EISNERAMPER

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK IN LIQUIDATION

FINANCIAL STATEMENTS – MODIFIED CASH BASIS

December 31, 2019 and 2018
(with Independent Auditors' Report)

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION

Financial Statements - Modified Cash Basis

December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Superintendent of Financial Services of the State of New York as Receiver and the Management of the Executive Life Insurance Company of New York in Liquidation.

Report on the Financial Statements

We have audited the accompanying financial statements of the Executive Life Insurance Company of New York in Liquidation (the "Company"), managed by the New York Liquidation Bureau, which comprise the statements of assets, liabilities, and deficit of assets over liabilities – modified cash basis as of December 31, 2019 and 2018, and the related statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for the years then ended, and the related notes to the financial statements – modified cash basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of Executive Life Insurance Company of New York in Liquidation as of December 31, 2019 and 2018, and its operations and its receipts and disbursements for the years then ended, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information of and use of the Superintendent of Financial Services of the State of New York as Receiver, to whose jurisdiction the Company is subject, the New York Liquidation Bureau ("NYLB") and management of the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
July 30, 2020

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION
Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis
As of December 31,

	2019	2018
Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	**$ 412,635**	$ 968,609
Invested Assets:		
Bonds, at fair market value	**20,595,466**	18,515,795
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	**21,008,101**	19,484,404
Receivable from Revolving Fund	**650,000**	650,000
Accrued Investment Income	**124,230**	109,545
Total Unrestricted Assets	**21,782,331**	20,243,949
Restricted Assets:		
Segregated Contingency Fund	**-**	7,915,066
Total Restricted Assets	**-**	7,915,066
Total Assets	**$ 21,782,331**	$ 28,159,015

See accompanying notes to the Financial Statements (as defined herein). The Financial Statements and accompanying notes are prepared solely for the use of the Receiver, the NYLB and Management (as defined herein).

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION
Statements of Assets, Liabilities and Deficit of Assets over Liabilities – Modified Cash Basis
(continued)
As of December 31,

	2019	2018
Secured Liabilities:		
Segregated Contingency Fund	**$ -**	$ 7,915,066
Unsecured Liabilities:		
Class One - Administrative Expenses	**65,117**	64,854
Class Two - Employee Services	**-**	-
Class Three - Expenses 90 Days and Prior	**-**	-
Class Four - Claims Under Insurance Policies:		
Retained Liabilities - Non-Allowed	**961,076,562**	961,076,562
Claim overs - Non-Allowed	**43,726,110**	43,726,110
Annuity Contracts - Due and Unpaid	**170,106**	170,106
Less: Distributions	**-**	-
Total Class Four - Claims Under Insurance Policies - Non-Allowed	**1,004,972,778**	1,004,972,778
Class Five - Federal, State and Local Government Claims - Non-Allowed	**-**	-
Class Six - General Creditors' Claims - Non-Allowed	**3,825,418**	3,825,418
Class Seven - Surplus, Capital or Contribution Notes	**-**	-
Class Eight - Policyholder and Shareholder Claims	**-**	-
Total Liabilities	**1,008,863,313**	1,016,778,116
Other Post-Employment Benefits Liability	**218,701**	216,200
Deficit of Assets over Liabilities	**(987,299,683)**	(988,835,301)
Total Liabilities and Deficit of Assets over Liabilities	**$ 21,782,331**	$ 28,159,015

See accompanying notes to the Financial Statements (as defined herein). The Financial Statements and accompanying notes are prepared solely for the use of the Receiver, the NYLB and Management (as defined herein).

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION
Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis
For the Years Ended December 31,

	2019	2018
Receipts:		
Net Investment Income Received	**$ 642,302**	$ 295,929
Litigation Awards	**21,533**	137,600
Miscellaneous	**2,189**	-
Total Receipts	**666,024**	433,529
Disbursements:		
Professional Fees	**48,757**	31,960
Salaries	**34,866**	30,641
Employee Relations and Welfare	**27,554**	19,656
Miscellaneous	**15,675**	20,068
Rent and Rent Items	**4,534**	58,450
General and Administrative Expenses	**4,160**	5,340
Total Disbursements	**135,546**	166,115
Net Receipts Over Disbursements	**530,478**	267,414
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	**19,484,404**	19,039,866
Unrealized Gain/(Loss) on Investments	**993,219**	177,124
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	**$ 21,008,101**	$ 19,484,404

See accompanying notes to the Financial Statements (as defined herein). The Financial Statements and accompanying notes are prepared solely for the use of the Receiver, the NYLB and Management (as defined herein).

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK IN LIQUIDATION
Notes to Financial Statements – Modified Cash Basis
For the Years Ended December 31, 2019 and 2018

Note 1: Organization and Nature of Operation

A. Background

Executive Life Insurance Company of New York ("ELNY") is a wholly-owned subsidiary of Executive Life Insurance Company ("ELIC"), a California company. ELNY was licensed to write various lines of life insurance and annuities, including traditional life policies, single premium deferred annuities ("SPDAs"), single premium immediate annuities ("SPIAs") and closeout qualified retirement accounts ("CQRAs").

Pursuant to an order ("Rehabilitation Order") of the Supreme Court of the State of New York ("Receivership Court"), County of Nassau, ELNY was placed into rehabilitation on April 23, 1991, and the then-Superintendent of Insurance of the State of New York (and his successors in office, "Superintendent of Insurance") was appointed Rehabilitator of ELNY ("Rehabilitator"). The Rehabilitation Order directed the Rehabilitator to, among other things, take possession of the property of ELNY, conduct the business of ELNY, and take steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary. Effective October 3, 2011, the Superintendent of Financial Services of the State of New York (and, his successors in office; "Superintendent") succeeded the Superintendent of Insurance as Rehabilitator of ELNY.

B. The Plan of Liquidation and Restructuring

On September 1, 2011, the Receivership Court entered an Order to Show Cause ("OTSC") to convert the ELNY rehabilitation to liquidation on the basis that ELNY was insolvent and further efforts to rehabilitate the company would be futile. In connection with the OTSC, the Rehabilitator also filed an Agreement of Restructuring.

The development of the Agreement of Restructuring, which provides for an orderly liquidation and restructuring of ELNY, was a collaborative effort among the Rehabilitator, the National Organization of Life and Health Insurance Guaranty Association, 40 state insurance guaranty associations, the Life Insurance Guaranty Corporation (Article 75), the Life Insurance Company Guaranty Corporation of New York (Article 77), and members of the life insurance industry.

Under the Agreement of Restructuring, a not-for-profit captive insurance company was formed. This new insurance company, Guaranty Association Benefits Company ("GABC"), is being managed by insurance professionals and independent directors and owned by state insurance guaranty associations. Under Article 2 of the Agreement of Restructuring, the Liquidator of ELNY has the authority to make examination into the affairs of GABC for the purpose of ascertaining compliance with the Agreement of Restructuring and other written agreements.

Note 1: Organization and Nature of Operation (continued)

B. The Plan of Liquidation and Restructuring (continued)

The restructuring resulted in the transfer of approximately $773 million of ELNY's assets to GABC. At the date of restructuring, the state insurance guaranty associations transferred $765 million to GABC. An additional approximate $48 million of voluntary contributions came from life insurance companies for enhanced benefits to policyholders that may not be covered by a state guaranty association or whose state guaranty association coverage is below $250,000. In addition to these enhancements, members of the life insurance industry established a $100 million Hardship Fund for policyholders expected to receive a reduction in their benefit payments. The Hardship Fund is not a formal component of the Agreement of Restructuring.

On April 16, 2012, the Receivership Court approved the Agreement of Restructuring and entered an order of liquidation. The liquidation date of ELNY was the closing date of the Agreement of Restructuring, which occurred on August 8, 2013. Since the liquidation date, GABC has been responsible for managing such assets and making payments to contract owners, payees, and beneficiaries.

C. New York Liquidation Bureau

The New York Liquidation Bureau ("NYLB" or the "Bureau") carries out the duties of the Superintendent in her capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under New York Insurance Law ("Insurance Law") Article 74. The NYLB reports to the Superintendent in her capacity as Receiver rather than in her capacity as regulator and head of the New York State Department of Financial Services ("DFS"). The NYLB operates independently from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments, including the Special Deputy Superintendent ("Special Deputy" and other Agents, collectively, with the Special Deputy, "Agents") as are necessary to carry out her functions as Receiver. The Agents, along with division directors and senior managers of the NYLB, are collectively referred to herein as "Management." Management carries out, through the NYLB, the responsibilities of the Receiver and manages the daily operation of all Estates. For each Estate, the Superintendent is appointed Receiver by the Receivership Court. Thereafter, the Receivership Court, as necessary, approves the actions of the Receiver. Acting on behalf of the Receiver, the NYLB marshals the assets of the Estates, maximizes such assets, and resolves the liabilities of the Estates in an effort either to rehabilitate the companies or liquidate them in order to distribute their assets to creditors, policyholders, and shareholders.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis and Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis (collectively, "Financial Statements") reflect the financial position and cash receipts and disbursements of ELNY. The Financial Statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("U.S. GAAP"). This modified cash basis presentation differs from U.S. GAAP in that the unrealized gains or losses on invested assets are reported on the statements of cash receipts and disbursements, revenues are recognized when received, rather than when earned and certain expenses are recognized when paid, rather than when the obligation is incurred. This modified cash basis presentation is cash basis accounting that incorporates the following accruals: (i) investment income earned but not yet received; (ii) Other Post-Employment Benefits ("OPEB"); (iii) unrealized gains and losses on investments; and (iv) accruals for Classes One through Nine Claims, including administrative expenses, presented on a U.S. GAAP equity basis.

Preparation of the Financial Statements requires Management to make estimates and assumptions that may affect the amounts reported herein. It also requires disclosure of contingent assets and liabilities as of the dates of the Financial Statements. When these amounts are ultimately determined (*i.e.*, no longer require the use of estimates and assumptions to be calculated), the determined amounts may differ significantly from the amounts reported herein.

Unrestricted Assets

Cash and Cash Equivalents
Cash and Cash Equivalents are presented at cost, which approximates fair market value, and include cash and investments held at several financial institutions. These investments include money market funds and other highly liquid investments with remaining maturities of one year or less.

The NYLB maintains the cash balances of ELNY in investments and at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). These institutions currently have short-term ratings of P-1 (Moody's), A-2 (S&P) and F1+ (Fitch) for JP Morgan Chase, and P-1 (Moody's), A-1+ (S&P) and F1+ (Fitch) for Bank of New York Mellon. As of December 31, 2019 and 2018, the FDIC insured accounts up to $250,000 at the above named institutions. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to ELNY.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Invested Assets

Bonds include short-term and long-term U.S. treasury and agency securities that are generally held until maturity, some of which may be subject to demand features. These investments are recorded at estimated fair market value based on quoted market prices. The unrealized gains or losses on these securities are recorded in the Financial Statements.

Investment income received includes interest income received from cash deposits, interest on bonds and short-term investments, realized gains or losses on the sale of investments, and the amortization of bond premium and discount.

Realized gains and losses on investments sold are computed using the specific identification method, wherein gains and losses are recognized as of the settlement date and included in net investment income.

For each annual reporting period, Management reviews investments with unrealized losses on a security-by-security basis and assesses whether such declines are other-than-temporary. In assessing whether a decline is other-than-temporary, Management considers various factors including, but not limited to: (i) the rating of the security available from external sources; (ii) the issuer's record of default, if any, on scheduled interest and/or principal payments; (iii) an analysis of the security's market value (*e.g.*, amount, duration and significance of the decline); (iv) Management's intent and ability to hold the investment until recovery; (v) the market conditions during which the decline has occurred; (vi) an economic analysis of the issuer's industry; and (vii) the financial strength and liquidity of the issuer. Once a determination has been made that a specific other-than-temporary impairment exists, an increase in deficit is incurred and an allowance is recorded in a valuation account against the cost basis of the impaired asset and adjusted to its fair market value. The cost basis is not adjusted directly but rather through this valuation account.

Receivable from Central Disbursement Account

A revolving fund of $650,000 at December 31, 2019 and 2018 is held by the NYLB to cover expenses owed to the NYLB by ELNY.

Accrued Investment Income

Accrued investment income includes revenue from the investment portfolio that is earned but not yet received and is reported as accrued investment income in the Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis. The change in accrued investment income is recorded in the Deficit of Assets Over Liabilities.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Segregated Contingency Fund (Restricted Asset)

ELNY originally established a Segregated Contingency Fund of $10,000,000, consisting of $10,000,000 of bonds at par value to be used solely in connection with any and all (i) fees, costs and expenses that may be incurred by ELNY, in each case arising out of, or in connection with, any action, suit, litigation or proceeding against, or relating to the receivership of ELNY (including, without limitation, in connection with any investigation or preparation of a defense in connection therewith); (ii) indemnification obligations of ELNY that are subject to the administrative expense priority under Insurance Law Section 7435; and (iii) payments by ELNY of any damages, losses, judgments or settlements payable ahead of policyholders or PGAs pursuant to Insurance Law Section 7435.

In accordance with the "Acknowledgement In Connection With Closing" dated August 8, 2013, ELNY released $3,000,316 to GABC in 2017 and the balance in the segregated contingency fund of $8,008,549 less custodian fees of $6,089 was returned to GABC in August, 2019.

In 2019 and 2018, the activity in the Segregated Contingency Fund which represents the valuation of the bond including realized and unrealized gains and losses, accrued interest, interest deposited, amortization and other expenses is as follows:

	2019	2018
Opening Balance	$ 7,915,066	$ 7,831,209
Unrealized (Loss)	(7,214)	(41,461)
Interest on Bond	84,281	98,592
Amortization	16,416	26,726
Balance before Sale	8,008,549	7,915,066
Sale of Bond		
Proceeds From Sale	6,972,840	-
Cash in Segregated Contingency Fund	1,035,709	-
Custodian Fees	(6,089)	-
Amount Sent to GABC	8,002,460	-
Ending Balance	$ -	$ 7,915,066

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Secured Liabilities
Secured Liabilities relate to any liability that will be liquidated with a Restricted Asset.

Segregated Contingency Fund (Secured Liability)
Related to the Segregated Contingency Fund (Restricted Asset) above, a corresponding Segregated Contingency Fund (Secured Liability) of $10,000,000 was originally established. In August, 2019 the balance in the Segregated Contingency Fund of $8,008,549 was paid to GABC less custodian fees of $6,089. The Segregated Contingency Fund (Secured Liability) balance as of December 31, 2019 and 2018 was $0 and $7,915,066, respectively.

Unsecured Liabilities

Administrative Expenses
As of December 31, 2019 and 2018, ELNY reported $65,117 and $64,854, respectively, of accrued general expenses of which OPEB was $55,389 in 2019 and $60,716 in 2018. (See Note 7).

Retained Liabilities
Pursuant to the Agreement of Restructuring, a liquidation value, representing the present value of the benefit payments at the date of liquidation, is assigned to each contract, and then discounted by the Liquidation Asset Percentage as defined in the Agreement of Restructuring to yield the ELNY restructured value. The difference between the liquidation value and the ELNY restructured value is deemed a retained liability from ELNY to the contract owner. Such indebtedness, to the extent it remains unpaid and unfunded, shall only be discharged pursuant to any future order of the Receivership Court discharging the Receiver and closing the ELNY estate. As of December 31, 2019 and 2018, $961,076,562 represents the remaining retained liability to the contract owners calculated using the restructured values per the Restructuring Agreement of $2,537,571,735, less funds transferred to GABC by ELNY, the life insurance guaranty associations as well as voluntary contributions from life insurance companies. These liabilities are all recorded in the Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as retained liabilities in Class Four – Claims Under Insurance Policies Non-Allowed. In accordance with the Order of Liquidation dated April 16, 2012, the liquidator has not accrued interest on the retained liabilities for the period August 8, 2013 to December 31, 2019; as the rights and liabilities of ELNY and of its creditors have been fixed as of the liquidation date pursuant to the distribution priority discussed later in Note 2. If interest was accrued, at a rate of 4.75% per annum, for the period August 8, 2013 to December 31, 2019, it would have amounted to approximately $292 million.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Claim-Overs
Generally, holders of ELNY SPDAs received MetLife SPDAs in exchange for their ELNY contracts. Because the MetLife SPDAs had substantially higher surrender charges than the exchanged ELNY SPDAs, former ELNY SPDA holders who surrendered their MetLife SPDAs before the applicable surrender charges decreased to zero were allowed a claim against the ELNY estate for the amount of the surrender charge incurred. These claims are called claim-overs. Interest accrues on the claim-overs at 4% per annum. As of December 31, 2019 and 2018, ELNY reported $43,726,110 as a liability in the Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as Life Insurance Claim-Overs in Class Four – Claims Under Insurance Policies which included the current interest, accrued in the amount of $22,953,988 as of August 8, 2013. Pursuant to the distribution priority discussed in Note 2, if interest was accrued for the period from August 8, 2013 to December 31, 2019, it would have amounted to additional interest of $11,193,884.

Annuity Contracts – Due and Unpaid
Annuity Contracts – Due and Unpaid as of December 31, 2019 and 2018 totaled $170,106 which represents Pending Life and Annuity Claims that came due previously but checks were not issued.

General Creditors' Claims-Non-Allowed
ELNY established a reserve for unpaid commissions claimed by agents for placements of annuity contracts prior to rehabilitation of $3,825,418 as of December 31, 2019 and 2018.

Allocation of Expenses
The NYLB allocates general and administrative expenses, such as salaries, payroll taxes, rent and related expenses, office expenses and employee relations and welfare (*e.g.*, contributions to employee health insurance, pension plans and other fringe benefits), among ELNY, other domestic estates in liquidation or rehabilitation and Security Funds. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds. Expenses allocated to ELNY are then reimbursed in a timely manner. The total amount due to the NYLB as of December 31, 2019 and 2018 was $65,117 and $64,854, respectively, which consists of unpaid allocated expenses and was recorded as Class One – Administrative Expenses. See Note 5: Related–Party Transactions.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Distribution of Assets

The Receiver recommends and seeks court approval regarding distributions from any Domestic Estate in Liquidation. Distributions are made in a manner that assures the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of non-adjudicated claims. The priority of distribution of assets is in accordance with Insurance Law Section 7435 as set forth below. Every claim in each class is paid in full or adequate funds are retained for such payment before the members of the next class receive any payment. No sub-classes are established within any class. No equitable remedy may be used to avoid the order of the classification of claims as set forth in Insurance Law Section 7435.

The list of creditor classes in order of priority as set forth by Insurance Law Section 7435 is as follows:

(1) Class One – Administrative Expense
Claims with respect to the actual and necessary costs and expenses of administration, incurred by the liquidator, rehabilitator, conservator or ancillary rehabilitator under this article, or by The Life Insurance Guaranty Corporation or The Life Insurance Company Guaranty Corporation of New York, and claims described in subsection (d) as set forth in Insurance Law Section 7713.

(2) Class Two – Employee Services
Debts due to employees for services performed to the extent that they do not exceed one thousand two hundred dollars and represent payment for services performed within one year before the commencement of a proceeding under Insurance Law Article 74. Such priority shall be in lieu of any other similar priority which may be authorized by law as to wages or compensation of employees.

(3) Class Three – Expenses 90 Days and Prior
All claims for payment for goods furnished or services rendered to the impaired or insolvent insurer in the ordinary course of business within ninety days prior to the date on which the insurer was determined to be impaired or insolvent, whichever is applicable.

(4) Class Four – Claims Under Insurance Policies
All claims under insurance policies, annuity contracts and funding agreements, and all claims of The Life Insurance Company Guaranty Corporation of New York or any other guaranty corporation or association of this state or another jurisdiction, other than (i) claims provided for in paragraph one of this subsection, and (ii) claims for interest.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Distribution of Assets (continued)

(5) Class Five – Federal, State, and Local Government Claims – Non-Allowed
Claims of the federal or any state or local government. Claims, including those of any governmental body for a penalty or forfeiture, shall be allowed to this class only to the extent of the pecuniary loss sustained from the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under paragraph eight of this subsection.

(6) Class Six – General Creditor Claims – Non-Allowed
Claims of general creditors and any other claims other than claims under paragraphs seven and eight of this subsection.

(7) Class Seven – Surplus, Capital, or Contribution Notes
Surplus, capital or contribution notes, or similar obligations.

(8) Class Eight – Policyholder and Shareholder Claims
The claims of (i) policyholders, other than claims under paragraph four of this subsection, and (ii) shareholders or other owners.

Class Two through Class Eight – Subordinate Class of Creditor Claims
Pursuant to the Agreement of Restructuring upon a transfer of the GABC Liabilities, 100% of the net proceeds, after deducting from the total transfer proceeds (i) all reasonable transaction expenses and taxes incurred, if any, in respect of such transfer, (ii) any initial capitalization of GABC provided by the PGAs, and (iii) sufficient assets to wind up and dissolve GABC (not to exceed the future value at the relevant time of $50,000), shall be remitted to ELNY ("Net Proceeds Transfer"). All parties to the Restructuring Agreement, including the GA Parties, have already unconditionally and irrevocably waived any and all claims or rights each has or may have with respect to the Net Proceeds Transfer.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Class Two through Class Eight – Subordinate Class of Creditor Claims (continued)
The Net Proceeds Transfer shall, with the approval of the Receivership Court, be distributed as follows in absolute priority: **First**, on a *pro rata* basis in accordance with the Liquidation Values of the portions of ELNY Contracts that remain unpaid and unfunded by the ELNY Estate. (For purposes of such calculations, Liquidation Values will accrue interest at the Applicable Discount Rate from the Liquidation Date to the date of the Net Proceeds Transfer.) **Second**, on a *pro rata* basis to the Claim-Overs. (For purposes of such calculations, Claim-Over balances will accrue interest at 4% per annum, as contemplated in paragraph II.M. of the Rehabilitation Plan, from the Liquidation Date to the date of the Net Proceeds Transfer.) **Third**, on a *pro rata* basis in absolute priority, any claims under subparts (5) through (8) of Section 7435(a) of the Insurance Law. (For purposes of subpart (8), "stockholders or other owners" shall mean GABC for the same tax exempt purposes for which GABC was created or, if GABC shall have been dissolved, to the PGAs to satisfy their statutory obligations.) If claims against the ELNY Estate exist at the time of distribution of the Net Proceeds Transfer which claims arise under subparts (1) through (3) of Section 7435(a) of the Insurance Law and are allowed by the Receivership Court, then such claims shall be paid fully and in absolute priority before any distribution is made under the sentence "First", above.

