ANNUAL AUDIT REPORT OF THE NEW YORK LIQUIDATION BUREAU

December 31, 2014 and 2013

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Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account

For the Years Ended December 31, 2014 and 2013 With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Superintendent of the New York State Department of Financial Services as Receiver and
the Management of the New York Liquidation Bureau

Report on the Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account

We have audited the accompanying statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau (the "Company") for each of the years ended December 31, 2014 and 2013, and the related notes to the statements of cash receipts and disbursements – cash basis.

Management's Responsibility for the Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account

Management is responsible for the preparation and fair presentation of these statements of cash receipts and disbursements – cash basis of the Central Disbursement Account in accordance with a cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these statements of cash receipts and disbursements – cash basis of the Central Disbursement Account that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements of cash receipts and disbursements – cash basis of the Central Disbursement Account 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 statements of cash receipts and disbursements – cash basis are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account 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 Company'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 statements of cash receipts and disbursements – cash basis of the Central Disbursement Account.

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account referred to above present fairly, in all material respects, the cash receipts and disbursements for each of the years ended December 31, 2014 and 2013, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the accompanying statements of cash receipts and disbursements – cash basis of the Central Disbursement Account, which describes the basis of accounting. The statements of cash receipts and disbursements – cash basis are prepared on the 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 the New York State Department of Financial Services as Receiver who has jurisdiction over the New York Liquidation Bureau, and management thereof and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

New York, New York
July 7, 2015

NEW YORK LIQUIDATION BUREAU
Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2014 and 2013

	2014	2013
Receipts:		
Investment Income Received	$ 14,505	$ 26,057
Reimbursement of Expenses	36,412,892	44,922,278
Reimbursement from Non-New York Liquidators	49,320,149	123,775,085
Other Receipts	76	40,324
Total Receipts	85,747,622	168,763,744
Disbursements:		
Early Access Distributions	42,939,165	117,570,200
Loss Adjustment Expenses	3,201,767	603,859
Claims Paid	31,817	846
Salvage and Subrogation	612,401	471,701
Refunds to Domestic Estates	1,253,000	973,000
Funds Released to Collateral	53,284	161,717
Refund of Reinsurance	146,170	-
Escheatable Funds	41,800	34,886
Taxes Paid	48,642	55,313
Salaries	18,361,238	19,193,202
Employee Relations and Welfare	11,063,062	11,258,820
Rent and Related Expenses	4,766,126	4,619,801
Professional Fees	7,115,488	5,296,091
General and Administrative Expenses	2,483,039	2,808,929
Other Disbursements	2,146,930	1,631,718
Total Disbursements	94,263,929	164,680,083
Net Receipts (Disbursements)	(8,516,307)	4,083,661
Cash - Beginning of Year	20,158,169	16,074,508
Cash - End of Year	$ 11,641,862	$ 20,158,169

See accompanying notes to the Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account. The Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account and accompanying notes are prepared solely for the use of the Receiver, the NYLB and Management (as defined herein).

Note 1: Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies

A. Background

The New York Liquidation Bureau ("NYLB") is the organization that carries out the duties of the Superintendent of Financial Services of the State of New York ("Superintendent") in his 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 his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"). The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Acting Special Deputy Superintendent and other Agents) as are necessary to carry out his 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 with regard to the Estates. The NYLB manages the daily operations of all Estates, including Domestic Estates in Liquidation ("Domestic Estates"), Domestic Estates in Rehabilitation, Ancillary Estates, Conservations and Fraternal Associations.

The NYLB receives no funding from the State budget; rather, the NYLB's costs are paid from the assets of the Estates under receivership, as well as expense reimbursements from the New York Property/Casualty Insurance Security Fund ("P/C Fund") and the Public Motor Vehicle Liability Security Fund ("PMV Fund"), established under Insurance Law Article 76, and the Workers' Compensation Security Fund ("WC Fund"), established under New York Workers' Compensation Law Article 6-A (collectively, the "Security Funds"), which are paid from assessments on industry.

For each Estate, the Superintendent is appointed Receiver by the Supreme Court of the State of New York ("Receivership Court"). Thereafter, the Receivership Court approves the actions of the Receiver and, by extension, the NYLB. 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 policyholders, creditors and shareholders. In addition, the NYLB performs claims-handling and certain payment functions relating to the Security Funds. The Security Funds are used to pay eligible claims remaining unpaid by reason of an insolvent insurer's inability to meet its obligations to policyholders.

B. Basis of Presentation

The Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account of the NYLB reflect the amounts deposited in and disbursements made from the central disbursement account ("CDA") for the years ended December 31, 2014 and 2013. The Statements of Cash Receipts and

Note 1: <u>Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies</u> (continued)

B. <u>Basis of Presentation</u> (continued)

Disbursements – Cash Basis of the Central Disbursement Account were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("US GAAP"). The cash basis of presentation differs from US GAAP in that revenues are recognized when received, rather than when earned, and expenses are recognized when paid, rather than when the obligation is incurred.

The CDA, managed by the NYLB, is comprised of pooled cash accounts that are funded solely by cash advances from the Estates and/or Security Funds. The NYLB uses the money in the CDA to pay, on behalf of the Estates and Security Funds, NYLB 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) ("Employee Relations and Welfare"). Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds.

The NYLB does not itself own any assets but rather it holds and manages the assets of the Estates and Security Funds as a fiduciary for the benefit of the policyholders and other creditors of the Estates.

The Estates' and the Security Funds' ownership interests in the cash within the CDA are apportioned through intercompany transactions among the NYLB, the Estates and Security Funds.

C. <u>Cash</u>

Cash is comprised solely of the money deposited in the CDA and amounts in excess of current funding requirements may be invested in overnight Money Market Deposit Accounts ("MMDA"). The MMDA is insured by the Federal Deposit Insurance Corporation ("FDIC"), although balances are significantly in excess of the coverage limits. The MMDA is with JP Morgan Chase, whose current commercial paper ratings are P-2 (Moody's) and A-1 (S&P). Other cash accounts are held with JP Morgan Chase and Bank of New York Mellon ("BONY"). BONY's current commercial paper rating is P-1 (Moody's), A1 (S&P) and F1+ (Fitch).

As of December 31, 2014 and 2013, 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 the NYLB. The NYLB's cash balances in excess of FDIC insured limits were approximately $10.9 million and $17.7 million as of December 31, 2014 and 2013, respectively.

Note 1: Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies (continued)

D. Receipts

Investment Income Received

Investment income received consists primarily of interest income earned by and received from the CDA for the years ended December 31, 2014 and 2013.

Reimbursement of Expenses

Reimbursement of General & Administrative Expenses

The NYLB pays general and administrative expenses, such as salaries, payroll taxes, rent and related expenses, office expenses and Employee Relations and Welfare, on behalf of the Estates 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.

