

Special Master's Status Letter Update
July 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 for Class 1 loss adjustment expenses. 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 June 30, 2019

- Total Assets \$ 18,899,393
 - Cash Assets \$ 5,223,334
 - Non cash Assets \$13,676,059
- Total liabilities \$(45,546,051)
- Negative equity \$(26,646,658)

Status and activity since last status conference

Asset Recovery:

- Recoveries received the second quarter of this year from subrogation collections and interest on cash were \$30,160.
- A demand letter was sent to Frost Bank on two bond collateral funds held for Collin and Orange counties for jail bonds.

Claims:

- POC filing deadline: February 26, 2015
- Number of Notices sent to date: 40,299
- Status of POC Processing:
 - POC’s filed as of June 30, 2019: 712
 - POC’s Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	2
Class 5	<u>2</u>
Total:	36
- POC’s processed this quarter: 7
- 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
479	Classified Class 5 & Lower Priority Claims
109	Disallowed Claims
5	Objections
50	Fully Covered IGA Claims
1	Withdrawn
1	Duplication
- 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.
- An Affidavit requesting a federal waiver with the requisite exhibits was finalized and sent to the US Department of Justice for approval.

The May 31, 2019 claim counts for all Guaranty Associations are as follows:

IGA Fund	Open Claims	Closed Claims	Open Features	Closed Features
AL	1	17	2	30
AR	1	1	1	1
AZ	0	3	0	7
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	1	7	1	21
MS	3	18	5	35
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	23	1,974	48	3,173

General Legal Activities:

- The two pending collection litigation matters have been resolved. The settlement proceeds of \$1,275,000 in the MGA litigation were received in April, 2019. The other litigation matter was against its reinsurer, which was placed in liquidation in New Zealand. Estate Counsel reached a settlement with the reinsurer's liquidators for \$700,000 and a settlement application was approved by the Texas receivership court. The reinsurance trust funds of \$116,498.33 were transferred to the Gramercy receivership estate and the

reinsurer's liquidators have accepted an unsecured claim in the amount of \$583,501.67 in the New Zealand liquidation matter.

Conclusion:

- Major Achievements since last Status Conference:
 1. The two pending collection actions matters were resolved. Funds have been collected in the MGA lawsuit. A settlement was reached in the reinsurance collection matter and the proceeds of the trust fund were delivered to Gramercy as well as an unsecured claim has been accepted in the New Zealand liquidation proceeding.
 2. A demand letter was sent to Frost Bank to release the bond collateral funds to the Gramercy receivership estate.
 3. The federal waiver affidavit with supporting exhibits was sent to the US Department of Justice.
 4. The SDR staff worked with Guaranty Associations providing POC and claim information, and prepared the required UDS reports.

- Estate Team Goals for the next quarter:
 1. 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. The SDR will also work with the Guaranty Associations to finalize their Class 1 and Class 2 POCs.
 2. The SDR staff will continue collecting subrogation owed to the receivership estate and the release of bond collateral funds held by Frost Bank
 3. The SDR staff will review pending POCs or objections and send determination and/or classification letters as warranted.

- Estimated Closing Date of Receivership: February, 2020.

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