

Special Master's Status Letter Update
January 29, 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 in 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 December 31, 2017

- Total Assets \$ 18,199,821
 - Cash Assets \$ 4,671,658
 - Non cash Assets \$13,528,163
- Total liabilities \$(45,809,304)
- Negative equity \$(27,609,483)

Status and activity since last status conference

Asset Recovery:

- Other recoveries received this quarter from subrogation collections and interest on cash were \$13,205.
- In November, GIC received the refund from the Texas State Comptroller's abandoned property fund in the amount of \$44,686.72.

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, 2017: 710
 - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	21
Class 5	<u>5</u>
Total:	58
- POC's processed this quarter:

5	Allowed Class 2 Claims
1	Classified Class 5 and Lower Priority
- 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
475	Classified Class 5 & Lower Priority Claims
107	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 letters to the claimants.

The November 30, 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	1	148	5	353
GA	4	461	12	720
IA	1	8	1	9
ID	0	1	0	2
IL	1	72	5	90
IN	1	6	11	2
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	5	16	8	32
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	5	16	9	21
SC	1	68	1	129
SD	0	1	0	1
TN	0	19	0	32
TX	13	1,058	25	1,599
UT	0	1	0	2
WA	0	10	0	21
Totals	39	1,957	89	3,132

General Legal Activities:

- Three asset collection litigation matters are pending as of December 31, 2017, against one of its prior MGAs, its auditor, and a reinsurer.

Conclusion:

- Major Achievements since last Status Conference:
 - 1 The guaranty association early access distributions were processed.
 - 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 responding to requests for production documents on the three pending litigation matters.
- Estate Team Goals for the next quarter:
 1. The SDR staff will begin preparing the 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.