Reimbursement of Loss Adjustment Expenses

The NYLB pays loss adjustment expenses ("LAE") on behalf of certain Estates. LAE are the expenses associated with adjusting and litigating a claim, excluding the payment for the loss itself. Such expenses are billed dollar-for-dollar to applicable Estates based on actual disbursement amounts recorded through the CDA. Each month's LAE is then reimbursed to the NYLB as appropriate by the respective Estate in a timely manner.

LAE on Security Fund covered claims is paid directly from the Security Fund's cash account maintained by the NYLB and is not paid from the CDA.

Reimbursement from Non-New York Liquidators

In connection with each ancillary receivership commenced in New York as a result of the commencement of a foreign (*i.e.*, non-New York) liquidation, the NYLB typically completes a financial information questionnaire on behalf of the Security Funds in order to qualify for receipt of a dividend or Early Access Distribution ("EAD") from the non-New York liquidator ("Non-New York Liquidator").

E. Disbursements

Deposits From Domestic Estates

The NYLB maintains deposits from each Domestic Estate to meet estimated monthly general and administrative expenses. These deposits are adjusted periodically to keep the balances in line with the most recent actual expenditures.

Other Receipts

The NYLB receives checks and wire transfers of funds on a daily basis from various sources. Certain receipts may require additional research in order to properly allocate such funds to the appropriate Estate or Security Fund. While Management determines the appropriate Estate or Security Fund, the funds are held and credited to a cash suspense account.

Note 1: Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies (continued)

E. Disbursements (continued)

Early Access Distributions

EAD is a special distribution from a Non-New York Liquidator to a Security Fund pursuant to an agreement in order to permit the reimbursement of LAE and indemnification payments to the Security Fund for the handling and payment of claims on behalf of the Non-New York Liquidator. When the NYLB receives EAD monies from a Non-New York Liquidator, the NYLB reimburses the respective Security Fund.

Loss Adjustment Expenses

LAE on claims not covered by a Security Fund represent disbursements processed through the CDA for the expenses associated with adjusting and litigating a claim, excluding the payment for the loss itself. The large increase of approximately $2.6 million in LAE from 2013 to 2014 was mainly due to increased activity levels relating to claims investigation and verification conducted by our Third Party Agents during 2014.

Claims Paid

During 2014, the NYLB made a claim payment for Lion Insurance Company from the CDA. During 2013, the NYLB made a claim payment for Frontier Insurance Company from the CDA. These expenses were reimbursed to the CDA from those estates.

Salvage and Subrogation

Salvage and Subrogation is recorded upon receipt and represents recoveries on insured property or proceeds from a third party that contributed to a claim.

Refunds to Domestic Estates

The largest component of Refunds to Domestic Estates for 2014 and 2013 was monies owed to certain Domestic Estates as a result of recomputation of projected quarterly general and administrative expenses. These projected expenses were compared to the actual deposits for these estates with the CDA. Any overage was refunded to each Domestic Estate accordingly. The amounts refunded in 2014 increased by $280,000 over 2013 largely due to additional estate closures and the release of funds back to those estates.

Funds Released to Collateral

In 2014, the NYLB refunded $53,284 to the owners of various collateral. In 2013, the NYLB refunded $161,717 of collateral mostly on behalf of Washington Title Insurance Company.

Refund of Reinsurance

During 2014, the NYLB returned $146,170 to Aon Benfield that was received in error.

Note 1: Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies (continued)

E. Disbursements (continued)

Taxes Paid

Taxes paid represents state and franchise taxes and local assessments paid from the CDA by the NYLB on behalf of various Estates.

Salaries and Employee Relations and Welfare

Salaries and Employee Relations and Welfare expenses are paid from the CDA and subsequently allocated among the Estates and Security Funds based on the amount of time NYLB employees devote to the respective Estates and Security Funds.

The breakdown of employee relations and welfare expenses is as follows:

	2014	2013
Pension Plan	$ 3,814,324	$ 3,937,850
Health Insurance	5,701,756	5,707,037
Employee Relations	1,546,982	1,613,933
Total	$ 11,063,062	$ 11,258,820

Rent and Related Expenses

The NYLB leases office space at 110 William Street, New York, New York ("Premises") and storage space at 168 39th Street, Brooklyn, New York ("Warehouse"). Such rent and related expenses are allocated to the Estates and Security Funds. In 2010, the NYLB entered into a 15 year lease agreement for office space at the Premises.

The NYLB has leased the Warehouse since 1986. The NYLB's current lease for the Warehouse expires on August 31, 2018, subject to the NYLB's right to exercise its option to renew the lease for an additional term of five years.

In 2014 and 2013, the NYLB paid approximately $4.8 million and $4.6 million, respectively, in rent and related expenses for the Premises and the Warehouse, as well as offsite storage.

Professional Fees

The NYLB has paid fees for the following types of professional services: reinsurance collection services, accounting and auditing services, information technology services, actuarial services and legal services not involving defense of policyholders. These expenses were allocated among the Estates and/or Security Funds. Reimbursement of

Note 1: Nature of Operations of the New York Liquidation Bureau and Summary of Significant Accounting Policies (continued)

E. Disbursements (continued)

such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds. However, if professional fees are incurred, which relate solely to a specific Estate, that Estate is charged directly for such fees.

General and Administrative Expenses

The NYLB paid general and administrative expenses, the majority of which were for the procurement of information technology equipment, telecommunication services, and expenses to maintain the Premises and the Warehouse. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and/or Security Funds.

Other Disbursements

Other Disbursements refers to expenses paid by the NYLB, the majority of which were for investment expenses, insurance, fees and assessments, sales and use taxes, business travel and other miscellaneous expenses. These expenses were allocated among the Estates 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.

	2014	2013
Investment Expenses	$ 338,736	$ 93,042
Insurance	523,915	545,113
Travel and Travel Related Items	14,380	22,745
Real Estate Taxes	586,131	438,823
Books and Reference Material	77,209	29,034
MCT Mobility Tax	59,198	61,842
Web/Internet Services	40,440	80,314
Fees and Assessments	-	543
Association Dues and Membership Fees	125,644	117,940
Other	381,277	242,322
Total	$ 2,146,930	$ 1,631,718

Note 2: Employee Retirement

New York State and Local Employees' Retirement System – Defined Benefit Plan

The New York State and Local Employees' Retirement System ("Retirement System") offers a variety of plans and benefits and provides retirement benefits based on years of service and the average of an employee's highest three years' salary. Other benefits include: vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All NYLB employees must participate in the Retirement System. However, all NYLB employees hired *before* January 1, 2010, are required to contribute three percent of their salary annually until the employee achieves 10 years of membership. All NYLB employees hired *on or after* January 1, 2010, are required to contribute three percent of their salary annually until separation from service or retirement.

New York State Deferred Compensation Plan – 457b

This is a voluntary retirement savings program funded entirely by employee contributions. Employees are eligible to contribute to this program as of their first day of employment with the NYLB. Through payroll deduction, participants may contribute from one percent to 25 percent of salary up to the specified annual maximum. Contributions are pre-tax for federal, state and local income tax purposes.

