

RECEIVERSHIP STATUS REPORT TO THE SPECIAL MASTER

February 6, 2026

R-565 Friday Health Insurance Company

Special Deputy Receiver:	CANTILO & BENNETT, L.L.P.	TX Guaranty Assoc.:	TLHIGA
SDR Responsible Person:	Susan E. Salch	Receiver's Counsel:	David Ashton
SDR's Counsel:	Greg Pierce	Est'd Closing Date:	TBD

SPECIFIC ACCOMPLISHMENTS SINCE THE LAST STATUS CONFERENCE

- Finalized Odyssey Re commutation agreement and recovered funds.
- Finalized FIS agreement and gained access to systems.
- Obtained Receivership Court approval of Fourth Supplement to Application for Approval of Fees and Expenses.

SPECIFIC ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER

- Continue efforts to collect reinsurance due from AXA.
- Settle with, or initiate arbitration to collect overpayments from, HCA.
- Resolve overpayment claim with US Renal Care or initiate arbitration to collect overpayments from US Renal Care.

Receivership Background

- Date of Permanent Injunction (Liquidation): March 23, 2023
- Date of Appointment of SDR: March 23, 2023
- Claims Filing Deadline: September 5, 2024
- States Where Licensed: Texas
- Lines of Business: Affordable Care Act (“ACA”) individual and small group health insurance plans
- Early Access Distributions: \$46,456,812

Statement of Assets and Liabilities as of December 31, 2025

Total Assets:	\$482,698,570
Cash:	\$168,370,427
Non-Cash Assets:	\$180,397,272
Restricted Assets:	\$133,930,872
Total Liabilities:	\$828,325,293
Negative Equity:	(\$345,626,723)

Asset Recovery Activity

Reinsurance: FHIC has a quota share agreement with AXA France Vie (“AXA”) with coverage of 60% for 2021, and 80% for 2022. Shortly before receivership, AXA gave notice that it considered the agreement to be terminated as of January 1, 2022. Following regulatory action against the companies of the other states, AXA sent each of them a notice of dispute. The SDR and AXA have communicated regarding the reinsurer’s contentions, and the SDR responded to AXA’s requests for information. In response, AXA requested more information, which was provided on April 30, 2025. The data reflects that AXA owes FHIC approximately \$226 million as of December 31, 2024. On October 15, 2025, the SDR’s counsel met with AXA’s counsel in Austin. The SDR agreed to update the reinsurance calculations as of September 30, 2025, and provide certain other data to AXA. That information was provided in early November, and AXA’s counsel replied on November 21, and posed additional questions. The SDR’s counsel responded on November 26 and followed up on December 8, 2025.

The SDR filed its application to approve the commutation with Odyssey Re in April 2025. AXA objected to the commutation and requested a stay of the application. The SDR and AXA filed a stipulation regarding the Odyssey Re commutation to resolve AXA’s objection. The Receivership Court approved the Odyssey Re commutation on June 27, 2025. AXA also filed objections to the Nevada and Oklahoma receivers’ applications to approve the commutation. The parties in those matters agreed to the entry of stipulations similar to that used in Texas to allow the commutation to be approved in those states. The other states obtained approvals and have executed the agreement. The SDR received the funds on January 23, 2026.

Subrogation: Before receivership, Phia pursued subrogation recoveries for FHIC even though the only written agreement was between Phia and the Friday Colorado affiliate.

Estate counsel notified Phia of the receivership and instructed it that all collections and communications regarding Texas claims had to go through the SDR.

TLHIGA agreed to the SDR contracting with Phia for the collection of all Texas claims. The SDR will work with TLHIGA to reconcile which recoveries go to the estate (pre-liquidation claims) and which will be credited to TLHIGA (from their claim processing). Subsequently, the SDR added Phia as a Receivership Service Provider. As of December 31, 2025, the SDR has received \$700,992 (\$522,071 net of fees) in subrogation; all on pre-liquidation claim payments.

