

Special Master's Status Letter Update  
October 30, 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:	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: Inland Marine, 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: \$11,288,787.84 (As of Sept. 2017)  
Twenty nine 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. 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.  
The SDR filed a third early access distribution application in September 2017 and is awaiting an order from the Receivership Court approving the proposed distributions.

**Statement of Assets and Liabilities September 30, 2017**

- |                     |              |                       |
|---------------------|--------------|-----------------------|
| • Total Assets      |              | \$ 17,338,709         |
| ○ Cash Assets       | \$ 5,037,899 |                       |
| ○ Non cash Assets   | \$12,300,810 |                       |
| • Total liabilities |              | <u>\$(45,942,204)</u> |
| • Negative equity   |              | \$(28,603,495)        |

## Status and activity since last status conference

### Asset Recovery:

- Other recoveries received this quarter from a subrogation collection, interest on cash, and loss run fees were \$12,944.
- The SDR's request for a refund from the Texas State Comptroller unclaimed fund in the amount of \$45,362.41 is still being considered by the Comptroller and AG's Office.
- The asset collection litigation against Atlantis was settled at mediation in the amount of \$1,450,000. The application for approval of the settlement by the receivership court was filed and it was approved and all settlement documents have been executed. The receivership estate received the settlement funds on October 6, 2017.

### Claims:

- POC filing deadline: February 26, 2015
- Number of Notices sent to date: 40,299
- Status of POC Processing:
  - POC's filed as of September 30, 2017: 710
  - POC's Pending Determination or Final Classification:

Class 1 & 2 IGA POCs	32
Class 2 - Non IGA POCs	26
Class 5	<u>6</u>
Total:	64
- POC's processed this quarter:

1	Allowed Class 2 Claims
2	Classified Class 5 and Lower Priority
2	Disallowed Claims
- POC's processed to date:

4	Allowed Class 1 Claims
3	Allowed Classes 1&5 Claims
1	Partially Allowed & Classified Class 1&5
15	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 staff prepared the Application For Approval of Special Deputy Receiver's Second Report of Claims and Third Application To Approve Early Access Payment to Guaranty Associations and filed it in the Receivership Court on September 14, 2017. The proposed distribution amount is \$1,267,048.56.
- 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 nine loss run requests this quarter from policy holders and insurance companies for prior period loss runs and insurance coverage verifications.

The August 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	1	6
CO	0	2	0	3
FL	1	148	1	357
GA	7	458	13	719
IA	1	8	1	9
ID	0	1	0	2
IL	1	72	5	90
IN	1	7	1	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	6	15	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	6	15	10	20
SC	1	68	1	129
SD	0	1	0	1
TN	0	19	0	32
TX	18	1,053	30	1,594
UT	0	1	0	2
WA	0	10	0	21
Totals	48	1,948	78	3,143

**General Legal Activities:**

- Three asset collection litigation matters are proceeding as of September 30, 2017, against one of its prior MGAs, its auditor, and a reinsurer.

**Conclusion:**

- Major Achievements since last Status Conference:
  - 1 The Atlantis litigation matter was settled at mediation for \$1,450,000.00.

- 2 The SDR staff prepared the Application For Approval of Special Deputy Receiver's Second Report of Claims and Third Application To Approve Early Access Payment to Guaranty Associations and submitted it to the receivership court for approval on September 14, 2017.
  - 3 The SDR staff worked with Guaranty Associations providing POC and claim information, and prepared the required UDS reports.
  - 4 Five POC determination and classification letters were processed and sent to claimants this quarter.
  - 5 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 will process the third early access distribution wire transfers to the Guaranty Associations.
    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.