

NO. D-1-GN-18-001933

TEXAS DEPARTMENT OF INSURANCE	§	IN THE DISTRICT COURT OF
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
GRAND COURT ORDER OF CALANTHE	§	250TH JUDICIAL DISTRICT

REPORT TO THE COURT ON STATUS OF PLAN OF REHABILITATION

TO THE HONORABLE JUDGE OF THE COURT:

Comes now Resolution Oversight Corporation, Special Deputy Receiver (SDR) of the Grand Court Order of Calanthe (Calanthe), and files this *Report to the Court on Status of Plan of Rehabilitation*, and respectfully states as follows:

1. By order dated September 11, 2019, the SDR obtained an extension until November 30, 2019 to file a plan of rehabilitation or to report to the Court if a plan of rehabilitation could not be filed by that date. At the time, the SDR was exploring an offer by another insurance company to assume Calanthe’s policies.

2. As the SDR informed the Court previously, the records of Calanthe do not contain correct addresses for nearly two-thirds of the policyholders. Due to the state of the records and Calanthe’s financial condition, the SDR was unable to find an insurer that would assume all of Calanthe’s policies for full face value.

3. The SDR is currently paying all death claims and cash surrenders requests as they become due. There has been no delay in paying claims since the entry of the Rehabilitation Order.

4. While the SDR does not believe that a Plan of Rehabilitation with a partial assumption is inappropriate, the SDR also does not believe that liquidating Calanthe in its current status as a fraternal benefit society (Fraternal) would be in the best interests of the policyholders of Calanthe. If a Fraternal is placed in liquidation, its policies must be terminated under TEX. INS. CODE ANN. § 443.152(d), because Fraternal are not members of any guaranty association. However, a Fraternal can be converted to a mutual life insurer operating under Chapter 882 of the

Texas Insurance Code. Policyholders of a mutual life insurer are eligible for protection from the Texas Life and Health Insurance Guaranty Association (TLHIGA). The SDR is exploring the possibilities of restructuring Calanthe as a mutual life insurer. If this can be accomplished, this would be in the best interests of Calanthe's members and beneficiaries.

5. The SDR has met with the Texas Department of Insurance and TLHIGA, and is discussing the potential options with them. The SDR has also spoken with counsel for the successor entity of Calanthe's social membership, Ms. Kim Yelkin.

6. If Calanthe becomes a mutual life insurer and is subsequently placed in liquidation, it would provide the best possible outcome for Calanthe's members. Calanthe's members would suffer losses under any of the alternatives.

NOTICE

7. The Special Deputy Receiver provided notice of the filing of this Report to all persons who have requested notice in the receivership estate in accordance with TEX. INS. CODE ANN. § 443.007 and the Order of Reference. The Special Deputy Receiver also noticed all parties in interest as that term is defined in TEX. INS. CODE ANN. § 443.004(a)(17) and as shown on the certificate of service.

Respectfully submitted,

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Attorney for the Special Deputy Receiver

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served on all interested parties in accordance with the Texas Rules of Civil Procedure and TEX. INS. CODE ANN. § 443.007(d) this 26th day of November, 2019.

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