Overpayment Recovery: FHIC's financial records reflect significant overpayments to providers that are owed to the company. The SDR continues to update the amounts owed and is reconciling guaranty association payments and credits. Negotiations with provider HCA stalled due to HCA's refusal to engage with the SDR. The SDR and TLHIGA continued their efforts to work with HCA, providing data and other information to HCA and soliciting HCA to provide a basis for its refusal to pay amounts owed to FHIC. HCA's responses indicate that it does not take the SDR's claims seriously. The SDR is continuing to compile documentation supporting the amounts due, and should be in a position to share more with HCA by mid-February. Nevertheless, arbitration may be necessary to recover sums owed by HCA. Additionally, the SDR has contacted US Renal Care regarding overpayments owed to FHIC. The SDR and US Renal Care are currently discussing potential resolution. The SDR believes that it will be able to either resolve the matter by agreement or initiate arbitration to recover from US Renal Care during the next quarter.

Other Asset Recovery Activity: The SDR and counsel continue to research other potential asset recovery claims.

Claims Activity

POC Processing: To date, the SDR has received 2,319 timely POCs, including 1,261 by providers for themselves and 989 by providers on behalf of members, 3 for agent commissions, 13 for premiums or post-policy termination payments, 46 by members for unpaid claims, 2 by vendors, 2 by reinsurers (AXA and Odyssey), 1 by CMS, and 2 by TLHIGA (one for claims, the other for expenses). As of December 31, 2025, 9 late POCs had been received: 6 by providers, 2 by members, and 1 by the IRS.

In the fall of 2025, the SDR reviewed data from TLHIGA regarding potential OTC claims and identified those which exceed the statutory cap. As of the date of this report, the SDR has deemed 133 POCs for \$4,365,442 and approved 20 POCs for \$250,271 for a total of \$4,615,713 in OTC claims related to eight former FHIC member insureds.

TLHIGA: As of December 31, 2025, TLHIGA paid 167,708 claims totaling \$27,506,275. TLHIGA also reported administrative expenses of \$15,135,350 as of December 31, 2025.

General Legal Activity

Delaware Assignment for Benefit of Creditors ("ABC") Proceeding: The parties mediated their disputes on January 8, 2025, and continued negotiations for several months,

but the issues between them remain unresolved. The deadline for the SDR to file a POC in the ABC matter was extended by agreement to October 31, 2025. On that date, the SDR filed a POC in the amount of \$161,281,393 comprised primarily of intercompany balances and the FHP Guaranty Agreement. The POC was submitted with a reservation of rights objecting to the ABC's jurisdiction.

On July 2, 2025, the OSRs moved to remove the Assignee and disgorge fees paid to the Assignee and his professionals. The Assignee filed its response in opposition, along with an expert report on September 8, 2025. The OSRs sought discovery, and the Assignee has until November 21, 2025, to respond/object. The Assignee's deposition was moved to January 20, and the Assignee's expert's deposition was moved to January 21, 2026. The OSRs deadline to respond to the Assignee's filings is now in late January. This schedule confirms the SDR's Delaware Counsel's prediction that the Delaware Court's docket will likely preclude any ruling on any matter in the ABC Proceeding until 2026.

On October 10, 2025, the Assignee filed an action against the primary lenders, seeking a declaration as to the extent, validity, and priority of the lenders' liens in the Assignment Estate. On December 11, 2025, the lender filed a motion for summary judgment. Counsel to the OSRs requested that the court decline to rule on the motion pending the outcome of their pending motion to remove the Assignee. The Delaware court provided guidance for the parties in a letter dated December 22, 2025, advising them it would not take up the motion at this time.

The SDR for the Georgia affiliate filed a suit in its state court against the ABC entity and the parent companies, FHPMSC and FHP, asserting causes of action for preferential transfers, conversion, and breach of guaranty agreement. The parent companies, FHP and FHPMSC, although named in the lawsuit, did not file answers and the Georgia SDR obtained default judgments against them. The ABC entity filed a motion to dismiss which was argued and fully briefed, and on October 29, 2025, the court dismissed the suit against the ABC entity with prejudice. The SDR is advised that the Georgia receiver appealed the ruling.

The SDR for the Oklahoma affiliate filed a Motion for Citation of Contempt, Recovery of Funds, and Brief in Support against the primary lenders, Friday Health Plans Management Services Company, Inc., Friday Health Plans, Inc., the Assignee, and Elizabeth Bierbower (former CEO) relating to the transfer of assets to the Assignee. The respondents have yet to appear in the proceeding.

Litigation: There are no pending lawsuits against FHIC.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD