

Cause No. D-1-GN-20-003004

THE STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
HOUSTON GENERAL INSURANCE	§	
EXCHANGE AND HOUSTON GENERAL	§	
INSURANCE MANAGEMENT COMPANY,	§	
Defendant	§	98TH JUDICIAL DISTRICT

**APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS
TO THE HONORABLE JUDGE OF THIS COURT:**

COMES NOW Risk & Regulatory Consulting LLC, Special Deputy Receiver (SDR) of Houston General Insurance Exchange and Houston General Insurance Management Company (respectively HGIE and HGIMC or collectively, the Defendants), and files this Application to Make Final Distribution and Destroy Records (Application) and respectfully shows the Court as follows:

I. INTRODUCTION

1.1 The SDR has completed its claims processing and asset collection activities. The SDR requests this Court authorize it to make a final distribution of the Defendants' receivership estates' assets and dispose of or transfer any remaining records of the Defendants. Following the completion of the final distribution, the transfer and destruction of records, the dissolution of HGIMC, and the filing of final tax returns and issuance of any other required tax documents, the SDR will submit an application to dissolve the charter of HGIE, discharge the Receiver and the SDR, and terminate this proceeding.

II. AUTHORITY

2.1 The SDR is authorized to file this Application pursuant to TEX. INS. CODE § 443.302(a), TEX. INS. CODE § 443.352(a), and TEX. INS. CODE § 443.354.

2.2 The subject matter of this Application has been referred to the master appointed by this Court in this proceeding (Master) in accordance with the Order of Reference to Master (Order of Reference) entered on June 10, 2020 and the Supplemental Order of Reference (Supplemental Order of Reference) entered on November 2, 2020.

III. BACKGROUND

Delinquency Proceedings

3.1 This case instituted delinquency proceedings with the filing of the Plaintiffs Original Petition, Application for Order Appointing Rehabilitator and Request for Injunctive Relief filed on June 4, 2020.

Initiation of Receivership for Rehabilitation

3.2 On June 10, 2020, this Court entered its Order Appointing Rehabilitator and Permanent Injunction (Rehabilitation Order) placing Defendant's into rehabilitation and appointing the Texas Commissioner of Insurance (Commissioner), as Rehabilitator.

Appointment of SDR

3.4 On June 10, 2020, the Rehabilitator designated Risk & Regulatory Consulting, LLC as SDR.

Initiation of Liquidation

3.5 On August 11, 2020, this Court entered its Order Appointing Liquidator and Permanent Injunction (Liquidation Order) placing Defendants into liquidation and appointing the Commissioner as Liquidator.

Referral to Master

3.6 This Court appointed Tom Collins as Master in this proceeding in its Order of Reference.

IV. FINANCIAL STATEMENTS

4.1 A Statement of Net Assets and a Statement of Net Liabilities for HGIE and HGIMC respectively are attached as Exhibits 2 A and 2 B which reflect the Defendants' financial condition as of August 31, 2023. A consolidated Sources and Uses of Cash for HGIE and HGIMC respectively is attached as Exhibits 3 A and 3 B which lists all funds received and disbursed by Defendants from the date of receivership to August 31, 2023. These exhibits are the financial reports for the receivership estate prepared in accordance with TEX. INS. CODE § 443.016 and filed with the court on September 15, 2023.

V. ASSETS

Disposition of Assets

5.1 A Disposition of Assets Schedule for HGIE and HGIMC respectively is attached as Exhibits 4 A and 4 B which shows all asset transactions since June 10, 2020 and reflects total liquidated assets of Defendants as of August 31, 2023.

5.2 Exhibits 4 A and 4 B do not address unliquidated assets. Specifically, the

receivership estate holds several potential causes of action, including potential actions against the Defendants' professionals and the Defendants' directors and officers. Because of insufficient assets to litigate these matters and due to the low likelihood of recovery, the SDR has not pursued the potential litigation. Exhibits 2 A and 2 B show these unliquidated assets with a net realizable value of \$0.

VI. CLAIMS

Notice

6.1 On October 5, 2022, this Court entered its Order Allowing Alternative Procedures to Deem Certain Claims as POCs and Accepting Report of Notice (Notice Order) waiving a requirement for a proof of claim to be filed by a claim filing deadline on a promulgated POC form. In the Notice Order, the Court found that the SDR provided notice of alterative proof of claim procedures to all persons who may have had claims as shown by the Defendants' books and records in the possession of the SDR. In addition, in accordance with the Notice Order, the SDR published notice of the closing in the Daily Court Review, a daily newspaper published in Houston, Harris County, Texas on September 15, 2022

Proofs of Claims

6.2 Pursuant to the Notice Order, the SDR did not set a claim filing deadline.

Claims Processing and Claims Reports

6.3 The Texas Property and Casualty Insurance Guaranty Association's (TPCIGA) Class 1 claim for paid amounts was approved by the Court in the Notice Order in the amount of \$815,231.32 through June 30, 2022. The final and total amount of TPCIGA's Class 1 claim will be larger. Further, none of TPCIGA's Class 2 claim has been determined or allowed.

6.4 Pursuant to the Notice Order, this Court deemed as a timely filed POC the amounts of unearned premium owing on commercial auto policies that were over the TPCIGA cap on unearned premium claims and authorized the SDR to deem that a POC was filed for such claims based on TPCIGA's claims reports for the over the cap amount unpaid by TPCIGA.

Distributions

6.5 During the course of the receivership, no early access payments were distributed to TPCIGA because the SDR determined that the amount needed to be reserved from general assets of HGIE under TEX. INS. CODE § 443.303(a)(1) exceeded its available assets.

6.6 The SDR requests that this Court approve a distribution of all remaining assets of HGIMC to HGIE for payment of administrative expenses as detailed. HGIMC was responsible for some of the administrative expenses paid by HGIE in the course of the receivership, so this is a proper reimbursement to HGIE for expenses incurred.

VII. EXPENSES

Paid Expenses

7.1 The SDR has filed Statements of Expenses quarterly from June 10, 2020, until August 31, 2023, pursuant to TEX. INS. CODE § 443.015(g). On May 11, 2021, this Court approved the terms of compensation for the SDR and subcontractors, and other expenses anticipated to exceed \$25,000 pursuant to TEX. INS. CODE § 443.015(c). The compensation and expenses have been or will be paid in accordance with this order and TEX. INS. CODE § 443.015 through August 31, 2023.

Closing Expenses

7.2 The SDR proposes to reserve \$139,245 from the assets of HGIE for the payment of estimated expenses involved in closing the receivership estates, including some obligations that continue past closing, as reflected on the detailed breakdown of estimated closing expenses attached as Exhibit 5. Due to the amount of assets available, the assets may be inadequate to cover all activities of closing reflected in this reserve, depending on timely receipt of the “No Issues” letter received on the final tax returns. The SDR requests approval of the reserve for closing expenses as reflected on Exhibit 5.

Final Statement of Expenses

7.3 Pursuant to TEX. INS. CODE § 443.015, the SDR will submit a final accounting and a detailed final statement of actual expenses incurred when the SDR files the application to terminate the receivership estate. If the actual expenses differ from the amount reserved, the excess funds will be handled as described in Section VIII below. In case of a shortfall, the actual expenses may be funded by the abandoned property fund. The SDR will file a final accounting including the final distribution amount and a final statement of expenses that reflects the actual expenses paid.

VIII. DISTRIBUTION OF ASSETS

Assets Available for Distribution

8.1 As of August 31, 2023, there was a total of \$158,884.63 in the HGIE receivership estate’s account and \$1,016.43 in the HGIMC receivership’s account for a total of \$139,152.83. As discussed above, the SDR has distributed the HGIMC funds available to HGIE for administrative expenses that should have been paid by HGIMC. As shown in the HGIE Statement of Net Liabilities, SDR and Subcontractors fees and expenses of \$20,521 and other expenses for August

and prior were paid after Exhibit 2 A was filed leaving \$139,136.59 of available assets. Due to the amount of assets available, the SDR estimates that this reserve may be adequate to cover all activities of closing, depending on receipt of the “No Issues” letters on the final tax returns. After reserving for the remaining administrative expenses through closing as described above, \$16.24 in assets may be available to TPCIGA for a portion of its allowed Class 1 claim.

TPCIGA

8.2 No early access payments were made to TPCIGA under TEX. INS. CODE § 443.303. The SDR requests authority to make a final distribution to TPCIGA in the amount of \$16 in partial payment of its partially allowed Class 1 claim. The SDR is requesting authority for a final distribution to TPCIGA of all funds remaining after paying administrative expenses, depending on final expense numbers.

