

Special Master's Status Letter Update
January 28, 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:	David Wheelus
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 December 31, 2018

- Total Assets \$18,433,126
 - Cash Assets \$ 4,411,727
 - Non cash Assets \$14,021,399
- Total liabilities \$(45,892,489)
- Negative equity \$(27,459,363)

Status and activity since last status conference

Asset Recovery:

- Other recoveries received this quarter from subrogation collections and interest on cash were \$28,353.

Claims:

- POC filing deadline: February 26, 2015
- Number of Notices sent to date: 40,299
- Status of POC Processing:
 - POC’s filed as of December 31, 2018: 712
 - POC’s Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	11
Class 5	<u>2</u>
Total:	45
- POC’s processed this quarter: None
- POC’s processed to date:

4	Allowed Class 1 Claims
3	Allowed Classes 1&5 Claims
1	Partially Allowed & Classified Class 1&5
21	Allowed Class 2 Claims
1	Classified Class 3
481	Classified Class 5 & Lower Priority Claims
109	Disallowed Claims
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 November 30, 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	1	8	1	9
ID	0	1	0	2
IL	1	72	4	91
IN	0	7	0	13
KS	1	3	1	9
KY	0	2	0	4
LA	1	6	2	9
MN	0	5	0	7
MO	1	7	1	21
MS	4	17	6	34
NC	1	2	1	3
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	28	1,969	58	3,163

General Legal Activities:

- The estate has litigation pending in two asset collection matters against an MGA and against its reinsurer as of September 30, 2018. The reinsurer has been placed in liquidation in New Zealand creating a temporary stay of litigation. Estate counsel has been working with the liquidator’s counsel to provide information concerning the lawsuit. There is a Trust Account at BNY that partially secures the obligations of the reinsurance agreement. BNY has requested that the account be closed or it would start charging fees to the account. Estate counsel is working with the liquidator to move the funds to another secured account.

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 worked on damage models and responded to requests for production of documents on the two pending litigation matters.
 - 4 The SDR staff prepared and filed the fourth early access distribution application and the wire transfer payments to the Guaranty Association were processed on December 18, 2018.
- 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 work on asset collection litigation as needed by Gramercy's estate and outside counsel subcontractors.
 5. The SDR staff will review POCs and send determination and/or classification letters as warranted.
 6. The SDR staff will prepare the Misc.1099 and tax return preparation information.
 - Estimated Closing Date of Receivership: August, 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. Asset litigation matters to collect damages for the Estate.
 3. Obtaining a release from the Federal Government.