



Memorandum

To: The Board of Directors of Connecticut Foundation Solutions Indemnity Company, Inc.
("CFSIC")

From: Michael Maglaras

Date: March 17, 2020

Re: Interim Report to the Board: Operational Update

We are pleased to provide a report showing the current number of CFSIC claimants, outstanding claim reserve liability, and paid claim liability by town, as well as an update on certain operational matters. The list shown below contains data valid as of February 29, 2020. It is important to remember that this list includes both Type 1 (foundation remediation) and Type 2 (foundation reimbursement) claimants.

Town ⁽¹⁾	Total Active/Inactive/Pending Claims Submitted ⁽²⁾	Total Outstanding Claim Liability ⁽³⁾	Total Claim Payments to Date ⁽³⁾
Amston	2	\$0	\$175,000
Andover	8	631,103	287,661
Ashford	28	2,480,799	1,108,816
Berlin	1	0	0
Bloomfield	4	157,484	17,500
Bolton	20	1,494,356	172,266
Branford	1	0	0
Bristol	1	0	0
Broad Brook	5	326,038	226,706
Burlington	1	0	0
Columbia	5	284,988	259,964
Coventry	69	3,805,953	2,366,732
Deep River	1	0	0
East Hartford	4	0	234,383
East Windsor	72	5,040,000	0
Eastford	1	0	40,956
Ellington	84	6,293,498	2,568,348
Enfield	25	1,513,172	886,338
Glastonbury	1	0	49,163
Granby	1	157,500	17,500
Hebron	3	170,433	304,885
Manchester	138	13,050,063	848,240
Mansfield	7	228,745	437,421

Town ⁽¹⁾	Total Active/Inactive/Pending Claims Submitted ⁽²⁾	Total Outstanding Claim Liability ⁽³⁾	Total Claim Payments to Date ⁽³⁾
Middletown	1	\$0	\$0
Milford	1	0	0
Monroe	1	0	0
Naugatuck	2	0	0
New Britain	1	0	0
New Haven	2	0	0
Somers	32	1,860,227	595,299
South Windsor	129	11,074,254	3,622,871
Stafford/Stafford Sp.	126	10,602,897	2,015,089
Storrs	10	928,236	157,863
Suffield	4	175,000	342,000
Tolland	197	14,210,099	6,542,646
Union	8	681,767	294,852
Vernon	359	20,200,028	2,663,907
Waterbury	1	0	0
West Hartford	1	0	0
West Haven	1	0	0
West Suffield	1	157,500	17,500
Willimantic	1	0	0
Willington	105	8,408,781	2,438,308
Windsor	1	0	0
Woodstock	2	329,800	17,500
TOTAL	1,469	\$104,262,721	\$28,709,715

Notes:

- (1) Claim location data is taken directly from claimant applications. As a result, claimants may identify, on their applications, a subdivision or generally recognized neighborhood as the location of the claim, with the result that it may appear as a subset of a more identified town location.
- (2) All active, inactive, and pending Type 1 and Type 2 claimants are reflected in these totals.
- (3) Outstanding and paid claim liabilities shown reflect only active/inactive claimants; pending claimants are not included in any outstanding reserve liability calculations, as pending claims do not carry reserve liabilities on CFSIC's financials.

With respect to other operational matters, I ask you to note the following:

- (1) **Pending Claimant Status:** As of February 29, CFSIC had received 250 pending claims. CFSIC has extended the period during which pending claimants may apply to be through close of business on June 30, 2020. Pending claimants understand that (i) they are most probably ineligible for remediation or reimbursement for the foreseeable future, and (ii) remediation or reimbursement may only happen at all based on a final determination of the extent of Healthy Homes surcharge funds, as well as the statutory extension of CFSIC's current sunset date of June 30, 2022.

- (2) **Participation Agreements:** The Superintendent has executed 374 Participation Agreements since the inception of the program. During the week of February 10, 2020 the Superintendent executed a final handful of Participation Agreements, enabling final remediation commitments to be made, before going back into suspension. In some cases, those claimants had been waiting in line since August 2019. The Superintendent will not be signing any more Participation Agreements until the extent of the first tranche of Healthy Homes surcharge funds has been determined and cash has been received. To the extent the amount of the funds received enables us to re-open our doors, CFSIC will immediately re-engage with claimants in line for Participation Agreements in date order, until those funds are fully committed. CFSIC will then immediately go back into suspension until the next \$20M in bond allotment has been transferred to us. We anticipate, during CFSIC's lifespan, as a result of the uncertainty of the receipt of funding, to be frequently in and out of suspension as we manage cash in order to maximize effectiveness. As of the date of this memorandum, fully qualified claimants are in line for Participation Agreements where we anticipate remediation can begin only after July 1, 2020. We also have claimants in line for whom remediation cannot begin until after July 1, 2021.
- (3) **Financial Condition:** CFSIC is cash-positive. This means that we have cash on hand as of the date of this memorandum sufficient to fully pay all commitments entered into with individual claimants according to the obligations set forth in their Participation Agreements. CFSIC also has enough cash on hand to meet its expense obligations during the remainder of the current fiscal year and for part of the next. It also has, separately accounted for, its minimum statutory capital and surplus covered fully by cash. As of February 29, 2020 CFSIC carries negative equity amounting to \$74,570,386. We have budgeted and we anticipate that this negative equity will eventually be covered through a combination of the remaining two bond allotments due us from the State of Connecticut and all ten years of anticipated Healthy Homes surcharge funds. Based on representations made to us, we understand that CFSIC's sunset date has every likelihood of being extended to June 30, 2030, with an announcement to this effect being made at some point in 2020. To be clear, if the next \$20M Bond Commission allotment is not received on or before January 1, 2021, it is highly likely that CFSIC will cease operations, surrender its license, and go into runoff, as it will not be able to meet expense obligations (which are independent of obligations committed to foundation remediation and reimbursement) without access to that bond allotment.
- (4) **Other Operational Matters:** CFSIC staff deals each day with many homeowner claimant concerns by electronic means as well as by phone. We also deal with contractor issues, regulatory and legal issues, and requests from state and federal government for data and data support. The Superintendent is frequently asked to speak to claimant groups, providing information and explanation to existing and potential claimants. CFSIC believes strongly in relaying as much information as we can to the public about the nature and extent of this crisis as, on a de facto basis, CFSIC has become the recognized source of consumer assistance and advocacy. We will continue this effort and outreach until such time as we are unable to continue these activities because of inadequate or untimely funding.



We will be providing an Annual Report after the close of CFSIC's fiscal year on June 30, 2020. This report will contain detailed operational data providing information and insight into operations of a much more extensive nature.

I thank the Board of Directors for its strong leadership and continuing vision. As of the date of this report, CFSIC has put 116 families back in their homes. We have done it by carefully managing the process of remediation and reimbursement, and by carefully controlling our expenses. To date, CFSIC is operating its business at a rate of approximately 3.7% of revenues; the statutory cap on CFSIC's expense on a calendar year basis is 10% of revenues.

I believe the Board should take pride in these accomplishments and should look forward to returning more families to their homes as we help them to rebuild their lives.