Residual Funds

8.3 It is possible that there may be additional funds in the receivership account after payment of estimated expenses of closing (Residual Funds). Such funds may result from interest on the receivership account, excess reserves for closing expenses, or the collection of assets after the distribution has commenced. In the event that there are any Residual Funds, the SDR requests that such funds be transferred to TPCIGA up to the amount of its partially allowed Class 1 claim.

8.4 Section 443.352 provides that this Court may issue an order to transfer funds remaining after the final distribution that cannot be economically distributed. In the event that any Residual Funds exceed the amount required for the expenses described in Paragraph 8.1, the SDR proposes to transfer such excess amount to TPCIGA as a supplemental distribution on its partially allowed Class 1 claim.

IX. ASSIGNMENTS AND TRANSFERS

9.1 Section 443.154 authorizes the SDR to transfer, abandon, or otherwise dispose of or deal with any property of the insurer upon terms and conditions that are fair and reasonable. Further, TEX. INS. CODE § 443.352 permits the Court to enter any orders in connection with an application to terminate a receivership proceeding, including orders transferring any remaining assets that are uneconomic to distribute. There are known unliquidated assets in the receivership estate that the SDR is assigning to the Commissioner of Insurance. It is possible that unknown assets of the Defendants exist as well. The SDR will request this Court to approve a transfer of all unliquidated assets and any unknown assets to the Commissioner in its application to terminate this proceeding.

X. RECORDS

Disposal of Records

10.1 The SDR has identified records that are not needed after the termination of this proceeding. Attached as Exhibit 6 is a list of the records to be destroyed. The SDR requests authority to dispose of such records in accordance with TEX. INS. CODE § 443.354(a).

Records Transferred to TPCIGA

10.2 The SDR requests that this Court authorize it to transfer to TPCIGA those claims records for which TPCIGA agrees to accept responsibility, and to further authorize TPCIGA to retain or dispose of such records at its discretion.

Records Transferred to Commissioner

10.3 Records that may be required after the termination of this proceeding will be delivered to the Commissioner pursuant to TEX. INS. CODE § 443.354(b) and maintained in compliance with the Receiver's records retention policy for receivership records.

XI. TAX RETURNS

11.1 The SDR has prepared and filed tax returns for both HGIE and HGIMC for tax years 2018, 2019, 2020, 2021, and 2022. The SDR will file tax returns for tax year 2023, which will be the final tax return for tax year 2023 after the final distribution is completed. The SDR will provide certification that the "No Issues" letters on the 2023 tax returns from the Internal Revenue Service have been received. No taxes are owed to the Internal Revenue Service.

XII. CERTIFICATION OF CLOSING ACTIVITIES

12.1 When the SDR files an application to terminate the receivership estate and be discharged, the SDR will file a certification with the Master with documentation to verify that the SDR has (i) filed a final accounting, (ii) provided from the Internal Revenue Service "No Issues" letters, (iii) filed the final federal income tax returns for the tax year 2023, (iv) obtained a federal release, and (v) dissolved HGIMC with the Texas Secretary of State.

XIII. CHARTER AND LICENSES

13.1 As is detailed in Exhibit 1, the SDR filed the necessary franchise tax returns and other statutorily required reporting on behalf of HGIMC pursuant to the TEX. TAX CODE, Chapter 171 et.seq.

13.2 The SDR has determined that a sale of the charter and license of HGIE and HGIMC is not feasible. The SDR will request that this Court dissolve the charter of HGIE pursuant to TEX.

INS. CODE § 443.153(e)(1) on the termination of this proceeding. The SDR will make the necessary filings with the Texas Secretary of State to dissolve HGIMC.

XIV. OFFER OF PROOF

14.1 Attached to this Application is Exhibit 1, the Affidavit of Jan Moenck, and is the certification submitted under TEX. INS. CODE § 443.017(b), authenticating records referenced and verifying the facts contained in this Application. The SDR requests that Exhibits 1-6 be admitted into evidence and treated as prima facie evidence in support of this Application, and that the facts contained in the Application and its exhibits be admitted as prima facie proof of the matters. All of the Exhibits are incorporated by reference as if fully set out into this Application. The SDR requests that this Court take judicial notice of all matters contained in this Court's file pursuant to TEX. R. CIV. EVID. 201.

XV. NOTICE AND HEARING

Notice of Application

15.1 The Application is set for hearing by submission on October 16, 2023. The SDR provided notice of the hearing on the Application to all persons entitled to notice in accordance with TEX. INS. CODE §443.007(d) and the Order of Reference and Supplemental Order of Reference. The SDR also noticed all known "parties in interest" as defined by TEX. INS. CODE §443.004(a)(17) as shown on the certificate of service by email or first class mail.

XVI. FINALITY OF ORDERS

16.1 The SDR requests that this Court's Order approving the Application constitutes a final disposition resolving all matters related to the Application for purposes of appeal.

PRAYER

WHEREFORE, PREMISES CONSIDERED, Risk & Regulatory, LLC, in its capacity as Special Deputy Receiver of Houston General Insurance Exchange and Houston General Insurance Management Company, respectfully requests that this Court grant this Application in all respects and enter an Order:

- a. Admitting into evidence the facts in the Application, verified and sworn to in Exhibit 1 and Exhibits 2 through 6 and accepting the facts contained in the Application and its exhibits into evidence as prima facie proof of the matters asserted;
- b. Taking judicial notice of all matters contained in this Court's file pursuant to TEX. R. CIV. EVID. 201;
- c. Accepting the financial statements;
- d. Approving the estimated closing expenses as reflected on Exhibit 5;
- e. Approving the proposed distribution to TPCIGA, if any, of all funds remaining after payment of actual administrative expenses paid;
- f. Authorizing the SDR to transfer any Residual Funds, if any, to TPCIGA in partial payment for its allowed Class 1 claim;
- g. Authorizing the SDR to transfer to TPCIGA claims records for which it agrees to accept responsibility, and authorizing TPCIGA to retain or dispose of such records at its discretion;
- h. Authorizing the SDR to dispose of the records listed in Exhibit 6 and deliver any remaining records that are not transferred to TPCIGA to the Commissioner, and authorizing the Commissioner to maintain or dispose of such records at his or her discretion;
- i. Deeming that the Order approving the Application constitutes a final disposition resolving all matters relating to the Application for purposes of appeal;
- j. Finding that the notice of the hearing on this Application was served on parties in interest as defined in TEX. INS. CODE § 443.004(a)(17) and was proper and made in accordance with the notice requirements in TEX. INS. CODE § 443.007 and the Order of Reference;
- k. Authorizing the SDR to execute any documents as necessary to effectuate the purpose of this Application; and

1. Granting such further relief to which the SDR or Receiver may be entitled.

Respectfully submitted,

AMY JEANNE WELTON

Attorney at Law

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Dripping Springs, TX 78620-1644

830-868-7136

Facsimile No. 888-570-5906

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/s/ Amy Jeanne Welton

Amy Jeanne Welton

State Bar No. 21004800

**ATTORNEYS FOR RISK & REGULATORY
CONSULTING, LLC, SPECIAL DEPUTY
RECEIVER OF HOUSTON GENERAL
INSURANCE EXCHANGE AND HOUSTON
GENERAL INSURANCE MANAGEMENT
COMPANY**

APPLICANT'S NOTICE OF SUBMISSION

Pursuant to the terms of the Order of Reference to Master entered on June 10, 2020, by the District Court in this cause, the Application to Make Final Distribution and Destroy Records (Application) is set for written submission before the receivership master, Tom Collins, on Monday, October 16, , 2023.

The receivership master has asked that the following rules be provided to you:

1. Any objection by a party in interest (objecting party) must be filed with the Travis County District Clerk at least 3 calendar days before the submission date.
2. A copy of any objection shall be served by such date on:
 - (a) Receivership Master's docket clerk, Texas Department of Insurance, at specialmasterclerk@tdi.texas.gov (by email);
 - (b) All parties in interest, including those listed on the Applicant's Certificate of Service, and the undersigned counsel.
3. The written objection must specifically list all reasons for objection with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally.
4. If a matter is set for submission, an objecting party shall expeditiously coordinate with Applicant's counsel and the receivership master's docket clerk [512-475-1761] to obtain an oral hearing, unless the receivership master determines that an oral hearing is not necessary. The objecting party shall serve a Notice of Oral Hearing on applicant's counsel and all interested parties, including those listed on the Applicant's Certificate of Service.
5. Failure to file timely a written objection before the receivership master constitutes a waiver of the right to object to the receivership master's recommendation to the District Court.
6. Any Acknowledgment of Notice and Waiver to be filed by any party in interest should be filed at least 3 calendar days before the submission or hearing date.

