RECEIVERSHIP STATUS REPORT TO THE SPECIAL MASTER

November 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

- Worked with HCA counsel to obtain data from HCA.
- Agreed on designation of neutral umpire in AXA arbitration and set date for organizational meeting.
- Fully briefed AXA motion to lift stay.
- Received first installment payment of $3.1 million from US Renal Care.
- Obtained Receivership Court approval of First Report of Claims.

SPECIFIC ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER

- Initiate Arbitration against HCA.
- File 2024 and 2025 Federal Tax Returns.
- Set procedural schedule and date for AXA arbitration hearing.

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 September 30, 2026

Total Assets:	$513,696,390
Cash:	$185,790,541
Non-Cash Assets:	$190,286,125
Restricted Assets:	$137,619,724
Total Liabilities:	$830,317,320
Negative Equity:	($316,620,930)

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.

After more than three years of extensive back and forth communications, AXA made its first settlement offer in response to the SDR's latest demand amount of $245,984,350. The SDR did not accept the offer, and its litigation counsel served the Notice of Arbitration on AXA and its counsel on June 5, 2026. Party arbitrators and the neutral umpire have been designated. The initial organizational meeting will likely occur in January 2027, with counsel and the SDR attending in person. The arbitration hearing will likely occur in early 2028.

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 September

30, the SDR received $712,955 ($527,012 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 had stalled due to HCA's refusal to engage with the SDR. In late September 2026, HCA provided the SDR with substantial amounts of data regarding its relationship with FHIC. After receipt and initial review of the data, the SDR requested that HCA provide some explanation as to how the data impacted the amounts the SDR seeks from HCA. To date, HCA has not provided a response. Accordingly, the SDR anticipates filing an arbitration claim soon.

The SDR resolved the dispute with US Renal Care regarding overpayments owed to FHIC and agreed to settlement terms. On July 13, 2026, the SDR filed an application to approve the settlement which was approved on August 19, 2026. US Renal Care made its first quarterly installment payment of $3.1 million on September 18, 2026.

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

Claims Activity

POC Processing: No new POCs were received in this quarter. The SDR received 2,319 timely POCs including 1,261 by healthcare providers, 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 from CMS, and 2 from TLHIGA (1 for claims, the other for expenses). As of September 30, 2026, 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 8 former FHIC member insureds.

In this quarter, the claims staff continued to break down POCs which included multiple claims and assigned each individual claim its own POC number, resulting in an increase of the "number" of POCs to 7,205 based on the 2,319 filed POC forms (including 20 late filed POCs and 133 deemed OTC POCs). As of September 30, 2026, the SDR has reviewed 1,741 POCs and issued 1,435 Notices of Claim Determination. A total of 5,444 POCs remain to be reviewed.

Report of Claims: The SDR prepared and filed an application to approve the estate's first report of claims on July 31, 2026, which sought affirmation of the SDR's determination on approximately 1,490 POCs. The Receivership Court approved the first report of claims on September 4, 2026.

TLHIGA: As of September 30, 2026, TLHIGA paid 167,785 claims for a total of $27,544,755. TLHIGA also reported administrative expenses of $15,443,708 as of September 30, 2026.

General Legal Activity

Georgia State Court Proceeding: 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 based upon failure to state a claim, lack of subject matter jurisdiction, failure to join a necessary party, and forum non conveniens. The Georgia receiver appealed the ruling, and the court convened a hearing on June 10, 2026. The SDR is not advised as to the outcome and was unaware of any ruling being issued as of the date of this report.

Records Requests and Subpoenas: The SDR has received six records subpoenas seeking the production of records. While the volume received is currently low, these take time to retrieve and review, at receivership expense. As has been the case with other estates, the SDR will advise those who properly serve subpoenas that a non-refundable fee of $1,000 must be paid for subpoenas that require additional work (such as the production of an entire litigation claim file). In the SDR's experience, very few parties pay the fees. Documents will be produced in the order that the money and appropriate releases are received.

Litigation: There are no pending lawsuits against FHIC.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD