

Special Master's Status Letter Update
April 29, 2019
Gramercy Insurance Company in Receivership # 553

Special Deputy Receiver:	Resolution Oversight Corporation
Primary Responsible Person:	Ernesto A. Garza
Estate Counsel:	Rachel Stroud
Receiver's Counsel:	Kimberly M. Hammer
RLO Analyst:	Vicente Aguillon

Background

- Date of Permanent Injunction : December 4, 2012
- Date of Permanent SDR Appointment: February 15, 2013
- Claims Filing Deadline: February 26, 2015
- States Licensed: 37 States: (AL, AR, AZ, CO, DE, FL, GA, IA, ID, IL, IN, KS, KY, LA, MD, MN, MO, MS, MT, NC, ND, NE, NM, NV, OK, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI, WV, & WY)
- Lines of Business: Private Passenger, Auto Liability
Commercial Auto Liability, Auto Physical Damage, Surety, Credit, & Warranty
- Guaranty Associations & Date of Impairment: TPCIGA and 36 other IGAs for the States listed above--August 26, 2013.
- Early access/distributions: \$13,090,683.84 (As of Dec. 2018)

Twenty-three guaranty associations received first early access distributions. Cash distributions were made in September 2015 for \$4,867,778.16 and on July 2016 for \$10,051.80.

Eight guaranty associations have received \$1,768,283.98 from custodial statutory deposits and interest sent directly to the guaranty associations.

Twenty-two guaranty associations received second early access distributions for Class 1 and partial Class 2 claims on October 26, 2016, in the amount of \$4,682,835.85.

Nineteen guaranty associations received third early access distributions for Class 1 and/or partial Class 2 claims on November 8, 2017, in the amount of \$1,267,048.56
Sixteen guaranty associations received fourth early access distributions for Class 1 claims on December 18, 2018, in the amount of \$488,062.05.

Statement of Assets and Liabilities March 31, 2019

• Total Assets		\$ 18,403,612
○ Cash Assets	\$ 4,358,162	
○ Non cash Assets	\$14,045,450	
• Total liabilities		<u>\$(45,871,571)</u>
• Negative equity		\$(27,467,959)

Status and activity since last status conference

Asset Recovery:

- Recoveries received the first quarter of this year from subrogation collections, Texas State Comptroller abandoned fund, and interest on cash were \$27,814.

Claims:

- POC filing deadline: February 26, 2015
- Number of Notices sent to date: 40,299
- Status of POC Processing:
 - POC's filed as of March 31, 2019: 712
 - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	9
Class 5	<u>2</u>
Total:	43
- POC's processed this quarter: 2
- POC's processed to date:

4	Allowed Class 1 Claims
3	Allowed Classes 1&5 Claims
1	Partially Allowed & Classified Class 1&5
1	Partially Allowed & Classified Class 5&10
21	Allowed Class 2 Claims
1	Classified Class 3
481	Classified Class 5 & Lower Priority Claims
106	Disallowed Claims
5	Objections
47	Fully Covered IGA Claims
- The SDR responded to requests from Guaranty Associations, policyholders, claimants, attorneys, vendors, regulatory entities and producers regarding Gramercy claim and policy issues. The required UDS reports were filed and other policy and claim documents requested by the Guaranty Associations were supplied.
- The SDR and claim staff reviewed the pending proofs of claim to prepare final determination and classification letters to the claimants.

The February 28, 2018 claim counts for all Guaranty Associations are as follows:

<u>IGA Fund</u>	<u>Open Claims</u>	<u>Closed Claims</u>	<u>Open Features</u>	<u>Closed Features</u>
AL	1	17	2	30
AR	1	1	1	1
AZ	1	2	4	3
CO	0	2	0	3
FL	0	149	0	358
GA	3	462	11	721
IA	0	9	0	10
ID	0	1	0	2
IL	1	72	3	92
IN	0	7	0	13
KS	1	3	1	9
KY	0	2	0	4
LA	0	7	0	11
MN	0	5	0	7
MO	0	8	0	22
MS	4	17	6	34
NC	0	3	0	4
NM	0	9	0	9
NV	0	9	0	12
OK	0	1	0	2
OR	0	6	0	6
PA	1	21	2	28
SC	1	68	1	129
SD	0	1	0	1
TN	0	19	0	32
TX	10	1,061	21	1,603
UT	0	1	0	2
WA	0	10	0	21
Totals	24	1,973	52	3,169

General Legal Activities:

- The two pending collections matters are nearing final settlement. A settlement for \$1,275,000 was reached in the MGA matter and an Application to Approve the Settlement was approved by the Receivership Court. The settlement proceeds will be received in April 2019. The remaining litigation matter is against its reinsurer, which was placed in liquidation in New Zealand. Estate Counsel has reached a settlement with the reinsurer's Liquidators to recommend to the Receivership Court. Settlement documents are being circulated between the parties. The reinsurance contract created a trust account at BNY that partially secured the obligations of the reinsurance agreement. BNY has requested that the account be closed or it would start charging fees to the account. The reinsurers and Estate counsel entered into a deposit agreement to transfer the funds from BNY to a restricted account at the Texas Treasury, subject to the preservation of the parties' existing rights. On March 26, 2019 the funds were transferred from BNY to the Texas Treasury.

Conclusion:

- Major Achievements since last Status Conference:
 1. The SDR is conducting research for information and documents that will be required for federal waiver.
 2. The SDR staff worked with Guaranty Associations providing POC and claim information, and prepared the required UDS reports.
 3. The SDR staff and subcontractors concluded the settlement of the MGA lawsuit and has agreed to a structure and amount for resolving the reinsurance lawsuit.
 4. The IRS Misc. 1099's were processed and mailed and the 2018 1120PC tax return was finalized.
 5. The final MGA litigation matter was settled for \$1,275,000.00.
 6. The SDR staff and Estate Counsel completed the transfer of the funds at BNY to the Texas Treasury to protect the funds and avoid the trust fees.

- Estate Team Goals for the next quarter:
 1. The SDR staff will prepare a federal waiver request and submit it to the US Department of Justice.
 2. The SDR staff will work with the Guaranty Associations on the transfer of re-opened, closed, and any new claim files and the transmission of the required UDS reports.
 3. The SDR staff will continue collecting subrogation and reinsurance owed to the receivership estate.
 4. The SDR staff and subcontractors will finalize the settlement on the reinsurance lawsuit and file an application with the Receivership Court.
 5. The SDR staff will review POCs and send determination and/or classification letters as warranted.

- Estimated Closing Date of Receivership: November, 2019.

- Identification of Factors Affecting Closing Date and Final Distribution:
 1. Finalizing the POC determinations and handling any objections to the SDR's determinations.
 2. Obtaining a release from the Federal Government.