

Special Master's Status Letter Update  
April 30, 2018  
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: \$12,595,998.35 ( As of Dec. 2017)  
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

**Statement of Assets and Liabilities March 31, 2018**

- Total Assets \$ 18,112,355
  - Cash Assets \$ 4,583,279
  - Non cash Assets \$13,529,076
- Total liabilities \$(45,839,329)
- Negative equity \$(27,726,974)

## Status and activity since last status conference

### Asset Recovery:

- Other recoveries received this quarter from subrogation collections and interest on cash were \$15,741.

### 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, 2017: 711
  - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	17
Class 5	<u>4</u>
Total:	53
- POC's processed this quarter: 

3	Classified Class 5 and Lower Priority
1	Disallowed Claim
2	Fully Covered IGA Claims
- 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
478	Classified Class 5 & Lower Priority Claims
108	Disallowed Claims
42	Fully Covered IGA Claims
- The SDR responded to requests from Guaranty Associations, policyholders, claimants, attorneys, AMWINS, 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 also assisted the Guaranty Associations in re-opening closed claim files and setting up new claim files.
- The SDR and claim staff reviewed the pending proofs of claim to prepare final determination and classification letters to the claimants.

The February 28, 2017 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	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	5	90
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	4	17	7	23
SC	1	68	1	129
SD	0	1	0	1
TN	0	19	0	32
TX	11	1,060	22	1,602
UT	0	1	0	2
WA	0	10	0	21
Totals	32	1,964	65	3,156

**General Legal Activities:**

- The estate has litigation pending in three asset collection matters against an MGA, Gramercy’s auditor and its reinsurer as of March 31, 2018. There is a pending settlement in the auditor suit and the reinsurer has been placed in temporary liquidation in New Zealand so there is a temporary stay of litigation.

**Conclusion:**

- Major Achievements since last Status Conference:
  - 1 The Gramercy 2017 tax return was finalized and submitted to the Internal Revenue Service.
  - 2 The SDR staff worked with Guaranty Associations providing POC and claim information, and prepared the required UDS reports.
  - 3 Six POC determination and classification letters were processed and sent to claimants this quarter.
  - 4 The SDR staff and subcontractors worked on damage models and responded to requests for production of documents on the three pending litigation matters.

- Estate Team Goals for the next quarter:
  1. The SDR staff will continue the preparation of required exhibits for the federal waiver request.
  2. The SDR staff will work with the Guaranty Associations on the transfer of re-opened, closed, and 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.
- Estimated Closing Date of Receivership: October, 2018.
- 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.