/s/ Amy Jeanne Welton
weltonlaw@gmail.com

THE STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
HOUSTON GENERAL INSURANCE	§	
EXCHANGE AND HOUSTON GENERAL	§	
INSURANCE MANAGEMENT COMPANY,	§	
Defendant	§	98TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER’S VERIFICATION AND CERTIFICATION
PURSUANT TO TEX. INS. CODE §443.017(b)**

AFFIDAVIT OF JAN MOENCK

	§
STATE OF ARIZONA	§
	§
	§
COUNTY OF MARICOPA	§
	§

Before me the undersigned authority personally appeared Jan Moenck who being first duly sworn states the following:

1. "My name is Jan Moenck. I am of sound mind, capable of making this affidavit, and am competent to testify to the matters contained in this affidavit.
2. "I am a Partner in Risk & Regulatory Consulting, LLC, the Special Deputy Receiver of Houston General Insurance Exchange and Houston General Insurance Management Company ("SDR"). I am duly authorized to make this affidavit on behalf of the SDR.
3. "Risk & Regulatory Consulting, LLC has retained subcontractors to assist in its administration of specialized areas of the receivership estate. The staff of Risk &

Regulatory Consulting, LLC and the subcontractors engaged on the receivership estate will be collectively referred to as “my staff” below.

4. "I have read the Application to Make Final Distribution and Destroy Records (Application) in the case styled State of Texas v. Houston General Insurance Exchange and Houston General Insurance Management Company; Cause No. D-1-GN-20-003004 in the 98th Judicial District Court of Travis County, Texas.
5. “I have also read all the exhibits attached and incorporated into the Application by reference.
6. “I certify that the facts in the Application, including its exhibits, are true and correct based on my personal knowledge, my review of estate records, and my consultation with staff and subcontractors.
7. “I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached and incorporated by reference as if fully set out were produced pursuant to TEX. INS. CODE §443.017, are either true and correct copies of records of Houston General Insurance Exchange and Houston General Insurance Management Company (HGIE, HGIMC, or Defendants collectively) and were received from the custody of HGIE or HGIMC or found among its effects, or were created by and filed with the Receiver’s office in connection maintained with the records of the receivership of HGIE and HGIMC and are held by the Special Deputy Receiver in its official capacity.

8. "I request that this Court admit the facts contained in this Application together with all exhibits into evidence as *prima facie* proof of the matters asserted pursuant to TEX. INS. CODE § 443.017(c).
9. "This is a low asset estate. The assets currently available to the SDR are not sufficient to allow for a reserve for administrative expenses from the amount of distributable assets for the completion of the usual activities of a liquidation estate and are insufficient funds to make distributions on any claims except for administrative claims. As a result, the SDR did not set a claims filing deadline nor set out notice for filing proof of claim as authorized by the Court. Further, the lack of assets available to administer the estate during asset recovery litigation made pursuit of these matters uneconomic.
10. "The SDR investigated all checks that were outstanding against HGIE and HGIMC, determining if there were any unclaimed checks that were required to be turned over to the Texas Comptroller of Public Accounts. The SDR determined that there were no outstanding checks and referred all of the claims that related to outstanding checks to the Texas Property and Casualty Insurance Guaranty Association (TPCIGA).
11. "The SDR has retained a CPA to file the Federal Income Tax returns for all previously unfiled years of tax returns for both HGIE and HGIMC. There are no Federal Income Taxes owing by either estate. The SDR will file the final 2023 tax return after the distribution to TPCIGA and for the administrative expenses, and request "No Issues Letters" be issued.

12. “The SDR has made the filings with the Texas Comptroller of Public Accounts relating to required reports and tax returns relating to franchise taxes for HGIMC. The SDR will file the paperwork to dissolve the HGIMC certificate of authority at the Texas Secretary of State’s office, to avoid future obligations to file these reports going forward.
13. “All assets that I am aware of that justified the expense of collection and distribution have been collected and distributed, and there are no remaining known unliquidated assets that were economic to attempt collection.
14. “Since the only payments to policyholders holding HGIE policies of insurance has come through the TPCIGA, the SDR has provided additional information regarding potential covered claims to TPCIGA in the event that additional covered claimants become known during the timeframe while the statute of limitations has not yet run. The SDR has also provided additional information to TPCIGA concerning details relating to the computer system glitches and potential notices of cancellation not being mailed, in order to assist TPCIGA in correctly evaluating claims under these policies of insurance.
15. “HGIMC was responsible for paying all administrative expenses of HGIE under pre-receivership management agreements and powers of attorney. However, HGIMC did not have adequate funds to pay all of the administrative expenses of the receivership estate. The financial statements included as Exhibits 2 A and B reflect the amount owing to HGIE by HGIMC. As a part of the distribution requested in the Application, the SDR has transferred all of the HGIMC assets, in the amount of \$1,016.43 to HGIE for payment of administrative expenses.

16. "Based upon my consultation with my staff and subcontractors, I recommend the final distribution, destruction or transfer of records, reserve for closing expenses and proceeding with closing the receivership estate are in the best interests of the receivership estate and its creditors.
17. "I request that the Court approve all of the discretionary decisions the SDR has made that are reflected to the Application and its exhibits.
18. "I have made the recommendations in this Affidavit based on my personal knowledge gained in consultation with my staff."

"The Affiant has nothing further to say."



Jan Moenck, Partner
Risk & Regulatory Consulting, LLC, as Special Deputy Receiver
for Houston General Insurance Exchange and Houston General
Insurance Management Company

STATE OF ARIZONA
COUNTY OF MARICOPA

SWORN AND SUBSCRIBED before me on the 2nd day of October, 2023.



Notary Public

My Commission Expires: 04/24/23

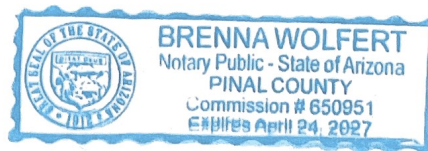


Exhibit 2
Houston General Insurance Exchange
Statement of Net Assets

For the Period Ending
08/31/23

Line		08/31/23
Cash		
1	Cash	
	Cash - Unrestricted	158,885
	APF Funds (Loan proceeds)	
Investments		
2	Short-Term Investments	0
3	Bonds	
4	Stocks - Preferred & Common	
5	Investments in Subsidiaries, Controlled or Affiliated Entities	
6	Mortgage Loans	
7	Real Estate	
8	Policy Loans	
9	Other Invested Assets	
Restricted Assets		
10	Statutory Deposits	
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	0
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	0
15	Reinsurance Recoverables on UEP & Contingent Commissions	0
Other Receivables		
16	Salvage & Subrogation Recoveries	0
17	Premiums Due from Agents & Policyholders	
18	Receivable from Parents, Subsidiaries & Affiliates	0
19	Receivable from Guaranty Associations - Early Access Payments	0
20	Other Receivables	0
Other Assets		
21	FF&E	0
22	Other Assets	
	Federal Income Tax Recoverable	0
	Net Deferred Income Tax	0
	Total Assets	158,885

**Houston General Insurance Exchange
Statement of Net Assets**

**For the Period Ending
08/31/23**

NOTES

General: The receivership statement of assets is prepared using a liquidation basis of accounting that differs from generally accepted accounting principles (GAAP). Estimates and assumptions are utilized to report asset amounts. Assets are generally shown at their estimated net realizable value. If the estimated net realizable value cannot be determined, the book value of the asset is recorded.

Ref No.

#1 and #2 – This Balance represented unrestricted cash and cash equivalents available for payment of liabilities held at East West Bank and in the TDI Judicial Insurance Receivership Trust Fund Account for HGIE. In March 20223, the Bridge Bank accounts were closed and transferred into TDI Receivership Trust Account.

Special Deputy Receiver wrote down to zero any cash and cash equivalents that could not be obtained from bank. Special Deputy Receiver has been unable to locate approximately \$11 million in invested assets reported as of December 31, 2019 and \$10.5 million in invested assets per the Company's records as of June 10, 2020. Special Deputy Receiver has communicated with HGIE broker, investment advisors, and custodians to identify additional information for recovery of these assets however no misappropriated assets have been or are expected to be recovered. It is not known if the \$7.5 million payment credited for the surplus debenture in note #18 was an actual cash balance. It is also not known if the \$7.5 million was a part of the \$11 million which was reported as the balance pre-receivership.

#13 – This balance represented reinsurance recoverables under ceded reinsurance treaties that were reported on the Company's books and records that are subject to future adjustment. Given the balance of \$100,000 was over 90 days and reinsurer was unresponsive to Special Deputy Receiver's inquiries, the balance was written down to \$0 as of February 28, 2022. The reinsurer agreed to pay a claim in the amount of \$4,280 in August 2022, which was received in September 2022. No further balances are likely to be collected.

#16 - This balance represented salvage and subrogation receivable. All remaining receivables were collected in 2022.

**Houston General Insurance Exchange
Statement of Net Assets**

**For the Period Ending
08/31/23**

#17 – This balance represented uncollected premiums and agents' and policyholders' balances in the course of collection for commercial trucking policies in the amount of at least \$3,628,729. In addition GCIB ("affiliate") was acting as an agent for HGIE. GCIB has been unresponsive to Special Deputy Receiver's inquiries and demands to collect premiums outstanding. As GCIB has ceased operations and parties continue to be non-responsive to Special Deputy Receiver's inquiries and demands, the balance was written down to \$0.

During 2019, GCIB began underwriting commercial trucking policies on behalf of HGIE. GCIB remitted the written premiums to HGIE through February 2020. Although there was a prohibition to writing business, the Special Deputy Receiver has received evidence from policyholders, agents, and premium finance companies of commercial policies issued through June and July 2020.

Private passenger personal auto policyholders provided \$578,218 in premium receipts from July through November 2020. Premiums written was estimated to be \$0 for July through September 2020. The premium balance for private passenger personal auto was written down from \$100,611 to \$0 in March 2021. Net realizable value was determined to be \$0.

HGIE policies in force were terminated on September 10, 2020 in accordance with the Order of Liquidation.

#18 Receivable from Parents, Subsidiaries & Affiliate

Pre-Receiver'ship: This balance was created in an entry to adjust the books per the 2018 audit. No updates for these amounts have been provided by the Company. A balance of \$274,917 is due HGIE from HGIMC. The net realizable value as of this date is \$0 as HGIMC has no liquid assets to make payments. This receivable balance was recorded assuming receipt of \$7.5 million from a Quantbridge account that is addressed in Footnote #1 & 2 above.

Post-Receiver'ship: HGIMC, an affiliate of HGIE is the named Company for contracts which include Receivership Service Providers required by the Special Deputy Receiver for the HGIE Receiverships. HGIE recorded these amounts as an expense on Exhibit 1. HGIE recorded these amounts as an intercompany receivable due from HGIMC. HGIMC does not have liquid assets to make payments. HGIMC's Special Deputy Receiver, Special Deputy Receiver Subcontractors, and Liquidation Oversight Allocation and Special Deputy Receiver Subcontractors are paid by HGIE on behalf of HGIMC. HGIE recorded these payments as an intercompany receivable due from HGIMC. HGIE has recorded an intercompany receivable in the amount of \$976,065 due from HGIMC. The net realizable value as of this date is \$0 as HGIMC has no liquid assets.

#19 - No early access payments have been made to the Texas Property and Casualty Insurance Guaranty Association and therefore, there is no receivable.

#20 - Receivable related to the litigation settlement of \$1,125,000, which was held in an escrow account at February 28, 2022. Balance was changed to \$0 when the cash was fully received in March 2022. There are additional causes of action that were not pursued in litigation that are unliquidated and have been determined to have no net realizable value.

**Houston General Insurance Exchange
Statement of Net Assets**

**For the Period Ending
08/31/23**

#21 - FF&E consists of Software, Computers and other electronic data equipment assets of \$3,447,896 with \$2,680,526 in non-admitted assets and accumulated depreciation of \$767,370. Special Deputy Receiver has fully non-admitted FF&E as it is unlikely to be sold given it mostly consists of software development costs for a system with functional and operating deficiencies.

#22 – Current federal and foreign income tax recoverable and interest thereon: The balance consisted of an income tax recoverable. Any realizable amounts were received from IRS in May 2021. HGIE is in Receivership and does not expect taxable income at this time. The last tax return were filed for year end December 31, 2019 prior to receivership, December 31, 2020 and 2021 were completed in November and December 2022 and December 31, 2022 in August 2023. Bauknight, Pietras & Stormer, P.A. has been contracted to complete the tax return for the final close out return. This balance will be updated when the tax returns are completed and filed.

#22 – Net Deferred Income Tax Assets were determined to have a net realizable value of \$0. Amount will be recognized if amounts are recovered.

R-563 **Exhibit 2**
Houston General Insurance Exchange
Statement of Net Liabilities

For Period Ending
08/31/23

Line		08/31/23
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
Administrative Claims - Class 1		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	20,521
	Liquidation Oversight	
	Special Master's Fees	(40)
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	183,977
	Administrative Expense Reserves	0
6	LAE - Guaranty Assns	
	LAE Paid	715,175
	LAE Reserves	60,881
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	1,926,293
	Loss Claims Reserves	714,194
8	Loss Claims - Other	
	Other Loss Claims Paid	0
	Other Loss Claims Reserves	4,652,823
9	LAE - Other	59,834
10	Unearned & Advance Premium Claims - GA	2,223,105
11	Unearned & Advance Premium Claims - Other	1,681,480
Other Liabilities		
12	Class 3 Claims	4,731
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	822,727
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	253,650
17	Class 7 Claims	41,158
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	
	Total Liabilities	13,360,510
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(13,201,625)
	Total Liabilities & Equity	158,885

**Houston General Insurance Exchange
Statement of Net Liabilities****For Period Ending
08/31/23****NOTES**

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

General – The receivership statement of liabilities is prepared using a liquidation basis of accounting that differs from generally accepted accounting principles (GAAP). Estimates and assumptions are utilized to report liability amounts. Liabilities are recorded at their estimated disposal value. If the estimated disposal value cannot be determined, the book value of the liability is recorded.

Ref. No.

#1 - Salvage balance due to TPCIGA that was deposited into Special Deputy Receiver account and was paid to TPCIGA in May 2022.

#2 - The Secure Loan balance of \$500,000 represented the amounts advanced by TPCIGA to HGIE & HGIMC of \$500,000. In addition, the loan required payment of 1.52% simple interest annually which was calculated to be \$7,494 based on the order approving the settlement on March 9, 2022. The Secure Loan Balance and Interest Incurred was repaid on March 11, 2022 and therefore now has balance of \$0.

Class 1 – Costs and Expenses of Administration Approved by Liquidator

#4 – This balance represents amounts incurred by the Special Deputy Receiver and the Texas Department of Insurance, Rehabilitation and Liquidation Oversight and Special Master Fees in the administration of the liquidation of HGIE.

#5 - This balance represents administrative expenses paid and reserves established for TPCIGA to pay postage & delivery and allocated expenses. The paid balance represents expenses paid by TPCIGA through June 30, 2023. The balance was obtained from a UDS D Report from TPCIGA through June 30, 2023. The UDS D Reports are released quarterly.

#6 – Loss Adjustment Expenses (LAE) Balances represents actual claims paid and LAE case reserves established by the TPCIGA to date for policyholders domiciled in Texas ("Texas Policyholders"). Amounts represent expenses paid or estimated through TPCIGA through August 31, 2023. The balance is obtained from the TPCIGA UDS C Data released monthly through period ending August 31, 2023. See below for reconciliation of LAE Reserves recorded as of August 31, 2023.

**Class 2 – Claims Under Policies of Insurance and Guaranty Association
Claims not included in Class 1**

#7 – The Loss Claims – Balance represents the loss claims paid to date by the Guaranty Association and Loss case reserves established by the Guaranty Association. See below for reconciliation of Loss reserves recorded as of August 31, 2023. The balance is obtained from the TPCIGA UDS C Data released monthly through period ending August 31, 2023. Due to lack of information on the commercial claims, receiver only has information or processed about 18% of potential commercial claims. Additional premium finance companies were identified and data has been processed to update reserves. Receiver has assessed additional loss reserves as included in #8. Special Deputy Receiver maintains reserve to provide for the ultimate development of these policyholder and other claims as well as claims that have been incurred but not reported based on data available through August 31, 2023.

8 - Loss Claims - Other - Amounts include policy loss claims that will not be covered by TPCIGA due to coverage limits and policyholders not domiciled in Texas. The balance also includes reserves for potential Incurred but not Reported ("IBNR") claims based on historical results prior to Receivership as of June 10, 2020. Amounts are updated from time to time as new information becomes available. See below for reconciliation of Loss reserves recorded as of August 31, 2023.

9 - LAE Other - Amounts include LAE reserves for claims that will not be covered by TPCIGA in the amount of \$59,834 due to policyholders not domiciled in Texas. Amounts will be updated from time to time as more data becomes available. See below for reconciliation of LAE reserves recorded as of August 31, 2023.

**Houston General Insurance Exchange
Statement of Net Liabilities**

**For Period Ending
08/31/23**

#10 – Unearned and Advance Premiums - Guaranty Associations - Balance represents estimated unearned and advance premiums to be paid and reserved by the TPCIGA. HGIE policies in force were terminated on September 10, 2020 in accordance with the Order of Liquidation. The balance is obtained from the TPCIGA UDS C Data released monthly through period ending August 31, 2023. At this time, all unearned and advance premium claims have been adjudicated/paid by TPCIGA. This balance represent the balance paid by TPCIGA from the guaranty fund on HGIE's behalf.

#11 Unearned and Advanced Premiums - Other - Amounts include estimated unearned and advance premiums that will not be covered by TPCIGA in the amount of \$224,788 as commercial policyholders that are not domiciled in Texas. In addition Special Deputy Receiver has included additional unearned and advanced premiums for commercial policyholders domiciled in Texas. Based on limited policy data and records, the Company's commercial auto unearned premiums and advanced premiums have been allocated based on percentage of written premiums identified as policyholders domiciled in the state of Texas (90%) versus policyholders domiciled in other states (10%). In addition there are approximately 100 commercial auto policies that have been identified, however the amount of written premiums have not been identified as of August 31, 2023. It is estimated that only about 18% of the data has been received. Additional premium finance companies were identified and data is being processed to update reserves. Amounts will be updated from time to time as more data becomes available and as information is provided to TPCIGA. Lastly, the balance includes \$6,976 of unearned premium refunds paid prior to receivership date but the 13 checks were not cashed and were voided by Special Deputy Receiver due to time elapsed since check was issued that are due to Texas policyholders. Special Deputy Receiver has provided the listing to TPCIGA. See below for reconciliation of unearned premiums outstanding reserves recorded as of August 31, 2023.

6, #7, #8, #9, and #11 - Reconciliation of reported LAE reserves, loss reserves, and unearned and advanced premiums for personal and commercial auto lines of business. In addition, there are approximately 100 commercial auto policies that have been identified by the Special Deputy Receiver however the amount of written premiums have not been identified as of August 31, 2023. Amounts will be updated from time to time as more data becomes available. See below for reconciliation of LAE reserves, loss reserves, and unearned and advanced premiums recorded as of August 31 2023.

LAE Reserves (#6 and #9) Loss Reserves (#7 and #8) Total	TPCIGA	IBNR and Ultimate Development Carried Reserves for Texas Policyholders	Total Loss and LAE Reserves for Texas Policyholders	Total Loss and LAE Reserves for Non-Texas Policyholders	Total
		Case Reserves			
	\$60,881	\$53,851	\$114,732	5,983	\$120,715
	\$714,194	\$4,592,989	\$5,307,184	59,834	\$5,367,018
	\$775,075	\$4,646,840	\$5,421,915	65,817	\$5,487,732

Unearned and Advanced Premiums (#11)	TPCIGA	Unearned Premiums Carried Reserves for Texas Policyholders Outstanding	Texas Unearned Premiums Outstanding	Unearned Premiums Carried Reserves for Non-Texas Policyholders	Total
		Unearned Premiums Outstanding			
	0	\$1,503,346	\$1,503,346	178,134	\$1,681,480

#12 - This balance represents amount claimed by the Federal Motor Carriers Safety Administration (FMCSA). The claim has not been adjudicated.

Class 5 – Unsecured Creditors

#14 – This balance includes accounts payable to various vendors, balances due/receivable for agency commissions (detailed below) and other expenses incurred. The claims have not been adjudicated.

Agency Commission Payable	\$ 271,238
YMP Real Estate Management	\$ 128,600
Subrogation - State Farm Insurance Co.	\$ 117,679
Vertafore	\$ 47,880
Mitchell Williams	\$ 41,095
Various liabilities incurred prior to receivership	\$ 34,710
Lexis Nexus	\$ 31,935
Sapien	\$ 25,439
Tindol's & Allgood, LLC	\$ 18,015
Carr Riggs & Ingram LLC	\$ 27,776
Martin & Company	\$ 17,413
Paro	\$ 17,335
Quest Towing Services LLC	\$ 14,866
National Subro Services	\$ 5,952
Subrogation - Progressive	\$ 5,316
Enterprise Rent A Car	\$ 3,742
Subrogation - Garrison Property & Casualty	\$ 4,634

**Houston General Insurance Exchange
Statement of Net Liabilities**

**For Period Ending
08/31/23**

Coast to Coast Adjusters	\$ 2,146
Subrogation - TCC (The Claim Center)	\$ 1,582
Subrogation - Travelers	\$ 1,210
Conduent Integrity Solutions	\$ 1,088
Carfax, Inc.	\$ 720
Padron Insurance Agency	\$ 660
ACS	\$ 621
Brown & Joseph, LLC	\$ 458
Subrogation - Farmers TX County Mutual Ins.	\$ 370
NAIC	\$ 235
Ensearch Expenses	\$ 12

#16 – This balance includes estimated amounts due to Texas ATPA, Illinois cost containment fee, and premium taxes payable to Texas. These claims have not been adjudicated and are estimates based on premium volume.

Premium Taxes Payable to Texas	\$ 247,894
Texas ATPA	\$ 5,468
Illinois Cost Containment Fee	\$ 288

Class 7 – State or Local Governments

Texas Department of Motor Vehicles	\$ 20,300
Washington Office of the Insurance Commissioner penalty for writing as unlicensed company	\$ 10,000
North Carolina Department of Insurance - Altus Receivable Management as Credit Collector	\$ 5,065
Texas Volunteer Fire Department Assistance Fund	\$ 2,784
California Franchise Tax	\$ 1,768
Commonwealth of Pennsylvania	\$ 850
Dallas County Tax Office	\$ 390

#22 - On HGIMC financial statements, there is a Federal Paycheck Protection Program Loan in the amount of \$214,430. Funds were utilized primarily to pay HGIMC employees and benefits. No amounts have been forgiven on this loan to date. Special Deputy Receiver is working through the disposition and possible settlement and/or forgiveness of this matter. This liability has been disclosed on HGIE's financial statements as HGIMC is HGIE's Attorney-in-Fact.

R-563

Exhibit 2
Houston General Insurance Management Company
Statement of Net Assets

For the Period Ending
08/31/23

Line		08/31/23
Cash		
1	Cash	
	Cash - Unrestricted	1,016
	APF Funds (Loan proceeds)	
Investments		
2	Short-Term Investments	
3	Bonds	
4	Stocks - Preferred & Common	
5	Investments in Subsidiaries, Controlled or Affiliated Entities	
6	Mortgage Loans	
7	Real Estate	
8	Policy Loans	
9	Other Invested Assets	0
Restricted Assets		
10	Statutory Deposits	
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
	<i>Detail Item if any</i>	
	<i>Detail Item if any</i>	
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	
15	Reinsurance Recoverables on UEP & Contingent Commissions	
Other Receivables		
16	Salvage & Subrogation Recoveries	
17	Premiums Due from Agents & Policyholders	
18	Receivable from Parents, Subsidiaries & Affiliates	0
19	Receivable from Guaranty Associations - Early Access Payments	
20	Other Receivables	
Other Assets		
21	FF&E	0
22	Other Assets	0
	Total Assets	1,016

**Houston General Insurance Management Company
Statement of Net Assets**

**For the Period Ending
08/31/23**

NOTES

General: The receivership statement of assets is prepared using a liquidation basis of accounting that differs from generally accepted accounting principles (GAAP). Estimates and assumptions are utilized to report asset amounts. Assets are generally shown at their estimated net realizable value. If the estimated net realizable value cannot be determined, the book value of the asset is recorded.

Ref No.