Note 3: Federal and State Taxes

The NYLB has no corporate form and no income or losses are generated by its operations. Accordingly, the NYLB is not subject to federal, New York State and local income taxes. However, the NYLB does pay income taxes, if incurred, and other taxes as discussed in Note 1 for particular estates out of the assets of those estates.

Note 4: Commitments

Offices

In 2014 and 2013, the NYLB paid approximately $3.3 million in rent and related expenses for the Premises.

Lease Agreements

The estimated minimum future lease payments under the NYLB's current lease agreements for the Premises and Warehouse are as follows:

($ Millions)	110 William 2015	110 William 2016-2026	Total
Rent	$ 4.0	$ 39.3	$ 43.3
Real Estate Tax	0.1	2.3	2.4
Electric	0.3	3.0	3.3
Operating Expenses	0.3	4.7	5.0
Total	$ 4.7	$ 49.3	$ 54.0

Note 4: Commitments (continued)

Lease Agreements (continued)

For 2014 and 2013, the NYLB paid approximately $1.1 million and $.8 million, respectively, for Warehouse rent and related expenses. The estimated future minimum payments under the lease are as follows:

($ Millions)	Warehouse 2015-2018	Total
Rent and Related Expenses	$3.3	$3.3

Note 5: Subsequent Events

Subsequent events have been reviewed through July 7, 2015, the date on which these audited statements were available to be issued. Management is aware of the following subsequent events that may have a material impact on the financial condition or results of operations of the NYLB:

Early Access Distributions

During 2015, the NYLB received the following EAD monies from Non-New York Liquidators:

American Manufacturers Mutual Insurance Company	$ 136,673
American Motorists Insurance Company	615,009
Frontier Pacific Insurance Company	24,980
Integrity Insurance Company	1,146,324
Lumbermens Mutual Casualty Company	879,764
Reliance Insurance Company	98,490
The Home Insurance Company	101,517
	$3,002,757

Changes in Composition of Estates Under NYLB Supervision

Pursuant to an order of the Receivership Court entered January 29, 2015, Eveready Insurance Company was placed into liquidation and the Superintendent (and his successors in office) was appointed Liquidator.

Pursuant to an order of the Receivership Court entered January 30, 2015, CIGNA Healthcare of New York, Inc. was placed into liquidation and the Superintendent (and his successors in office) was appointed Liquidator.

Pursuant to an order of the Receivership Court entered February 24, 2015, Essence Healthcare of New York, Inc. was placed into liquidation and the Superintendent (and his successors in office) was appointed Liquidator.

Pursuant to a decision of the Receivership Court issued May 15, 2015, Drivers Insurance Company was placed into liquidation and the Superintendent (and his successors in office) was appointed Liquidator.

THE DOMESTIC ESTATES IN LIQUIDATION

Combined Financial Statements of the Domestic Estates in Liquidation - Modified Cash Basis

December 31, 2014 and 2013
With Independent Auditors' Report

THE DOMESTIC ESTATES IN LIQUIDATION

Combined Financial Statements of the Domestic Estates in Liquidation - Modified Cash Basis

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INDEPENDENT AUDITORS' REPORT

Superintendent of the New York State Department of Financial Services as Receiver of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau and Management of the New York Liquidation Bureau

Report on the Combined Domestic Estates Financial Statements – Modified Cash Basis

We have audited the accompanying combined financial statements of the Combined Domestic Estates in Liquidation – Modified Cash Basis managed by the New York Liquidation Bureau, which comprise the combined statements of assets, liabilities, and deficit of assets over liabilities – modified cash basis as of December f31, 2014 and 2013, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended (collectively referred to as "Combined Domestic Estates Financial Statements") and the related notes to the Combined Domestic Estates Financial Statements.

Management's Responsibility for the Combined Domestic Estates Financial Statements – Modified Cash Basis

Management is responsible for the preparation and fair presentation of these Combined Domestic Estates Financial Statements in accordance with a modified cash basis presentation as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Combined Domestic Estates 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 the Combined Domestic Estates 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 Combined Domestic Estates 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 Combined Domestic Estates Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Domestic Estates Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Domestic Estates Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Combined Domestic Estates 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 Company'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 Combined Domestic Estates Financial Statements.

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

Opinion

In our opinion, the Combined Domestic Estates Financial Statements referred to above present fairly, in all material respects, the combined financial position (modified cash basis) of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2014 and 2013, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended, in conformity with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the Combined Domestic Estates Financial Statements, which describes the basis of accounting. The Combined Domestic Estates 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.

Emphasis of Matter

As discussed in Note 2 to the Combined Domestic Estates Financial Statements, these Combined Domestic Estates Financial Statements were prepared on the modified cash basis of accounting. Given the nature of the liquidation process, until creditor claims are allowed, they are non-allowed and as such are preliminary estimates based on management's best estimate at the time. As a result of management's estimate, these liabilities may change materially during the course of the liquidation at the point at which they become allowed. The Combined Domestic Estates Financial Statements also do not reflect any provision for incurred but not reported claim reserves.

Restriction on Use

The report is intended solely for the information of and use of the Superintendent of the New York State Department of Financial Services as Receiver who has jurisdiction over the Combined Domestic Estates in Liquidation which are managed by the New York Liquidation Bureau and management thereof, and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

New York, New York
July 7, 2015

THE DOMESTIC ESTATES IN LIQUIDATION
Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis
As of December 31,

	2014	2013
Combined Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 198,102,928	$ 123,314,784
Invested Assets:		
Certificates of Deposit	270,303	270,302
Bonds, at fair market value	522,118,349	608,119,947
Common Stocks, Unaffiliated at fair market value	135,788	105,987
Investment in subsidiaries	3,969,837	6,482,754
Limited Partnerships	241,549	882,175
Real Estate	1,956,418	616,418
Buildings	4,463,582	4,463,582
Total Invested Assets	533,155,826	620,941,165
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	**731,258,754**	**744,255,949**
Reinsurance Recoverables on Paid Losses and LAE	384,386,989	426,500,972
Less: Allowance for Uncollectible Reinsurance Recoverables	(339,677,835)	(352,818,236)
Net Reinsurance Recoverables on Paid Losses and LAE	44,709,154	73,682,736
Reinsurance Recoverables on Unpaid Losses and LAE	411,139,392	550,247,598
Less: Allowance for Uncollectible Reinsurance Recoverables	(379,706,588)	(487,585,698)
Net Reinsurance Recoverables on Unpaid Losses and LAE	31,432,804	62,661,900
Receivables from Others	7,386,993	9,330,505
Accrued Investment Income	2,004,421	2,408,799
Other Assets	6,555,411	5,946,246
Total Unrestricted Assets	**823,347,537**	**898,286,135**
Restricted Assets:		
Statutory Deposits in New York or Other States	67,587,522	70,010,203
Other Restricted Assets	40,511,895	52,534,895
Total Restricted Assets	**108,099,417**	**122,545,098**
Total Combined Assets	**$ 931,446,954**	**$ 1,020,831,233**

