

Report for Special Master's Status Conference

November 5, 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 September 30, 2018

| | |
|--------------------|----------------|
| Total Assets: | \$15,674,561 |
| Cash Assets: | \$ 4,980,596 |
| Non-Cash Assets: | \$10,693,965 |
| Total Liabilities: | \$23,355,848 |
| Negative Equity: | (\$ 7,681,287) |

Asset Recovery Through September 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. All POCs have been adjudicated except for the eight guaranty association POCs.

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.

The Barnhart and Davison bad faith POCs were adjudicated in August, and the deadline for those claimants to appeal the adjudication of the claims ran in late September 2018. On September 21, 2018, counsel for the Silers sent an untimely objection/appeal of the Class 5 determination of their bad faith claim. The attorney claimed that the late filing should be excused because the determination letter was sent to the wrong address (because his firm had moved since filing the claim). Estate counsel replied on October 8, 2018, citing the statutory obligation for claimants to maintain a current address with the SDR and explaining why bad faith claims are Class 5, not Class 2, claims. The Silers were invited to withdraw the appeal. In the event they refuse to do so by November 7, 2018, the SDR may file an application to confirm the determination.

- **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.
- **Guaranty Association Reporting:** As of October 6, 2018, a total of \$19,272,166 in expense and loss payments and reserves were reported by the guaranty associations (as of July 10, 2018, the last status conference report, the total was \$19,285,224). Loss payments and reserves total \$11,048,692 (\$11,082,939 at last status report), and guaranty association administrative expense payments and reserves total \$8,223,474 (\$8,202,285 at last status 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:

- Filed Disposition of Assets Schedule.
- Adjudicated remaining bad faith POCs (Barnhardt, Davison).

Estate Team Goals to Achieve Prior to Next Status Conference:

- 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:

- Guaranty Association POC Adjudication
- Federal Waiver of Claims
- Tax Returns