#1 – This Balance represents unrestricted cash available for payment of liabilities was held at Bridge Bank until March 2023 when moved to TDI Trust Account. HGIE is funding HGIMC as necessary to pay any Class 1 Liabilities as noted in Stmt of Liabilities - 5 #22.

#9 - Loan was provided to GCIB, an affiliate of HGIMC. A loan amount balance of \$157,423 was obtained from HGIMC tax return prepared for the year ended December 31, 2018. There are no company records to substantiate the balance of the loan amount, or any updates to the amount since December 31, 2018. Special Deputy Receiver has written off balance as unlikely to be realizable.

#18 – HGIMC is the attorney in fact for HGIE. Before HGIE & HGIMC were in receivership, HGIMC received commission income from HGIE. Special Deputy Receiver has not been able to obtain an executed agreement between HGIMC and HGIE for the commission. Special Deputy Receiver eliminated any intercompany balances when there was no agreements or records in place to substantiate the balance.

#21 - FF&E consisted of electronic data processing equipment and software. HGIMC entered into an agreement with a Software Vendor. All FF&E has been fully depreciated or determined to have a net realizable value of \$0.

#22 – Current federal and foreign income tax recoverable and interest thereon: The balance consisted of an income tax recoverable. Any realizable amounts were received from IRS in May 2021. HGIMC is in Receivership and does not expect taxable income at this time. The last tax return were filed for year end December 31, 2018 prior to receivership, December 31, 2019, 2020 and 2021 were completed in November & December 2022 and December 31, 2022 in August 2023. Bauknight, Pietras & Stormer, P.A. has been contracted to complete the tax return for the final close out return. This balance will be updated when the tax returns are completed and filed.

R-563

Exhibit 2
Houston General Insurance Management Company
Statement of Net Liabilities

For Period Ending
08/31/23

Line

08/31/23

1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
Administrative Claims - Class 1		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	0
	Liquidation Oversight	0
	Special Master's Fees	0
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	
	LAE Reserves	
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Loss Claims Reserves	
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	
Other Liabilities		
12	Class 3 Claims	214,430
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	780,634
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	976,065
22	Other Liabilities	1,756,439
	Total Liabilities	3,727,568
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(3,726,552)
	Total Liabilities & Equity	1,016

**Houston General Insurance Management Company
Statement of Net Liabilities**

**For Period Ending
08/31/23**

NOTES

General – The receivership statement of liabilities is prepared using a liquidation basis of accounting that differs from generally accepted accounting principles (GAAP). Estimates and assumptions are utilized to report liability amounts. Liabilities are recorded at their estimated disposal value. If the estimated disposal value cannot be determined, the book value of the liability is recorded.

Ref. No.

Class 1 – Costs and Expenses of Administration Approved by Liquidator

Class 3 - US Government

12 - Federal Paycheck Protection Program Loan: HGIMC obtained a loan in the amount of \$214,430 in May 2020 as part of the paycheck protection program. Funds were utilized primarily to pay HGIMC employees and benefits. The amount shown does not include interest and penalties, if any.

Class 5 – Unsecured Creditors

#14 – This balance is pre-rehabilitation accounts payable to Sapiens for software and other services provided of \$762,620 and post-rehabilitation with RPG (Radial Property Group dba Tindol's & Allgood Property) for \$18,015.

22 – Other Liabilities & Expenses

22 - Other liabilities include the balance due to HGIE from HGIMC in the amount of \$976,065. HGIE is funding certain expenses on behalf of HGIMC, which includes payroll and benefit expenses, rent, SDR and other related expenses. In addition, HGIE is also funding cash to HGIMC to pay certain expenses such as bank charges and Solupay which are automatically expensed from HGIMC accounts.

22 - Other liabilities are for loans from shareholders. The loan balance was obtained from HGIMC tax return prepared for the year ended December 31, 2018. The loan balance has been carried forward through September 30, 2022. There are no company records to substantiate the balance of the loan amount, or any updates to the amount since December 31, 2018.

Exhibit 3
R-563 Houston General Insurance Exchange
Sources & Uses of Cash

For Period of
June 10, 2020 to August 31, 2023

Income	
Premium Receipts	980,337
Reinsurance Recoveries	4,280
Salvage & Subrogation Recoveries	164,015
Settlement/Litigation Recovery	1,125,000
Other Receipts	528,757
Sale of Real & Personal Property	8,286
Total Receipts from Assets/Receivables	2,810,675
Interest & Dividend Receipts, EA Interest	11,862
Cash Deposit Interest	1,470
Total Cash Receipts	2,824,007
Disbursements	
SDR Fees & Expenses	1,732,230
Subcontractor Legal Fees & Expenses	633,128
Subcontractor Other Fees & Expenses	359,202
Non-Subcontractor Fees & Expenses	380,772
Other Expenses	1,390,692
RLO Fees & Expenses	106,408
Total Disbursements for Operations	4,602,432
Loss Claims & LAE Expense Payments	95,585
Refunds & Other Distributions	280,092
Total Cash Distributions	375,677
Total Cash Disbursements & Distributions	4,978,110
Net Increase(Decrease) in Cash	(2,154,102)
Cash at Beginning of Period	2,312,987
Cash at End of Period	158,885

Exhibit 3

R-563 Houston General Insurance Management Company
Sources & Uses of Cash

For Period of
June 10, 2020 to August 31, 2023

Income	
Other Receipts	38,289
Total Receipts from Assets/Receivables	38,289
Interest & Dividend Receipts, EA Interest	21
Total Cash Receipts	38,311
Disbursements	
Other Expenses	53,707
Total Disbursements for Operations	53,707
Total Cash Disbursements & Distributions	53,707
Net Increase(Decrease) in Cash	(15,396)
<i>Cash at Beginning of Period</i>	16,413
<i>Cash at End of Period</i>	1,016

Exhibit 4
HOUSTON GENERAL INSURANCE EXCHANGE
DISPOSITION OF ASSETS SCHEDULE
6/10/20 through 9/30/23

ASSET DESCRIPTION	ASSET BALANCE AS OF 6/10/2020	NEW ASSETS	SOURCE OF NEW ASSETS	ASSET RECOVERY	SOURCE OF RECOVERY	DATE OF RECOVERY	AMOUNT OF WRITE OFF	REASON FOR WRITE OFF	DATE OF WRITE OFF	SETTLEMENT	SOURCE OF SETTLEMENT	DATE OF SETTLMNT	ASSET BALANCE AS OF 08/31/2023
CASH													
Beginning Cash	2,312,987			3,572,962	Operating expenses paid	Various							
		13,382	Interest income	9,616	Investment fees and bank charges	Various							
		164,015	Salvage & subrogation receipts	28,614	Salvage and subrogation reimbursed to TDI	Various							
		980,337	Premium receipts	171,832	Premiums refunds in rehabilitation								
		850	PA Tax/License Refund from 12/31/2019	156,938	Loss and LAE payments in rehabilitation	Various							
		26,900	Tax recoverable										
		9,292	Lease refund, FFE sales & misc.										
		1,125,000	CRI litigation settlement	500,000	Loan settlement	3/10/22							
		500,000	Secured Loan	7,494	Secure loan interest Expenses	3/10/22							
		4,280	Reinsurance Recovable	500,000	Secured loan litigation expenses	Various							
				30,702	Transfers to HGIMC	Various							
Subtotal	2,312,987	2,824,057		4,978,159			0			0			158,885
INVESTMENTS													
Invested Assets	10,488,097						10,488,097	Could not be confirmed	06/10/20				
Subtotal	10,488,097	0		0			10,488,097			0			0
REINSURANCE													
Recoverable	0	100,000	Estimate for reinsurance recoverable	4,280	Reinsurance Recoverable	09/06/22	100,000	Receivable written to \$0 when communication with reinsurer stopped responding to inquiries and balance greater than 90 days past due	02/28/22				
		4,280	Reinsurance recoverable										
Subtotal	0	104,280		4,280			100,000			0			0
RECEIVABLES													
Premium and agent receivable	1,408,470	3,409,207	Premiums written	933,676	Premium collected	Various	210,189	To record premium refunds	Various				
		82,080	Update to premiums written commercial	10,004	Subrogation recovery collected	Various	116,153	Write Off Personal Auto Premiums receivables unlikely to be collectible	Various				