The Receiver shall distribute all allocated portions of the Net Proceeds Transfer on a lump-sum basis or otherwise as required by applicable law. All expenses incurred by the Receiver in the allocation and distribution of the Net Proceeds Transfer will be paid from and reduce the distributable amount of the Net Proceeds Transfer.

Note 3: Investments

At December 31, 2019, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds were:

	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Bonds:				
U.S. Government	$ 5,876,659	$ 258,107	$ -	$ 6,134,766
U.S. Government Agencies	272,811	1,286	-	274,097
Mortgage Backed Securities	1,646,951	5,892	(7,388)	1,645,455
Corporate Bonds	11,728,610	839,839	(27,301)	12,541,148
Total	$ 19,525,031	$ 1,105,124	$ (34,689)	$ 20,595,466

Note 3: Investments (continued)

At December 31, 2018, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds were:

	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Bonds:				
U.S. Government	$ 4,828,817	$ 68,974	$ (4,143)	$ 4,893,648
U.S. Government Agencies	500,726	-	(2,587)	498,139
Mortgage Backed Securities	2,281,399	-	(55,618)	2,225,781
Corporate Bonds	10,827,638	103,554	(32,965)	10,898,227
Total	$ 18,438,580	$ 172,528	$ (95,313)	$ 18,515,795

The book adjusted carrying value of debt securities at December 31, 2019, by date of contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	2019	
	Book Adjusted Carrying Value	Fair Market Value
Less than one year	$ 2,345,648	$ 2,347,565
One to five years	2,328,934	2,351,441
Five to ten years	14,850,449	15,896,460
Ten years or before fifteen	-	-
After twenty years	-	-
Total	$ 19,525,031	$ 20,595,466

Net Unrealized Capital Losses

Aggregate unrealized losses on bonds are as follows at December 31, 2019 and 2018:

	December 31, 2019					
	For Less than 12 Months		For Greater than 12 Months		Total Fair Market Value	
	Aggregate Fair Market Value	Aggregate Unrealized (Losses)	Aggregate Fair Market Value	Aggregate Unrealized (Losses)	Fair Market Value	Unrealized (Losses)
Bonds	$ 399,916	$ (14)	$ 2,400,596	$ (34,675)	$ 2,800,512	$ (34,689)
Total	$ 399,916	$ (14)	$ 2,400,596	$ (34,675)	$ 2,800,512	$ (34,689)

Note 3: Investments (continued)

Net Unrealized Capital Losses (continued)

	December 31, 2018					
	For Less than 12 Months		For Greater than 12 Months		Total Fair Market Value	
	Aggregate Fair Market Value	Aggregate Unrealized (Losses)	Aggregate Fair Market Value	Aggregate Unrealized (Losses)	Fair Market Value	Unrealized (Losses)
Bonds	$ 4,225,651	$ (24,627)	$ 3,932,563	$ (70,686)	$ 8,158,214	$ (95,313)
Total	$ 4,225,651	$ (24,627)	$ 3,932,563	$ (70,686)	$ 8,158,214	$ (95,313)

Other-than-Temporary Analysis
As of December 31, 2019 and 2018, ELNY did not have any realized losses caused by other than temporary impairment of investments.

ELNY concluded that these unrealized losses were not other-than-temporary, based on its review of the nature of the investments, including credit quality of the obligor, the payment history and repayment terms for the particular investment, and the severity and duration of the fair market value decline. None of these securities were deemed to have any valuation issues that would lead ELNY to believe that they were other than temporarily impaired.

