

Special Master's Status Letter Update
July 28, 2020
Grand Court Order of Calanthe (Calanthe) in Receivership # 560

Special Deputy Receiver (SDR): Resolution Oversight Corporation

Primary Responsible Person: Ernesto A. Garza

Estate Counsel: Rachel Stroud

Receiver's Counsel: David Wheelus

RLO Analyst: Moses Chao

Background on Calanthe:

- Date of Permanent Injunction: May 31, 2018
- Date of Appointment of SDR: June 4, 2018
- State Licensed: Texas
- Lines of Business: Whole Life and Term Insurance
Pre-need Policies

Calanthe is a Texas domiciled fraternal benefit society that has been in existence for 120 years. The company was only licensed in Texas and its operations were conducted under Chapter 885 of the Texas Insurance Code. As a fraternal benefit society, Calanthe is owned by its members. It has no affiliates or investments in subsidiaries, partnerships or other companies. The SDR filed an application with the Commissioner to convert Calanthe from a fraternal benefit society to a mutual life insurance company *via* an assignment of a charter of another insurance company, which had been assigned to the Commissioner at closing. The application is under consideration by the Commissioner.

Statement of Assets and Liabilities June 30, 2020:

- Total Assets \$ 694,035
 - Cash Assets \$694,514
 - Non cash Assets \$ (479)
- Total liabilities \$(1,240,971)
- Negative equity \$ (546,936)

Status and Activity since last status conference:

Asset Recovery:

1. The SDR continued collection of outstanding premiums. The total collected for the first and second quarters of 2020 was \$8,778.
2. The SDR staff prepared and mailed out the premium billings for the second quarter of 2020 on April 8, 2020 and for the third quarter of 2020 on July 2, 2020.
3. The amount collected in investment interest for the first and second quarters of 2020 was \$2,286.

Claims:

1. The SDR staff processed eleven cash surrender requests and sixteen death claims in the first and second quarters of 2020 for total distributions of \$21,594.80
2. The SDR sent an application to the Commissioner to request conversion and assignment of a mutual life insurance company charter on May 11, 2020.
3. The SDR staff worked on updating the QL policy and claim database system with premiums collected, surrender and death claims paid, and change of address requests.
4. The number of open policies in the QL system as of June 30, 2020 was 2,424 with a face value of \$2,662,023 and a reserve value of \$909,545.

General Legal Activities:

1. An application was filed with the Receivership Court for permission for the SDR to seek conversion of Calanthe to a mutual life insurance company *via* an assignment of a charter of another receivership, which had been assigned to the Commissioner at closing. The application also sought approval of new mutual life insurance policies, which will be substituted for the fraternal policies and eventually handled by the Texas Life and Health Insurance Guaranty Association (TLHIGA) upon liquidation. The Court granted permission, approved the policies and issued an Order on April 6, 2020.
2. Upon receipt of the Commissioner's order converting Calanthe to a mutual life company, the SDR will file an application seeking an order of liquidation. SDR staff has been coordinating with TLHIGA on the pending liquidation as required by Tex. Insurance Code Sec. 443.105.

Conclusions:

- Major Achievements since last Status Conference:
 1. The premium billings for the second and third quarters of 2020 were prepared and mailed directly to the policyholders.
 2. Payment of death and cash surrender claims submitted in the first and second quarter of 2020 were processed and mailed.
 3. An application seeking permission for the SDR to seek conversion of Calanthe to a mutual life insurance company was submitted with the Receivership Court. The application also sought approval of new life policies, which will replace the fraternal policies. An order granting authority and approving the policies was issued on April 6, 2020.
 4. On May 11, 2020, the SDR applied to the Commissioner for an order converting Calanthe to a mutual life insurance company *via* assignment of a charter of another mutual life company, which had previously been assigned to the Commissioner.
 5. The 2016 tax return was filed with IRS on April 22, 2020.

- Estate Team Goals for the next quarter:
 1. Collect all outstanding premiums due.
 2. Continue to process any death and surrender claims received.
 3. Upon receipt of the order from the Commissioner approving the conversion of Calanthe to a mutual life company, the SDR will file an application seeking an order of liquidation. The SDR will coordinate the liquidation with TLHIGA on the transfer of policies and claims and notification of Calanthe's policy holders.
 4. Continue the preparation of the outstanding tax returns for the years 2017, 2018, and 2019.

- Estimated Closing Date of Receivership: December 2020

- Identification of Factors Affecting Closing Date and Final Distribution:
 1. Finalizing the conversion to a mutual life insurance company.
 2. Liquidation notice and/or proof of claim requirements.