Exhibit 4
HOUSTON GENERAL INSURANCE EXCHANGE
DISPOSITION OF ASSETS SCHEDULE
6/10/20 through 9/30/23

ASSET DESCRIPTION	ASSET BALANCE AS OF 6/10/2020	NEW ASSETS	SOURCE OF NEW ASSETS	ASSET RECOVERY	SOURCE OF RECOVERY	DATE OF RECOVERY	AMOUNT OF WRITE OFF	REASON FOR WRITE OFF	DATE OF WRITE OFF	SETTLEMENT	SOURCE OF SETTLEMENT	DATE OF SETTLMNT	ASSET BALANCE AS OF 08/31/2023
Federal income tax recoverable	65,412			1,006	Other receipts Receipt from IRS - Note: This was included in wrong classification in TDI WB as subrogation/salvage	Various	3,628,729	Write off of receivable as unlikely to be collectible	02/28/22				
Guaranty funds	49,092			27,021		05/14/21	38,391	Write Off recoverable to amount received	01/31/21				
Parent, subsidiaries and affiliates	274,916						49,092	Write Off Guaranty Funds. HGIE had inadequate records. TPCIGA not able to confirm payable due to HGIE	01/31/21				
Other receivable	0	976,065	Post-Receivership receivable due from HGIMC for services paid for by HGIE on HGIMC's behalf				274,916	Pre- Receiverships: will not be recoverable given affiliate/parent have no assets and limited records available for the balance	09/30/20				
Subtotal	1,797,890	4,467,862	Recoverables from lease cancellation and other items	510	Recoverables from lease cancellation and other receivable balances	Various	976,065	Post- Receivership: will not be recoverable given affiliate/parent have no assets	Various				0
OTHER ASSETS													
Net deferred tax asset	183,329						183,329	Write off to net realizable value	06/10/20				
Fixed assets	1,873,188						1,873,188	Write off to net realizable value	06/10/20				
Subtotal	2,056,517	0		0			2,056,517						0
RESTRICTED ASSETS													
Subtotal	0	0		0			0						0

Exhibit 4
 HOUSTON GENERAL INSURANCE EXCHANGE
 DISPOSITION OF ASSETS SCHEDULE
 6/10/20 through 9/30/23

ASSET DESCRIPTION	ASSET BALANCE AS OF 6/10/2020	NEW ASSETS	SOURCE OF NEW ASSETS	ASSET RECOVERY	SOURCE OF RECOVERY	DATE OF RECOVERY	AMOUNT OF WRITE OFF	REASON FOR WRITE OFF	DATE OF WRITE OFF	SETTLEMENT	SOURCE OF SETTLEMENT	DATE OF SETTLMNT	ASSET BALANCE AS OF 08/31/2023
TOTAL	14,598,974	7,396,199		5,954,656			15,881,631			0			158,885

Exhibit 5
R-563 Houston General Insurance Exchange / Houston General Insurance Management Company
Estimated Closing Budget

Estimated SDR Fees	Amount
Administration	36,330
Accounting	29,795
Claims	3,591
IT	33,354
Total SDR Fees	<u>103,070</u>
Estimated Miscellaneous Expenses	
Records Storage and Disposal	200
Internet, Cloud Storage, IT Expenses	2,208
Copies, Fax, Postage, Courier, Office Supply, Notary	100
Bank Charges, Wire Fees, Treasury Acct	435
Mileage	30
Total Miscellaneous Expenses	<u>2,973</u>
Estimated Subcontractors Fees & Expenses	
Legal	18,294
Tax	14,000
Total Subcontractor Fees & Expenses	<u>32,294</u>
Estimated Other Fees & Expenses	
Special Masters Fees	800
Total Other Fees & Expenses	<u>800</u>
Total Estimated Fees & Expenses	<u><u>139,137</u></u>

R563 Houston General Insurance Exchange / Houston General Insurance Management Company
Destruction Records Inventory

File Name	Receivership #	Record	File #	Retention Period	Description (POC file descriptions begin with POC XX)	POC Claim Class Priority
563_B_2_UC	563	B	2	UC	Various SDR and SDR subcontractor emails and working files not included in other categories on the retention schedule	
563_A_3_UC	563	A	3	UC	Agent list obtained from Company staff to send original liquidation notice.	
563_A_4_AC	563	A	4	AC	Attorney work product	
563_A_5_UC	563	A	5	UC	Zip file containing various Board resolutions and minutes (not a complete set)	
563_A_6_UC	563	A	6	UC	The SDR was unable to locate the Charter for HGIE in the documents maintained by the Company. The SDR asked the affiliates and an attorney representing the affiliates for the charter but it was not provided. The Charter was reinstated for HGIMC and then surrendered.	
563_B_7_UC	563	B	7	UC	Subrogation demands for recovery, Salvage correspondence to collect funds - no outstanding funds	
563_B_8_UC	563	B	8	UC	The contents of the receivership email inbox. Miscellaneous emails with consumers answering receivership questions.	
563_A_9_AC	563	A	9	AC	Correspondence	
563_A_10_PS	563	A	10	PS	Employee Records	
563_B_11_UC	563	B	11	UC	Loss run letters / letters of experience - consumer requests for proof of prior coverage	
563_A_12_PS	563	A	12	PS	Claims Manual, Underwriting Guideline	
563_A_13_PS	563	A	13	PS	No purchasing logs were identified in the Company's documentation.	
563_A_14_UC-TR	563	A	14	UC-TR	Rate filings for Homeowners product that HGIE was intending to sell	
563_B_15_UC	563	B	15	UC	One reinsurance claim was made and collected	
563_A_16_PS	563	A	16	PS	Various paper, which has since been scanned, and electronic records maintained by Company personnel and transferred when the company went into receivership. Since HGIMC had no general ledger we cannot verify that we have a complete list of accounts payable information for HGIMC.	
563_A_17_PS	563	A	17	PS	The only Accounts Receivable information that was maintained by the Company was information on intercompany receivables.	
563_A_18_PS	563	A	18	PS	Spreadsheets showing premiums which had not yet been remitted on Commercial policies were provided to the reciever by an Affiliate.	
563_A_19_TR	563	A	19	TR	Original certificate of Authority for IL and copies of certificates for PA, SC and IN. The SDR withdrew the certificates from the aforementioned states	
563_A_20_UC	563	A	20	UC	Person lines - claims payments maintained in the JW Filehandler System (Personal Lines instance) Commercial lines - claims payments maintained in the JW Filehandler System (Commercial Lines instance)	
563_A_21_AR-TR	563	A	21	AR-TR	Person lines - claims payments maintained in the JW Filehandler System (Personal Lines instance) Commercial lines - claims payments maintained in the JW Filehandler System (Commercial Lines instance) All have been transferred to TPCIGA	
563_A_22_UC	563	A	22	UC	Person lines - claims payments maintained in the JW Filehandler System (Personal Lines instance) Commercial lines - claims payments maintained in the JW Filehandler System (Commercial Lines instance)	
563_A_23_PS	563	A	23	PS	Various paper, which has all been scanned, and electronic documents including email correspondence, miscellaneous documents not falling into other catetories saved on computers and network drives, and miscellaenous desk file documents.	
563_A_24_PS	563	A	24	PS	Jack Heller expense report	
563_A_25_UC	563	A	25	UC	Various paper, which has been scanned, and electronic financial reports	
563_A_26_UC-TR	563	A	26	UC-TR	Person lines - policy files maintained on the Sapiens Stingray system Commercial lines - policy files were requested from affiliate on multiple occasions and were never received	
563_A_27_UC-TR	563	A	27	UC-TR	Person lines - policy files maintained on the Sapiens Stingray system Commercial lines - policy files were requested from affiliate on multiple occasions and were never received All of the above files transferred to TPCIGA through UDS files	
563_A_28_AR-UC	563	A	28	AR-UC	Policy forms received from insureds, agents and premium finance companies. Transferred to TPCIGA for payment of unearned premium claims.	

R563 Houston General Insurance Exchange / Houston General Insurance Management Company
 Destruction Records Inventory

File Name	Receivership #	Record	File #	Retention Period	Description (POC file descriptions begin with POC XX)	POC Claim Class Priority
563_A_29_PS-TR	563	A	29	PS-TR	Policyholder list for personal lines was maintained in the Sapiens Stingray system. Multiple policyholder lists, which all proved to be significantly incomplete, were received from affiliates. A policyholder list for commercial lines was curated by combining policyholder lists obtained from affiliates with information obtained from policyholders, agents and premium finance companies.	
563_A_30_UC-TR	563	A	30	UC-TR	Reinsurance treaty for personal lines Reinsurance treaty for commercial lines	
563_A_31_PS	563	A	31	PS	Strategic plans relating to the Company's plans to expand into Homeowners coverage and general strategic plans	
563_A_32_UC	563	A	32	UC	The contractor who prepared the Company's Annual and Quarterly Statements provided the SDR with records he used in preparing the reports.	