Subprime Exposure
As of December 31, 2019 and 2018, Management has determined that:

(1) ELNY has no direct subprime exposure through investments in subprime mortgage loans.
(2) ELNY has no indirect subprime exposure through mortgage-backed securities.
(3) ELNY has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

The components of net investment income received are as follows:

	Years Ended December 31,	
	2019	2018
Gain/(loss) on Sale of Assets	$ 33,448	$ (12,686)
Interest on Bonds	514,414	328,858
Interest on Short-Term Investments and Cash Equivalents	64,258	545
Total Gross Investment Income	612,120	316,717
Net Amortization of Bond Premium and Discount	30,182	(20,788)
Net Investment Income Received	$ 642,302	$ 295,929

Note 3: Investments (continued)

Proceeds from sales and maturities of bonds, unrestricted, including sales interest, were $14,131,060 and $11,815,076 generating gross gains of $33,448 and losses of $12,686 in 2019 and 2018, respectively.

Note 4: Fair Value Measurement

Included in various investment related line items are certain financial instruments carried at fair market value. The fair market value of an asset is the amount at which that instrument could be bought or sold in a current transaction between willing parties other than in a forced or liquidation sale.

When available, ELNY uses quoted market prices to determine the fair market values of aforementioned instruments. When quoted market prices are not readily available or representative of fair market value, pricing determinations are made based on the results of valuation models using observable market data such as recently reported trades, bid and offer information and benchmark securities. Unobservable inputs reflect ELNY's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements* ("Topic 820"), establishes a three-level fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The three-level hierarchy for fair value measurement is as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Management's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair market value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Note 4: Fair Value Measurement (continued)

Topic 820 also requires disclosures of any significant transfers in and out of Level 1 and Level 2 fair value measurements and a description of the reasons for the transfers; a reconciliation for fair value measurements using significant unobservable inputs (Level 3) with separate disclosure of purchases, sales, issuances, and settlements; and disclosure of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

The following tables summarize the financial instruments carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2019 and 2018:

As of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted Assets:				
Bonds:				
U.S. Government	$ -	$ 6,134,766	$ -	$ 6,134,766
U.S. Government Agencies	-	274,097	-	274,097
Mortgage Backed Securities	-	1,645,455	-	1,645,455
Corporate Bonds	-	12,541,148	-	12,541,148
Restricted Assets:				
U.S. Government Agencies	-	-	-	-
Total	$ -	$ 20,595,466	$ -	$ 20,595,466

Note 4: Fair Value Measurement (continued)

As of December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted Assets:				
Bonds:				
U.S. Government	$ -	$ 4,893,648	$ -	$ 4,893,648
U.S. Government Agencies	-	498,139	-	498,139
Mortgage Backed Securities	-	2,225,781	-	2,225,781
Corporate Bonds	-	10,898,227	-	10,989,227
Restricted Assets:				
U.S. Government Agencies	-	6,887,104	-	6,887,104
Total	$ -	$ 25,402,899	$ -	$ 25,402,899

ELNY used the following methods and assumptions in estimating the fair market value of financial instruments in the Financial Statements and notes thereto:

Fixed maturities: Fair values for investment securities are based on market prices quoted by third parties, if available. When market quotes are unavailable, Management's best estimate of fair market value is based on quoted market prices of financial instruments with similar characteristics, or on industry recognized valuation techniques. ELNY's investment securities are primarily valued using market inputs, including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data. In addition, market indicators, industry, and economic events are monitored and further market data is acquired if certain triggers are met. For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Securities classified as Level 2 include primarily short-term investments, bonds, statutory deposits in other states and other restricted assets at quoted market prices for similar investments in an active market using matrix pricing. Quoted prices for these securities are provided to ELNY by independent pricing services.

ELNY does not have any Level 1 or Level 3 securities as of December 31, 2019 or 2018.

Note 5: Related-Party Transactions

NYLB personnel perform certain administrative and investment functions, such as accounting, data processing, human resources, and treasury management, for ELNY ("Administrative and Investment Functions").

ELNY paid or accrued expenses for Administrative and Investment Functions pursuant to the NYLB's policy of charging the intercompany accounts of each respective estate under its control for expenses paid by the NYLB on behalf of such estate.

At December 31, 2019 and 2018, ELNY accrued expenses in the amount of $65,117 and $64,854, respectively, for Administrative Expenses including OPEB. These balances due to the NYLB are included in Class One-Administrative Claims.

For the years ended December 31, 2019 and 2018, ELNY paid the following Administrative Expenses:

	2019	2018
Salaries	$ 34,866	$ 30,641
Employee Relations and Welfare	27,554	19,656
Professional Fees	48,757	31,960
Miscellaneous	15,675	20,068
Rent and Related Items	4,534	58,450
General and Administrative Expenses	4,160	5,340
	$ 135,546	$ 166,115

Note 6: Taxes

At December 31, 2019, ELNY's federal tax return had the following unused operating loss carryforwards available to offset future taxable income, which carryforwards begin to expire in 2020:

Arising from Tax Year:	Year of Expiry	Net Operating Gain (Losses)	NOL Available
2000	2020	$ (3,726,080)	$ -
2001	2021	(51,450,147)	51,450,147
2002	2022	(58,369,798)	58,369,798
2003	2023	(72,600,417)	72,600,417
2004	2024	(69,529,977)	69,529,977
2005	2025	(67,886,433)	67,886,433
2006	2026	(40,430,763)	40,430,763
2007	2027	(5,705,055)	5,705,055
2008	2028	(40,249,109)	40,249,109
2009	2029	(80,985,088)	80,985,088
2010	2030	(78,466,769)	78,466,769
2011	2031	(78,821,197)	78,821,197
2012	2032	(80,364,097)	80,364,097
2013	2033	(18,383,026)	18,383,026
2014	2034	(144,359)	144,359
2015	2035	(1,442,862)	1,442,862
2016	2036	(67,867)	67,867
2017	Applied 1998	443,035	-
2018	Applied 1998	322,290	-
2019	Applied 1999	507,649	-
Total		$ (747,350,070)	$ 748,623,044

Because the estate is in liquidation, Management believes, based on the information currently available to it, that uncertainty exists as to whether these NOLs will be realized and whether the carry-forwards will expire unused.

ELNY's New York State tax is generally calculated at the minimum since ELNY does not generate premium income.

Note 7: Employers' Accounting for Defined Benefit Pension and Other Post-Employment Benefit Plans ("OPEB")

The New York State Health Insurance Program ("NYSHIP") offers a post-employment health insurance benefit to eligible retired employees. The NYLB participates in this program and eligible NYLB employees receive post-employment benefits through participating NYSHIP health insurance providers. Benefits include coverage secondary to Medicare and prescription drug benefits. Premiums are paid monthly by both the NYLB and the retired employees. In order to be eligible for the post-employment benefit, retirees must have fulfilled service requirements with participating employers as specified in the NYLB's employee handbook.

Prior to 2018, the NYLB classified the total allocated OPEB liability for ELNY as a Class One Administrative claim with the expectation that this total amount would be funded by ELNY at its closing and set aside by the NYLB for the payment of future OPEB liabilities. The Class One OPEB claim for ELNY was the projected amount ELNY would pay assuming it were to remain open indefinitely.

In 2018, the NYLB determined that it would classify OPEB liabilities as a Class One claim only with regard to the amount that ELNY was projected to pay on a pay-as-you-go basis prior to its closing. The balance of the OPEB liability is presented below the Total Combined Liabilities line on the accompanying balance sheet. This amount represents the portion of allocated OPEB liability that is expected to be paid after the close of ELNY. Upon closure of ELNY, this portion of ELNY's OPEB liability remains unfunded and is removed from ELNY's balance sheet. The unpaid amount will be calculated and reallocated among the remaining Estates at that time.

The NYLB's apportionment of OPEB liabilities as Class One and Other Post-Employment Benefit liabilities is based upon the best understanding of the projected lifespan of ELNY as of the date of the presented financial statements. ELNY may remain open for a period that is significantly shorter or longer than projected.

In 2019 and 2018, the OPEB liability in Class One totaled $55,389 and $60,716, respectively. The OPEB liabilities which are included as a separate line item, "Other Post-Employment Benefits", totaled $218,701 in 2019 and $216,200 in 2018.

An independent actuarial firm conducted a valuation of the OPEB liability for the years ended December 31, 2019 and 2018, using Topic 715 and reported its conclusions in reports dated February 2019 and February 2018, respectively (collectively, "Actuarial Reports"). Pursuant to the Actuarial Reports, discount rates of 4.25% and 3.50% were selected by the independent actuarial firm and used to determine the initial OPEB and discount rates of 3.00% and 4.25% were applied to determine the OPEB as of December 31, 2019 and 2018, respectively.

Note 8: Legal Matters, Commitments, and Contingencies

After inquiry and review of the records of ELNY, Management, based on the information currently available to it, is unaware of any pending or threatened litigation or unasserted claim that Management reasonably believes will have a material adverse effect on the financial condition or the results of operations of ELNY.

The extent of the impact of the coronavirus ("COVID-19") outbreak on the financial performance of the ELNY's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, ELNY's investment results may be materially adversely affected.

Note 9: Subsequent Events

Subsequent events have been reviewed through July 30, 2020, the date which ELNY's audited Financial Statements were available to be issued.