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

THE DOMESTIC ESTATES IN LIQUIDATION
Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis
As of December 31,

	2014	2013
Combined Liabilities		
Secured Claims	$ 27,374,410	$ 27,511,492
Unsecured Claims:		
Class One - Administrative Claims	58,305,112	55,467,241
Class Two - Claims and Related Costs		
Allowed	2,644,230,670	2,403,482,198
Non-Allowed	865,396,043	1,256,021,910
Total Class Two – Claims and Related Costs	3,509,626,713	3,659,504,108
Class Three - Federal Government Claims	86,779,401	46,410,665
Class Four - Employee Claims	12,564	10,164
Class Five - State and Local Government Claims	25,441,385	25,526,826
Class Six - General Creditor Claims	762,504,140	773,246,391
Class Seven - Late Filed Claims	339,094,811	345,487,611
Class Eight - Section 1307 (Shareholder) Loans	160,474,321	160,618,056
Class Nine - Shareholder Claims	126,145,029	126,869,487
Total Combined Liabilities	**5,095,757,886**	**5,220,652,041**
Deficit of Combined Assets over Combined Liabilities	**(4,164,310,932)**	**(4,199,820,808)**
Total Combined Liabilities and Deficit of Combined Assets over Combined Liabilities	**$ 931,446,954**	**$ 1,020,831,233**

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

THE DOMESTIC ESTATES IN LIQUIDATION
Combined 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,

	2014	2013
Combined Receipts:		
Net Investment Income Received	$ 126,737	$ 14,273,055
Reinsurance Recovered	98,705,380	113,803,296
Premiums Collected	37,915	229,158
Salvage and Subrogation	1,390,522	3,585,362
Expense Reimbursement Received from Security Funds	697,677	105,062
Reimbursement from Central Disbursement Account	725,000	625,000
Release from Statutory Deposits	4,650,877	6,755,664
Litigation Awards	19,320,010	3,520,691
Claim Refunds	53,037	87,100
Large Deductible	154,428	207
Second Injury Claim Refunds	21,127	59,308
Transfer from Segregated Accounts	7,740,862	836,008
Received from Affiliates	4,425	25,075
Miscellaneous	691,857	2,043,550
Total Combined Receipts	**134,319,854**	**145,948,536**
Combined Disbursements:		
Dividends	147,703,465	183,478,370
Transfer to Affiliate	-	2,432,080
Transfer to Segregated Account	97,081	354,883
Funds Released to Reinsurers	241,438	-
Claims Paid	-	25,748
Loss Adjustment Expense	184,743	495,458
Reimbursement of Allocated Expenses	32,039,533	31,150,430
Rehabilitation Expenses	293,712	-
Salvage and Subrogation fees	560,548	533,135
Miscellaneous	1,785,443	1,720,926
Total Combined Disbursements	**182,905,963**	**220,191,030**
Net Decrease of Combined Receipts Over Combined Disbursements	**(48,586,109)**	**(74,242,494)**
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	**744,255,949**	**853,029,115**
Opening Cash, Cash Equivalents and Invested Assets, Balances of New Estates	12,597,229	144,265
Closed Estates	(158,293)	(87)
Reclassification to Invested Assets	-	-
Unrealized (Loss) Gain on Investments	23,149,978	(34,674,850)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	**$ 731,258,754**	**$ 744,255,949**

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

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation

Background

The New York Liquidation Bureau ("NYLB" or the "Bureau") is the office that carries out the duties of the Superintendent of Financial Services of the State of New York ("Superintendent") in his 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 his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"). The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Acting Special Deputy Superintendent ("Acting Special Deputy") and other Agents) as are necessary to carry out his 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 with regard to the Estates. The NYLB manages the daily operations of all Estates. References to the liquidator or rehabilitator throughout this document refer to the Superintendent as Receiver.

The Combined Domestic Estates Financial Statements (as defined in Note 2) as of December 31, 2014 and 2013 pertain to the financial statements for each domestic Estate in liquidation set forth below:

American Agents Insurance Company, American Consumer Insurance Company, American Fidelity Fire Insurance Company, Atlantic Mutual Insurance Company, Autoglass Insurance Company, Bakers Mutual Insurance Company, Capital Mutual Insurance Company, Carriers Casualty Insurance Company, Centennial Insurance Company, Colonial Cooperative Insurance Company, Colonial Indemnity Insurance Company, Consolidated Mutual Insurance Company, Contractors Casualty and Surety Company, Cosmopolitan Mutual Insurance Company, First Central Insurance Company, Frontier Insurance Company, Galaxy Insurance Company, Group Council Mutual Insurance Company, Home Mutual Insurance Company of Binghamton, New York, ICM Insurance Company, Ideal Mutual Insurance Company, The Insurance Corporation of New York, Long Island Insurance Company, Midland Insurance Company, Midland Property and Casualty Insurance Company, Nassau Insurance Company, New York Merchant Bakers Insurance Company, New York Surety Company, Professional Liability Insurance Company of America, Realm National Insurance Company, Titledge Insurance Company of New York, Inc., Transtate Insurance Company, Union Indemnity Insurance Company of New York, United Community Insurance Company, U.S. Capital Insurance Company, Washington Title Insurance Company, and Whiting National Insurance Company.

Note 1: <u>Nature of Operations of the Combined Domestic Estates in Liquidation</u>

<u>Background</u> (continued)

The NYLB hereinafter refers to each of the foregoing Estates as a "Domestic Estate in Liquidation" and all of the Domestic Estates in Liquidation collectively, as the "Combined Domestic Estates in Liquidation."

The liquidation proceedings of American Agents Insurance Company, American Consumer Insurance Company, American Fidelity Fire Insurance Company, Autoglass Insurance Company, Bakers Mutual Insurance Company, Contractors Casualty and Surety Company, Midland Property & Casualty Insurance Company, New York Surety Company, Titledge Insurance Company of New York, and U.S. Capital Insurance Company were terminated during the period ended December 31, 2013, however, activity and residual liabilities for all ten Domestic Estates in Liquidation is included through the date of termination. The liquidation proceedings of Capital Mutual Insurance Company, Carriers Casualty Insurance Company, Colonial Indemnity Insurance Company, Consolidated Mutual Insurance Company, Galaxy Insurance Company, Home Mutual Insurance Company of Binghamton, New York, New York Merchant Bakers Insurance Company and Whiting National Insurance Company were terminated during the period ended December 31, 2014, however, activity and residual liabilities for all eight Domestic Estates in Liquidation is included through the date of termination. Professional Liability Insurance Company of America was placed into liquidation on February 10, 2014, and activity from February 10, 2014 is included. Carriers Casualty Insurance Company, which was closed in 1997, was reopened on May 3, 2013 and closed on February 14, 2014. Bakers Mutual Insurance Company, which was closed in 1997, was reopened on August 17, 2012 and closed on August 31, 2013.

