

Report for Special Master's Status Conference

July 23, 2018

R-554 Santa Fe Auto Insurance Company

SDR: CANTILO & BENNETT, L.L.P.
Primary Responsible Person: Susan E. Salch
Estate Counsel: Christopher Fuller
Receiver's Counsel: Kimberly M. Hammer
RLO Analyst: Moses Chao

Background on Receivership

- Date of Permanent Injunction (Rehabilitation): March 8, 2013
- Date of Permanent Injunction (Liquidation): April 5, 2013
- Date of Appointment of SDR: March 8, 2013
- Claims Filing Deadline: October 5, 2014 (November 4, 2014, for certain SDR filed claims)
- States where Licensed: Arkansas, Arizona, Georgia, Nevada, New Mexico, Oklahoma, Texas, and Utah
- Lines of Business: Nonstandard Auto Insurance
- Texas Property & Casualty Insurance Guaranty Association
- Date of Impairment: April 11, 2013
- Early Access Distributions: Total: \$10,227,574.82. First: \$2,777,574.82 distributed on September 23, 2014; Second: \$7,500,000 distributed in June 2016

Statement of Assets and Liabilities as of June 30, 2018

Total Assets:	\$15,686,863
Cash Assets:	\$ 4,992,898
Non-Cash Assets:	\$10,693,965
Total Liabilities:	\$23,454,318
Negative Equity:	(\$ 7,767,455)

Asset Recovery through June 30, 2018

Premium Collected:	\$ 2,444,077
Subrogation/Salvage:	\$ 126,799
Reinsurance Collected:	\$11,307,959
FF&E Sold:	\$ 99,372
Gamma Road Building Sale:	\$ 614,902

Status and Activity since Last Status Conference

Claims Matters

- **POC Processing:** A total of 3,204 POCs were filed in this estate, including 23 filed after the October 10, 2014, claims filing deadline. There are 8 POCs awaiting a determination and 3 on appeal, as described below.

The SDR's claims staff has reviewed current/updated information from the eight guaranty associations to complete approval of their POCs. Staff will continue its review of the issues and attempt to reconcile them with the individual Guaranty Associations.

In June, the SDR issued POC determination letters for three of the five pending bad faith POCs: Hanley, Corta, and Siler. The SDR had originally intended to submit each one to the E&O carrier before classifying the claims. However, the carrier, AIG/Chartis, has not responded in any way to the March 2018 tender of the Talbott claim (see below). Deeming further submissions to the carrier to be a waste of time, estate counsel recommended approving the POCs as Class 5. The remaining bad faith POCs (Barnhart and Davison) will be adjudicated in July.

- **POC Appeals:** There are three open UEP appeals that await review and resolution by TPCIGA. The Talbott appeal of the denial of its POC was resolved by re-determining the claim as Class 5. Estate counsel tendered the Talbott claim to the E&O carrier in early March 2018, but there was no response.
- **Fabriguze v. Nelson:** Counsel reached an agreement on language in a Stipulation to resolve the Fabriguze intervention. The agreement is subject to the receivership court's approval of the SDR's Report of Claims.
- **Disputed Claims Submissions:**

Cerra Insurance Agency: In its order dated July 2, 2018, the receivership court approved the SDR's classification of the POC filed by this former agent for Santa Fe, as Class 5 claim.

Porter: On July 2, 2018, the receivership court granted the SDR's disputed claim application, affirming the denial of the Porter POC. Mr. Porter filed his response in opposition to the SDR's Disputed Claim application as a complaint to TDI. The SDR's response detailed the history of the claim and advised that it was a disputed claim pending before the Special Master. TDI advised the SDR that it was closing the complaint.

- **Guaranty Association Reporting:** As of July 10, 2018, a total of \$19,285,224 in expense and loss payments and reserves were reported by the guaranty associations (as of the last status report, the total was \$19,288,755). Loss

payments and reserves total \$11,082,939 (\$11,108,355 at last report), and guaranty association administrative expense payments and reserves total \$8,202,285 (\$8,180,400, at last report).

General Legal Activities

- **Litigation Report:** No new lawsuits were received in the last quarter.
- **Regulatory Matters:** The New Mexico ancillary proceeding remains open.
- **Subpoenas:** The estate receives one to two subpoenas per month. While the subpoenas are legally objectionable because of the stay, it would be more expensive to the estate to contest the subpoenas than to comply. Only non-privileged, non-confidential records are produced and they are authenticated with a Receiver's certificate under section 443.017. Medical records are not produced even if the fee is paid, unless a proper release is provided. The SDR will begin to refuse subpoenas after the next quarter to begin the process of closing the estate.

Conclusion

Summary of Major Achievements since Last Status Conference:

- Resolved Fabriguze stipulation.
- Resolved Talbott POC appeal.
- Adjudicated three of the five bad faith POCs.
- Successfully resolved the Cerra and Porter POC appeals.

Estate Team Goals to Achieve Prior to Next Status Conference:

- Finish POC adjudication and appeal process.
- Process and approve guaranty association POCs.
- File Report of Claims.
- Prepare and file tax returns.

Estimated Closing Date of Receivership: Spring 2019

Factors Affecting Closing Date and Final Distribution:

- POC adjudication and appeals.
- Federal waiver of claims.