsecured Claims	128,412,291
16	Class 6 Claims	894,894
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	
	Funds Held in Trust for Others-Allianz & Partner Re	11,653,049
	Funds Held-Premium Collected on Cancelled Policies	271
	<b>Total Liabilities</b>	460,174,808
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over	(197,352,978)
	<b>Total Liabilities &amp; Equity</b>	262,821,830

R-559

**Access Insurance Co  
Statement of Net Liabilities**

**For Period Ending  
10/31/20**

**NOTES**

Ref. No.

# **EXHIBIT 2**

ACCESS INSURANCE COMPANY IN RECEIVERSHIP  
 EARLY ACCESS CALCULATION - GA ADMIN, LAE EXP AND LOSS CLAIMS PAID  
 AS OF OCTOBER 31, 2020

State	Reporting To	(A) GA Admin Claims Paid (Class 1)	(B) GA LAE Expense Payments (Class 1)	(C) GA Loss Claims Payments (Class 2)	(D) Return of Premium Claims Payments	(E) Total Paid Through October 31, 2020 Columns (A)+(B)+(C)+(D)	(F) Statutory Deposits Held by State	(G) Payments via draw down of statutory deposit bonds	(H) Early Access Amounts Previously Paid	(I) Recommended Early Access Payments-Sum of Columns (E)-(F)-(G)- (H)
AL	20201031	\$1,665,283.52	\$546,795.43	\$2,891,157.09	\$139,723.00	\$5,242,959.04			\$4,008,535.00	\$1,234,424.04
AR	20200930	\$4,318.58	\$1,705.00	\$2,628.59	\$0.00	\$8,652.17	\$122,375.00		\$0.00	\$0.00
AZ	20200930	\$13,834.07	\$38,070.15	\$70,816.40	\$8,675.00	\$131,395.62			\$105,563.71	\$25,831.91
CA	20201031	\$19,170,929.32	\$9,419,348.29	\$49,425,646.40	\$16,003,120.22	\$94,019,044.23			\$40,700,978.06	\$53,318,066.17
GA	20200930	\$631,359.75	\$120,301.34	\$522,198.73	\$186,578.00	\$1,460,437.82			\$566,703.65	\$893,734.17
IN	20201031	\$14,376.96	\$0.00	\$0.00	\$0.00	\$14,376.96			\$8,740.86	\$5,636.10
LA	20200930	\$82,153.05	\$38,524.11	\$194,231.88	\$30,409.86	\$345,318.90			\$186,653.33	\$158,665.57
MS	20200930	\$25,042.61	\$85,416.57	\$26,807.01	\$2,004.00	\$139,270.19			\$83,552.34	\$55,717.85
NV	20201031	\$34,238.35	\$24,995.82	\$7,017.00	\$0.00	\$66,251.17			\$0.00	\$66,251.17
OK	20201031	\$27,978.50	\$8,014.04	\$109,310.55	\$16,128.00	\$161,431.09			\$135,101.63	\$26,329.46
PA	20200930	\$947,014.70	\$2,440,462.62	\$7,998,092.67	\$1,587,681.28	\$12,973,251.27			\$7,366,416.75	\$5,606,834.52
SC	20200930	\$580,204.21	\$371,368.10	\$2,707,325.68	\$1,778,668.87	\$5,437,566.86			\$2,183,856.57	\$3,253,710.29
TN	20201031	\$30,471.51	\$4,014.50	\$3,375.83	\$455.00	\$38,316.84	\$56,263.00		\$0.00	\$0.00
TX	20200331	\$9,999.83	\$3,313.16	\$0.00	\$452.50	\$13,765.49			\$10,791.95	\$2,973.54
Totals as of										
October 31, 2020		\$23,237,204.96	\$13,102,329.13	\$63,958,607.83	\$19,753,895.73	\$120,052,037.65	\$178,638.00	\$0.00	\$55,356,893.85	\$64,648,174.79

### Automated Certificate of eService

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Christopher Fuller on behalf of Christopher Fuller  
Bar No. 07515500  
cfuller@fullerlaw.org  
Envelope ID: 50057993  
Status as of 1/27/2021 5:46 PM CST

#### Case Contacts

Name	BarNumber	Email	TimestampSubmitted	Status
Kimberly M. Hammer	24002219	kimberly.hammer@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT
Melvin L. Burner	3425700	bburner@mwlaw.com	1/26/2021 4:28:16 PM	SENT
Anthony Lee Icenogle	10382948	anthony@icenoglefirm.com	1/26/2021 4:28:16 PM	SENT
Matthew James Kennedy	11294550	james.kennedy@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT
John Alexander		john.alexander@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT
Special Masters Clerk Special Masters Clerk		specialmasterclerk@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT
Marvin Kelly		mkelly@tpciga.org	1/26/2021 4:28:16 PM	SENT
Kathy Gartner		kathy.gartner@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT
Patricia Muniz		pmuniz@inquestresources.com	1/26/2021 4:28:16 PM	SENT
Cynthia Morales		cynthia.morales@oag.texas.gov	1/26/2021 4:28:16 PM	SENT
Brian Falligant		bfalligant@inquestresources.com	1/26/2021 4:28:16 PM	SENT
Vicente Aguillon		Vicente.Aguillon@tdi.texas.gov	1/26/2021 4:28:16 PM	SENT

#### Associated Case Party: TPCIGA

Name	BarNumber	Email	TimestampSubmitted	Status
Amber Alayne Walker	785581	awalker@tpciga.org	1/26/2021 4:28:16 PM	SENT