The financial statements for the following estates are not included in the Combined Estates Financial Statements for the years ended December 31, 2014 and 2013: (i) Lion Insurance Company which is the subject of a rehabilitation proceeding; (ii) Financial Guaranty Insurance Company which was placed into rehabilitation on July 3, 2012 and subsequently closed on August 19, 2013; (iii) Executive Life Insurance Company of New York which was placed into rehabilitation on April 23, 1991 and converted to a liquidation on August 8, 2013; (iv) UHAB Mutual Insurance Company, which was placed into liquidation on December 16, 2014 with $2 million in assets; (v) fraternal associations; (vi) ancillary estates; (vii) conservations; and (viii) one unfunded shell company that was placed into liquidation in 2013 and closed in 2014.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
NYLB's Role With Respect to the Security Funds

The NYLB receives no funding from the State budget; rather, the NYLB's costs are paid from the assets of the Estates under receivership, as well as expense reimbursements from the New York Property/Casualty Insurance Security Fund ("P/C Fund") and the Public Motor Vehicle Liability Security Fund ("PMV Fund"), established under Insurance Law Article 76, and the Workers' Compensation Security Fund ("WC Fund"), established under New York Workers' Compensation Law Article 6-A (collectively, the "Security Funds"), which are funded from assessments on industry.

For each Estate, the Superintendent is appointed Receiver by the Supreme Court of the State of New York ("Receivership Court"). Thereafter, the Receivership Court approves the actions of the Receiver and, by extension, the NYLB. 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. In addition, the NYLB performs claims-handling and certain payment functions relating to the Security Funds. The Security Funds are used to pay eligible claims remaining unpaid by reason of an insolvent insurer's inability to meet its obligations to policyholders.

The P/C Fund, pursuant to Insurance Law Section 7603(a)(1)(B), is obligated to pay insurance claims specifically arising from specified types of insurance. Pursuant to Insurance Law Section 7603 (a)(1) and (2), allowed claims are paid up to the policy limit but in no event greater than the statutory cap of $1 million.

The PMV Fund, pursuant to Insurance Law Section 7604, is obligated "to pay allowed claims of injured parties and policyholders under insurance policies or surety bonds" that fall within the coverage contemplated by Vehicle and Traffic Law Section 370. The PMV Fund generally covers vehicles which travel over state roads and are for hire or are used to transport the sick or injured. Allowed claims are paid up to the policy limit but in no event greater than the statutory cap.

Workers' Compensation Law Article 6-A provides that the purpose of the WC Fund is to ensure that injured workers, whose employers are insured by insolvent carriers and who are entitled to compensation and benefits, receive such compensation and benefits.

Note 1: **Nature of Operations of the Combined Domestic Estates in Liquidation**

Background (continued)

NYLB's Role With Respect to the Security Funds (continued)

Once a PMV Fund or P/C Fund eligible claim has been tried or settled, the NYLB is charged with: (i) preliminarily approving the payment amount; (ii) processing the claim for the proposed payment in accordance with Insurance Law 7428; (iii) securing an order directing the payment; (iv) forwarding the order, with the directive to disburse funds, to the Commissioner of Taxation and Finance ("Commissioner"); and (v) upon receiving wire payment from the Commissioner, processing the funds, issuing a check from the appropriate Security Fund account, and forwarding same.

Unlike PMV Fund and P/C Fund eligible claims, workers' compensation claims are adjudicated by the Workers' Compensation Board (the "Board") and the NYLB is bound by the decisions of the Board. Individual workers' compensation claims need not be allowed by the Receivership Court. Instead, the amounts paid on individual workers' compensation claims are allowed when the WC Fund's aggregate claim is allowed in the receivership proceeding of a Domestic Estate in Liquidation.

Guaranty Funds

The guaranty funds of foreign states (*i.e.*, states other than New York) ("Guaranty Funds") pay the claims of insolvent insurance companies pursuant to their respective state laws.

Profiles of Combined Domestic Estates In Liquidation

(1) American Agents Insurance Company

American Agents Insurance Company ("AAIC" or "American Agents") was incorporated under the laws of the State of New York on July 11, 1996, and was licensed to transact business as an insurer on August 3, 1997.

AAIC was owned by a sole shareholder, U.S. Agents Holding Corporation. AAIC was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 13 (Personal Injury Liability), 14 (Property Damage Liability) and 19 (Motor Vehicle and Aircraft Physical Damage).

On February 5, 2001, AAIC was placed into liquidation and the Superintendent was appointed liquidator of AAIC. The estate obtained a bar date of March 9, 2007, which required the presentment of all claims against AAIC or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by a court order entered November 29, 2013.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(2) American Consumer Insurance Company

American Consumer Insurance Company ("American Consumer") was incorporated under the laws of the State of New York as the Eastern Casualty and Surety Company on October 2, 1946. The company was licensed to transact business as an insurer on March 15, 1950. In May 1960, the company adopted its present name.

In 1963, a holding company known as The American Plan Corporation acquired 90% of the outstanding capital stock of American Fidelity Fire Insurance Company, which then acquired control of American Consumer.

American Consumer was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle and Aircraft Physical Damage), and 20 (Marine and Inland Marine).

American Consumer was placed into rehabilitation on September 6, 1985. On March 26, 1986, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. The estate obtained a bar date of December 31, 2001, which required the presentment of all claims against American Consumer or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on October 7, 2013.

(3) American Fidelity Fire Insurance Company

American Fidelity Fire Insurance Company ("American Fidelity") was incorporated under the laws of the State of New York as Lincoln Fire Insurance Company of New York. The company was licensed to transact business as an insurer on December 14, 1923. In 1943, the company adopted its present name.

In 1963, The American Plan Corporation acquired approximately 90% of the outstanding capital stock of American Fidelity, which then acquired control of American Consumer.

American Fidelity was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
American Fidelity Fire Insurance Company (continued)

Injury Liability), 14 (Property Damage Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

American Fidelity was placed into rehabilitation on September 6, 1985. On March 26, 1986, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. The estate obtained a bar date of December 31, 2001, which required the presentment of all claims against American Fidelity or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on October 7, 2013.

(4) Atlantic Mutual Insurance Company

Atlantic Mutual Insurance Company ("AMIC") was incorporated under the laws of the State of New York on April 11, 1842. The company took over and continued the business of Atlantic Insurance Company, a stock company organized in 1829.

AMIC was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity), 26(A)-(D) (Gap), 27 (Prize Indemnification), 28 (Service Contract Reimbursement) and 29 (Legal Services).

AMIC was placed into rehabilitation on September 16, 2010. On April 27, 2011, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 15, 2013 for presentment of all claims against AMIC or its insureds on or before that date to the Liquidator and a bar date of January 16, 2015 for all evidence that such claims presented by the prior date have been liquidated and that there has been actual loss and/or payment in respect of such claims.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

Autoglass Insurance Company

Autoglass Insurance Company ("Autoglass") was incorporated under the laws of the State of New York on May 1, 1997, and was licensed to transact the business of glass insurance under Insurance Law Section 1113(a) paragraph 8.

