

Special Master's Status Letter Update
April 24, 2017
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: Rachelle Robles
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: Inland Marine, Private Passenger Auto Liability, Commercial Auto Liability, Auto Physical Damage, Surety, Credit, & Warranty
- Guaranty Associations & Date of Impairment: TPCIGA and 36 other GAs for the States listed above--August 26, 2013.
- Early access/distributions: \$6,605,951.99 (As of Sept. 30, 2016)
Twenty nine guaranty associations have received early access distributions / Cash distributions were made in September 2015 for \$4,867,778.16 and in July 2016 for \$10,051.80. Seven of the twenty nine guaranty associations have also received \$1,728,122.03 from custodial statutory deposits 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.

Statement of Assets and Liabilities March 31, 2016

- Total Assets \$17,692,661
 - Cash Assets \$ 5,396,695
 - Non cash Assets \$12,295,966
- Total liabilities \$(46,503,460)
- Negative equity \$(28,810,799)

Status and activity since last status conference

Asset Recovery:

- Other recoveries received this quarter from investment, interest on cash and loss run fees were \$42,010.00.
- The SDR filed a claim for refund from the Texas State Comptroller unclaimed fund in the amount of \$45,362.41 and it is under review.
- The SDR sent a turnover demand pursuant to TEX. INS. CODE ANN. §201(a) to Contractors Bonding Ltd. seeking payment of an outstanding reinsurance receivable due in the amount of \$1,043,670.84.

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: 707
 - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	33
Class 5	<u>6</u>
Total:	71
- POC's processed this quarter:

10	Allowed Class 2 Claims
2	Classified Class 5 and Lower Priority
13	Disallowed Claims
15	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
13	Allowed Class 2 Claims
1	Classified Class 3
472	Classified Class 5 & Lower Priority Claims
103	Disallowed Claims
39	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 notice letters to the claimants.

- The Georgia department of insurance agreed to release the statutory deposit to the Georgia Insolvency Pool as part of an early access distribution for Class 1 administrative expenses.
- The SDR claim staff received and processed 20 requests this quarter from policy holders and insurance companies for prior period loss runs and insurance coverage verifications.

The March 31, 2017 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	0	2	0	3
CO	0	2	0	3
FL	8	141	53	305
GA	11	454	32	700
IA	1	8	1	9
ID	0	1	0	2
IL	4	71	6	89
IN	1	7	1	13
KS	1	3	1	9
KY	1	2	2	4
LA	1	6	2	9
MN	1	5	1	7
MO	1	7	1	21
MS	6	15	10	30
NC	1	2	1	3
NM	1	1	1	9
NV	0	9	0	12
OK	1	1	2	2
OR	1	6	1	6
PA	8	13	13	17
SC	1	68	1	129
SD	0	1	0	1
TN	1	19	1	32
TX	30	1,041	62	1,562
UT	0	1	0	2
WA	1	9	1	20
Totals	84	1,913	200	3,030

Administrative:

- The IRS 2016 Form 1120 PC tax return for Gramercy was filed this quarter.

General Legal Activities:

- Four asset collection litigation matters were filed in December against two of its prior MGAs, its auditor, and a data processing company. All defendants have been served and have filed answers as of January 2017.
- A settlement has been negotiated a settlement with the data processing company and the settlement funds were received on April 10, 2017.

Conclusion:

- Major Achievements since last Status Conference:
 1. The SDR staff worked with Guaranty Associations providing POC and claim information, and prepared the required UDS reports.
 2. A settlement was achieved on the litigation matter associated with the data processing company.
 3. Forty POC determination and classification letters were processed and sent to claimants this quarter.
- 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 new claim files and the transmission of the required UDS reports.
 2. The SDR staff will continue collecting agent balances, premiums, subrogation, and reinsurance owed to the receivership estate.
 3. The SDR staff and subcontractors will work on asset collection litigation as needed by the Gramercy's counsel.
 4. The SDR staff will review POCs and send determination and/or classification letters as warranted.
- Estimated Closing Date of Receivership: May 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.