

Special Master's Status Letter Update  
July 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 June 30, 2017**

- Total Assets \$ 17,540,819
  - Cash Assets \$ 5,243,209
  - Non cash Assets \$ 12,297,610
- Total liabilities \$(45,974,643)
- Negative equity \$(28,433,824)

## Status and activity since last status conference

### Asset Recovery:

- Other recoveries received this quarter from a subrogation collection, vendor deposit refund, interest on cash, and loss run fees were \$39,176.
- The SDR claim for refund from the Texas State Comptroller unclaimed fund in the amount of \$45,362.41 is still under review.
- The SDR filed a petition for summary turnover order in the Travis County District Court against 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 June 30, 2017: 708
  - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	29
Class 5	<u>6</u>
Total:	67
- POC's processed this quarter:

1	Allowed Class 2 Claims
1	Classified Class 5 and Lower Priority
2	Disallowed Claims
1	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
14	Allowed Class 2 Claims
1	Classified Class 3
473	Classified Class 5 & Lower Priority Claims
105	Disallowed Claims
40	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 SDR claim staff received and processed ten loss run requests this quarter from policy holders and insurance companies for prior period loss runs and insurance coverage verifications.

The May 31, 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	2	147	9	349
GA	8	457	28	704
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	26	1,045	53	1,571
UT	0	1	0	2
WA	1	9	1	20
Totals	71	1,926	143	3,087

**Administrative:**

- The SDR staff and subcontractors identified boxes to be designated as post-receivership closing boxes. These are being inventoried and boxed as required by the RLO Record Retention Policy.

**General Legal Activities:**

- Four asset collection litigation matters are proceeding as of June 30, 2017, against two of its prior MGAs, its auditor, and a reinsurer.

**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. Five POC determination and classification letters were processed and sent to claimants this quarter.
  3. The SDR staff and subcontractors worked a damage model and responding to requests for production documents on pending litigation matters.
- 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 subrogation, and reinsurance owed to the receivership estate.
    3. The SDR staff and subcontractors will work on asset collection litigation as needed by Gramercy's estate and outside counsel.
    4. The SDR staff will review POCs and send determination and/or classification letters as warranted.
    5. The SDR will conduct an analysis of distributable assets to determine if additional early access distributions are appropriate and prepare a recommendation for early access 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.