On January 9, 2012, Autoglass was placed into liquidation and the Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on February 21, 2013.

(6) Bakers Mutual Insurance Company

Bakers Mutual Insurance Company ("Bakers Mutual") was placed into liquidation and the Superintendent was appointed liquidator on August 10, 1978. Distributions were made to creditors with allowed claims and the distributions satisfied 100% of all such claims including interest. The liquidation proceeding was closed on July 16, 1997 and re-opened on August 17, 2012, subsequent to receiving cash receipts from various sources, to distribute those assets to the next class of creditors in accordance with the priorities set forth in Insurance Law Section 7434. Bakers Mutual was closed on August 31, 2013.

(7) Capital Mutual Insurance Company

Capital Mutual Insurance Company ("Capital Mutual") was organized on April 5, 1933 as the Capital District Grange Cooperative Fire Insurance Company. On January 1, 1982, the company was reorganized and incorporated under its present name.

The company became the successor to the Capital District Cooperative Insurance Company, a non-assessable cooperative insurance company, which had previously acquired, by merger, Clinton Cooperative Insurance Company of Wadhams, Argyle Cooperative Insurance Company, Schaghticoke Mutual Fire Insurance Company, Rensselaer County Mutual and Farmers Mutual Fire Insurance Association of the Town of Catskill. Effective June 26, 1996, Capital Mutual converted from an advance premium cooperative insurer to a mutual insurer. At that time, Capital Mutual became affiliated with Niagara Atlantic Holdings Corporation, a New York subsidiary of National Atlantic Holdings Corporation of Freehold, New Jersey.

Capital Mutual was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
Capital Mutual Insurance Company (continued)

and Aircraft Physical Damage), 20 (Marine and Inland Marine), 27 (Prize Indemnification), 28 (Service Contract Reimbursement) and 29 (Legal Services).

Capital Mutual was placed into rehabilitation on June 7, 2000. On October 5, 2000, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of April 15, 2013, which required the presentment of all claims against Capital Mutual or its insureds to the liquidator on or before that date. The liquidation was closed by court order entered on October 14, 2014.

(8) Carriers Casualty Insurance Company

Carriers Casualty Insurance Company ("Carriers") was incorporated on September 5, 1941 under the laws of the State of New York to transact the business of fire and marine insurance on October 21, 1986.

Carriers was originally placed into liquidation which was closed on January 29, 1997. Thereafter, the NYLB received a new workers' compensation claim and by order entered May 3, 2013, re-opened the liquidation proceeding to adjudicate the claim and potentially pay the claim out of the New York Workers' Compensation Fund. This claim was subsequently paid and the estate re-closed on February 14, 2014.

(9) Centennial Insurance Company

Centennial Insurance Company ("Centennial"), an indirect wholly-owned subsidiary of AMIC, was incorporated under the laws of the State of New York on September 5, 1941, and commenced business on October 31, 1941. Atlantic Companies Holding Corporation subscribed to the entire issue of capital stock of Centennial and is the sole shareholder.

Centennial was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity), 26(A)-(D) (Gap), 27 (Prize Indemnification), 28 (Service Contract Reimbursement) and 29 (Legal Services).

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
Centennial Insurance Company (continued)

Centennial was placed into rehabilitation on September 16, 2010. On April 27, 2011, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 15, 2013 for presentment of all claims against AMIC or its insureds to the liquidator on or before that date and a bar date of January 16, 2015 for all evidence that such claims presented by the prior date have been liquidated and that there has been actual loss and/or payment in respect of such claims.

(10) Colonial Cooperative Insurance Company

Colonial Cooperative Insurance Company ("CCIC" or "Colonial Cooperative") was organized under the laws of the State of New York as the Olive Cooperative Fire Insurance Association on May 14, 1896. In 1961, the company adopted its present name.

CCIC was licensed to transact the kinds of insurance set forth in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

CCIC was placed into rehabilitation on March 1, 2010. On October 4, 2010, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of March 1, 2013, which required the presentment of all claims against CCIC or its insureds to the liquidator on or before that date.

(11) Colonial Indemnity Insurance Company

Colonial Indemnity Insurance Company ("Colonial Indemnity") was incorporated under the laws of the State of New York as the Charter Indemnity Company on September 13, 1961, and commenced business on August 24, 1962. In March 1986, the company adopted its present name.

Colonial Indemnity is a wholly-owned subsidiary of Eagle Insurance Company, a New Jersey domiciled property and casualty insurance company, which is, in turn, a

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
Colonial Indemnity Insurance Company (continued)

wholly-owned subsidiary of The Robert Plan Corporation, Colonial Indemnity's ultimate parent.

Colonial Indemnity was licensed to transact the kinds of insurance specified in Insurance Law Section 1113 (a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator),11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity) and 30 (Involuntary Unemployment).

Colonial Indemnity was placed into rehabilitation on September 6, 2007. On July 7, 2009, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of March 31, 2012, which required the presentment of all claims against Colonial Indemnity or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on December 5, 2014.

(12) Consolidated Mutual Insurance Company

Consolidated Mutual Insurance Company ("Consolidated Mutual") was incorporated under the laws of the State of New York as Consolidated Taxpayers Mutual Insurance Company on October 24, 1927. The company was licensed to transact business as an insurer on September 1, 1928. In May 1952, the company adopted its present name.

Consolidated Mutual was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), and 21 (Marine Protection and Indemnity).

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
Consolidated Mutual Insurance Company

Consolidated Mutual was placed into rehabilitation on November 13, 1978. On May 31, 1979, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 31, 2000, which required the presentment of all claims against Consolidated Mutual or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on January 23, 2014.

(13) Contractors Casualty and Surety Company

Contractors Casualty and Surety Company ("Contractors Casualty") was incorporated under the laws of the State of New York on February 28, 1991, and was licensed to transact business as an insurer on March 19, 1992. Contractors Casualty wrote performance and payment bonds for small and medium size contractors and ceased underwriting in early 1999.

Contractors Casualty was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraph 16 (Fidelity and Surety).

Contractor Casualty was placed into rehabilitation on July 1, 1999. On October 4, 1999, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on February 13, 2013.

(14) Cosmopolitan Mutual Insurance Company

Cosmopolitan Mutual Insurance Company ("Cosmopolitan") was incorporated under the laws of the State of New York as Butchers' Mutual Casualty Company of New York on December 11, 1923. The company was licensed to transact business as an insurer on April 19, 1924. In January 1956, the company adopted its present name.

Cosmopolitan was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation

Background (continued)

Profiles of Combined Domestic Estates in Liquidation (continued)

Cosmopolitan Mutual Insurance Company (continued)

Cosmopolitan was placed into rehabilitation on August 5, 1980. On October 24, 1980, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of September 30, 2002, which required the presentment of all claims against Cosmopolitan or its insureds to the liquidator on or before that date.

(15) First Central Insurance Company

First Central Insurance Company ("First Central") was incorporated under the laws of the State of New York as Central State Insurance Company on November 30, 1978. The company was licensed to transact business as an insurer on May 22, 1979. In March, 1984, the company adopted its present name.

First Central was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

First Central was placed into rehabilitation on January 28, 1998. On April 27, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of April 30, 2013, which required the presentment of all claims against First Central or its insureds to the liquidator on or before that date.

(16) Frontier Insurance Company

Frontier Insurance Company ("Frontier") was incorporated under the laws of the State of New York as P.T.F. Health Insurance Company, Inc. on November 2, 1962. In 1977, the company adopted its present name.

On October 1, 1986, Frontier was acquired by Frontier Insurance Group, Inc. ("FIGI"), an insurance holding company. On July 5, 2005, FIGI filed for reorganization under Chapter 11 of Title 11 of the United States Code. Thereafter, FIGI was merged into Frontier Insurance Group, LLC, which is owned by Lancer Financial Group, Inc., an Illinois holding company. In July 2012, Frontier reacquired 100% of its shares from Frontier Insurance Group, LLC.

Note 1: <u>Nature of Operations of the Combined Domestic Estates in Liquidation</u>
<u>Background</u> (continued)
<u>Profiles of Combined Domestic Estates In Liquidation</u> (continued)
<u>Frontier Insurance Company</u> (continued)

Frontier was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity), 22 (Residual Value), 24 (Credit Employment) and 29 (Legal Services).

Frontier was placed into rehabilitation on October 15, 2001. On November 16, 2012, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. During the rehabilitation, a Terramar Notice Date of March 12, 2010, was established for the submission of specified information pertaining to a claim under a Frontier bond, including a surety bond.

The estate obtained a bar date of December 31, 2013, for the presentment to the Liquidator of all claims against Frontier or its insureds; and a final bar date of December 31, 2014, for submission to the Liquidator of evidence that such claims were liquidated or of actual loss or payment relating to such claims.

(17) <u>Galaxy Insurance Company</u>

Galaxy Insurance Company ("Galaxy") was incorporated under the laws of New York State as Galaxy Reinsurance Company on September 3, 1980. The company was licensed to transact business as an insurer on November 28, 1980. In February 1987, the company adopted its present name.

On December 16, 1986, all outstanding shares of Galaxy were held by Acceleration Life Insurance Company and Randjill Group Ltd. ("Randjill"), a New York based holding company that was formed as an investment vehicle for the purchase of Galaxy by a group of individual investors. Since July 30, 1991, one-hundred percent of Randjill's common stock was owned by ACCEL International Corporation, the owner of Acceleration Life Insurance Company.

Galaxy was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage) 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle

Note 1: **<u>Nature of Operations of the Combined Domestic Estates in Liquidation</u>**
<u>Background</u> (continued)
<u>Profiles of Combined Domestic Estates In Liquidation</u> (continued)
<u>Galaxy Insurance Company</u> (continued)

and Aircraft Physical Damage), 20 (Marine and Inland Marine), and 21 (Marine Protection and Indemnity). Galaxy was authorized to write reinsurance in Maryland, Pennsylvania, West Virginia and Wyoming, but at the time of liquidation, 100% of premium was written in the State of New York.

On October 7, 1994, Galaxy was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of April 15, 2013, which required the presentment of all claims against Galaxy or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on September 11, 2014.

(18) <u>Group Council Mutual Insurance Company</u>

Group Council Mutual Insurance Company ("Group Council") was incorporated under the laws of the State of New York on November 23, 1976, and was licensed to transact business as an insurer on April 1, 1977.

Group Council specialized in writing medical malpractice insurance. Underwriting practices were confined to medical professional liability for physicians and surgeons affiliated with the Health Insurance Plan of Greater New York.

Group Council was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 13 (Personal Injury Liability), 14 (Property Damage Liability) and 16 (Fidelity and Surety).

On March 19, 2002, Group Council was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of August 31, 2013, which required the presentment of all claims against Group Council or its insureds to the liquidator on or before that date.

(19) <u>Home Mutual Insurance Company of Binghamton, New York</u>

Home Mutual Insurance Company of Binghamton, New York ("Home Mutual") was incorporated under the laws of the State of New York on February 1, 1901. Home Mutual and New York Merchant Bakers Insurance Company ("NYMB") were subsidiary companies of Home State Holdings Inc., a Delaware corporation.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
Home Mutual Insurance Company of Binghamton, New York (continued)

In January 1996, the Home State New York Pool ("Pool") was formed, which included NYMB and Home Mutual. The Pool called for all business to be pooled and combined losses and expenses to be pro-rated as follows: NYMB (85%) and Home Mutual (15%).

Home Mutual was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

Home Mutual was placed into rehabilitation on August 5, 1997. On January 14, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of April 30, 2013, which required the presentment of all claims against Home Mutual or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on October 28, 2014.

(20) ICM Insurance Company

On September 23, 1981, Baltica-Skandinavia Reinsurance Company was incorporated and licensed to transact insurance business in New York. This insurer's name was changed to ICM Insurance Company ("ICM") in February 2001.

ICM was licensed to transact the kinds of business specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 9 (Boiler and Machinery), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

On December 24, 2013, ICM was placed into liquidation and the Superintendent was appointed liquidator.

(21) Ideal Mutual Insurance Company

Ideal Mutual Insurance Company ("Ideal") was incorporated under the laws of the State of New York on November 17, 1944, and was licensed to transact business as an insurer on December 28, 1944.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

Ideal Mutual Insurance Company (continued)

Ideal was licensed to transact the kinds of business specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity), and Section 4107 paragraphs d, e and f.

Ideal was placed into rehabilitation on December 26, 1984. On February 7, 1985, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 31, 2003, which required the presentment of all claims against Ideal or its insureds to the liquidator on or before that date.

(22) The Insurance Corporation of New York

The Insurance Corporation of New York ("Inscorp") was incorporated under the laws of the State of New York on May 27, 1968, and was licensed to transact business as an insurer on July 11, 1968. Inscorp is a wholly-owned subsidiary of Trenwick America Reinsurance Corporation, a Connecticut company wholly-owned by Trenwick America LLC, a Delaware limited liability company.

Inscorp was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

Inscorp was placed into rehabilitation on June 30, 2009. On March 10, 2010, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 31, 2012, which required the presentment of all claims against Inscorp or its insureds to the liquidator on or before that date.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(23) Long Island Insurance Company

Long Island Insurance Company ("LIIC") was incorporated under the laws of the State of New York on July 14, 1998, and was licensed to transact business as an insurer on April 1, 1999.

LIIC was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraph 13 (Personal Injury Liability), 14 (Property Damage Liability) and 19 (Motor Vehicle and Aircraft Physical Damage).

On October 19, 2010, LIIC was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of September 30, 2013, which required the presentment of all claims against Long Island or its insureds to the liquidator on or before that date.

(24) Midland Insurance Company

Midland Insurance Company ("Midland") was incorporated under the laws of the State of New York on October 29, 1959, and was licensed to transact business as an insurer on December 31, 1959.