CERTIFICATE OF SERVICE

I certify that pursuant to the Order of Reference to Master, Texas Rules of Civil Procedure, and TEX. INS. CODE § 443.007(d), on October 2, 2023, a true and correct copy of the Application to Make Final Distribution and Destroy Records was served on all interested parties by email or first class mail as shown below.

Mr. Tom Collins, Receivership Master
by serving his Docket Clerk
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Ms. Amanda Barbera, Executive Director
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 /s/ Amy Jeanne Welton
Amy Jeanne Welton
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Cause No. D-1-GN-20-003004

THE STATE OF TEXAS,	§	IN THE DISTRICT COURT OF
Plaintiff	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
HOUSTON GENERAL INSURANCE	§	
EXCHANGE AND HOUSTON GENERAL	§	
INSURANCE MANAGEMENT COMPANY,	§	
Defendant	§	98TH JUDICIAL DISTRICT

ORDER APPROVING APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS

On this day the Court considered the Application to Make Final Distribution and Destroy Records (Application) filed by Risk & Regulatory Consulting, LLC as Special Deputy Receiver of Houston General Insurance Exchange and Houston General Insurance Management Company (respectively SDR, HGIE and HGIMC or collectively, the Defendants). The Application requests an order pursuant to TEX. INS. CODE §§ 443.301, 443.302, and 443.354 authorizing the SDR to make a final distribution of the receivership estate’s assets and dispose of or transfer any remaining records of Defendants.

In accordance with the Order of Reference to Master (Master) entered on June 10, 2020 (Order of Reference) and the Supplemental Order of Reference (Supplemental Order of Reference) entered on November 2, 2020, the Application was properly submitted to the Master appointed in this cause (Master). The Master has issued a report pursuant to Rule 171 of the Texas Rules of Civil Procedure, which is incorporated herein, finding and recommending as follows:

1. The Supplemental Order of Reference provides that applications filed pursuant to TEX. INS. CODE § 443.007, § 443.301, § 443.302, and § 443.354 are referred to the Master.

2. Notice of the hearing by submission on the Application was (i) served on parties in interest as defined in § 443.004(a)(17) and was proper, made in accordance with the notice requirements of TEX. INS. CODE ANN. § 443.007 and the Order of Reference.
3. The Texas Property and Casualty Insurance Guaranty Association (TPCIGA) filed its acknowledgement and waiver.
4. No objections to the Application were filed.
5. The Court has jurisdiction over the Application and the parties affected hereunder.
6. The SDR's Application should be granted in all respects.

Having considered the pleadings, the evidence submitted, and the recommendation of the Master, the Court accepts the Master's report, and grants the Application.

It is therefore **ORDERED, ADJUDGED and DECREED** that:

1. The Application, and all discretionary decisions of the SDR included in the Application, are approved in all respects;
2. The facts in the Application, verified and sworn to in Exhibit 1, and Exhibits 2 through 6 are admitted into evidence and the facts contained in the Application and its exhibits are accepted into evidence as prima facie proof of the matters asserted;
3. This Court takes judicial notice of all matters contained in this Court's file pursuant to TEX. R. CIV. EVID. 201;
4. The final financial statements are accepted;
5. Approving the estimated closing expenses as reflected on Exhibit 5;
6. The SDR is authorized to distribute the cash assets of the receivership estate as described in the Application;

7. The SDR is authorized to transfer to TPCIGA any Residual Funds, if any, remaining after all distributions are made, up to the allowed amount of its Class 1 claim;
8. The SDR is authorized to assign non-cash assets to the Commissioner, including but not limited to, assets and rights not known at the time of the termination of this proceeding;
9. The SDR is authorized to transfer to TPCIGA claims records for which it agrees to accept responsibility, and authorizing TPCIGA to retain or dispose of such records at its discretion;
10. The SDR is authorized to dispose of the records listed in Exhibit 6 and deliver any remaining records that are not transferred to TPCIGA to the Commissioner, and authorizing the Commissioner to maintain or dispose of such records at his or her discretion;
11. The SDR is authorized to transfer records to the Commissioner and the Commissioner is authorized to retain or dispose of such records at his discretion;
12. This Order constitutes a final disposition resolving all matters relating to the Application;
13. The SDR is authorized to execute any documents as necessary to effectuate purposes of the Application and this Order; and

14. Granting such further relief to which the SDR or Receiver may be entitled.

SIGNED this _____ day of _____, 2023.

Catherine Mauzy
District Judge Presiding

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Amy Welton on behalf of Amy Jeanne Welton

Bar No. 21004800

weltonlaw@gmail.com

Envelope ID: 80153886

Filing Code Description: Motion (No Fee)

Filing Description: APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS

Status as of 10/4/2023 1:41 PM CST

Associated Case Party: HOUSTON GENERAL INSURANCE EXCHANGE

Name	BarNumber	Email	TimestampSubmitted	Status
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Kelly Myers		kmyers@gcib.net	10/2/2023 2:21:32 PM	SENT
Patrick ChristopherCremin		patrick.cremin5@gmail.com	10/2/2023 2:21:32 PM	SENT
Lorin Schell		lorins@ghins.com	10/2/2023 2:21:32 PM	SENT
Jay EdwardJohnson		jay@jjassociates.us	10/2/2023 2:21:32 PM	SENT
Faith PatrickFisher		faith@cccclaims.com	10/2/2023 2:21:32 PM	SENT
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Kathleen Makowski		kathleen.makowski@state.de.us	10/2/2023 2:21:32 PM	SENT
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Elizabeth Davies		emdavies@stonemarkinc.com	10/2/2023 2:21:32 PM	SENT
Katherine Santmyer		katie@fuentesfirm.com	10/2/2023 2:21:32 PM	SENT
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Jason Wolfe		vwolfe@prgconsulting.net	10/2/2023 2:21:32 PM	SENT
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Tim Schotke		tschotke@iigf.org	10/2/2023 2:21:32 PM	SENT

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Amy Welton on behalf of Amy Jeanne Welton

Bar No. 21004800

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Envelope ID: 80153886

Filing Code Description: Motion (No Fee)

Filing Description: APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS

Status as of 10/4/2023 1:41 PM CST

Associated Case Party: HOUSTON GENERAL INSURANCE EXCHANGE

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Raymond Bauso		rbauso@ppciga.org	10/2/2023 2:21:32 PM	SENT
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Smitty Harrison		smitty@scwind.com	10/2/2023 2:21:32 PM	SENT
Aida L		aida@rpg-cre.com	10/2/2023 2:21:32 PM	SENT
Jeffrey S.Kelly		jkelly@kellylegalgroup.com	10/2/2023 2:21:32 PM	SENT

Associated Case Party: Risk & Regulatory Consulting LLC

Name	BarNumber	Email	TimestampSubmitted	Status
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Associated Case Party: TEXAS PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

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Sara Lang		slang@tpciga.org	10/2/2023 2:21:32 PM	SENT
Annette Evans		aevans@tpciga.org	10/2/2023 2:21:32 PM	SENT
John Blatt		jblatt@ncigf.org	10/2/2023 2:21:32 PM	SENT
NCIGF Legal Notices		legal@ncigf.org	10/2/2023 2:21:32 PM	SENT

Associated Case Party: Texas Commissioner of Insurance

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Bar No. 21004800

weltonlaw@gmail.com

Envelope ID: 80153886

Filing Code Description: Motion (No Fee)

Filing Description: APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS

Status as of 10/4/2023 1:41 PM CST

Associated Case Party: Texas Commissioner of Insurance

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David Ashton		david.ashton@tdi.texas.gov	10/2/2023 2:21:32 PM	SENT
Edwin Hartsfield		edwin.hartsfield@tdi.texas.gov	10/2/2023 2:21:32 PM	SENT

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Associated Case Party: THE STATE OF TEXAS

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Bar No. 21004800

weltonlaw@gmail.com

Envelope ID: 80153886

Filing Code Description: Motion (No Fee)

Filing Description: APPLICATION TO MAKE FINAL DISTRIBUTION AND DESTROY RECORDS

Status as of 10/4/2023 1:41 PM CST

Associated Case Party: THE STATE OF TEXAS

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Associated Case Party: Receivership Master

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