Midland was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 18 (Title), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity). Midland wrote a substantial amount of excess coverage for major Fortune 500 companies. Midland was also a reinsurer.

On April 3, 1986, Midland was placed into liquidation and the Superintendent was appointed liquidator.

On July 1, 2011, the Receivership Court entered an order ("Bar Date Order"), which established January 31, 2012, as the last date on which the holder of a claim against Midland, except Guaranty Funds, may submit to the Liquidator an amendment to a

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(24) Midland Insurance Company (continued)

previously filed (or deemed filed) proof of claim, including a policyholder protection proof of claim, and established January 31, 2013, as the last date on which the holder of a claim against Midland, except Guaranty Funds, may submit to the Liquidator proof in support of allowance of a previously filed (or deemed filed) claim against Midland. On April 30, 2014, an order was entered establishing December 31, 2015, as the date by which all undetermined POC ("Proof of Claim") Claimants, as defined, may submit to the Liquidator a Claim Amendment, as defined in the Bar Date Order, that was capable of having been submitted by the January 31, 2012 deadline established in the Bar Date Order, and any proof in support of the allowance of the claim of an Undetermined POC Claimant that was capable of having been submitted by the January 31, 2013 deadline established in the Bar Date Order.

(25) Midland Property and Casualty Insurance Company

Midland Property and Casualty Insurance Company ("MIDPAC") was incorporated under the laws of the State of New York on December 19, 1973 as Reserve Insurance Company of New York. The company was licensed to transact business as an insurer on April 1, 1974. On January 29, 1981, Midland Insurance Company purchased all of the outstanding capital stock of MIDPAC from the Market Insurance Company, which acquired its interest by a surplus contribution from its former parent, Reserve Insurance. In 1981, the company adopted its present name.

MIDPAC was authorized to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

MIDPAC, an asset and wholly-owned subsidiary of Midland, was taken over by the NYLB on April 3, 1986 when Midland was placed into liquidation by a court order. On June 1, 1990, MIDPAC was placed into liquidation and the Superintendent was appointed liquidator. Due to MIDPAC's solvency, none of the Security Funds or Guaranty Funds were triggered and all claims and expenses within MIDPAC's liquidation proceeding have been paid from MIDPAC's assets.

MIDPAC's liquidation proceeding was closed by court order entered on March 12, 2013.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(26) Nassau Insurance Company

Nassau Insurance Company ("Nassau") was incorporated under the laws of the State of New York on December 2, 1964, and was authorized to transact business as an insurer on May 5, 1965.

Nassau was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability) and 20 (Marine excluding Inland Marine).

Nassau was placed into rehabilitation on March 5, 1984. On June 22, 1984, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of August 31, 2013, which required the presentment of all claims against Nassau or its insureds to the liquidator on or before that date.

(27) New York Merchant Bakers Insurance Company

New York Merchant Bakers Insurance Company ("NYMB") was incorporated under the laws of the State of New York on June 6, 1932, and was licensed to transact business as an insurer on May 4, 1933.

NYMB and HMIC were subsidiary companies of Home State Holdings Inc., a Delaware corporation.

NYMB was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

NYMB was placed into rehabilitation on August 5, 1997. On January 26, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of August 30, 2013, which requires the presentment of all claims against NYMB or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on December 11, 2014.

Note 1: <u>Nature of Operations of the Combined Domestic Estates in Liquidation</u>
<u>Background</u> (continued)
<u>Profiles of Combined Domestic Estates In Liquidation</u> (continued)

(28) <u>New York Surety Company</u>

New York Surety Company ("NY Surety") was incorporated under the laws of the State of New York on June 9, 1983, and was licensed to transact business as an insurer on March 6 1984.

NY Surety was licensed to transact the kinds of insurance specified in Insurance Law Section 1113 (a) paragraphs 8 (Glass) and 16 (Fidelity and Surety).

NY Surety was placed into rehabilitation on June 24, 1998. On September 21, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. The estate obtained a bar date of March 31, 2012, which requires the presentment of all claims against NY Surety or its insureds to the liquidator on or before that date.

The liquidation proceeding was closed by court order entered on March 13, 2013.

(29) <u>Professional Liability Insurance Company of America</u>

Professional Liability Insurance Company of America ("PLICA") was incorporated in the State of New York on March 6, 1958 as Provident Insurance Company. PLICA was licensed to write business in 30 states and the District of Columbia. However, substantially all of PLICA's premiums originated from the states of Illinois, Missouri, Connecticut and Texas. PLICA did not write any business in New York, its domiciliary state. In Texas, PLICA operated under the name, Medical Liability Insurance Company of America.

PLICA was placed into rehabilitation on April 30, 2010. On February 10, 2014, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

(30) <u>Realm National Insurance Company</u>

Realm National Insurance Company ("Realm") was incorporated under the laws of the State of New York as Lloyd's, New York ("LNY") and licensed to transact business as an insurer on March 12, 1892. On July 1, 1992, LNY was converted to a stock company and changed its name to Lloyd's New York Insurance Company. On September 5, 1996, Stirling Cooke North American Holdings, Ltd. ("Stirling Cooke"), a Delaware corporation, purchased 100% of Realm's capital stock. The company adopted its present name on September 26, 1996. Stirling Cooke, a wholly-

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(30) Realm National Insurance Company (continued)

owned by AlphaStar Insurance Group Ltd. (Bermuda), filed for Chapter 11 bankruptcy protection on December 15, 2003.

Realm was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity) and 24 (Credit Unemployment).

On June 15, 2005, Realm was placed into liquidation and the Superintendent was appointed liquidator.

(31) Titledge Insurance Company of New York, Inc.

Titledge Insurance Company of New York, Inc. ("Titledge") was incorporated under the laws of the State of New York on January 16, 2004, and was licensed to transact business as an insurer on April 11, 2007.

Titledge was authorized to transact the kind of business specified in Insurance Law Section 1113(a) paragraph 18 (Title). Titledge was part of an affiliated group of companies which included Integrity Title Agency, Titledge Technology of Delaware and Charleston Associates.

On June 16, 2010, Titledge was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of April 30, 2013, which required the presentment of all claims against Titledge or its insureds to the liquidator on or before that date.

The liquidation proceeding was closed by a court order entered December 23, 2013.

(32) Transtate Insurance Company

Transtate Insurance Company ("Transtate") was incorporated under the laws of the State of New York on March 15, 1989, and was licensed to transact business as an insurer on March 2, 1990.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)

(32) Transtate Insurance Company (continued)

Transtate was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

Transtate was placed into rehabilitation on December 17, 1997. On July 9, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 31, 2009, which required the presentment of all claims against Transtate or its insureds to the liquidator on or before that date.

(33) Union Indemnity Insurance Company of New York

Union Indemnity Insurance Company ("Union") was incorporated under the laws of the State of New York and was licensed to transact business as an insurer on October 20, 1975. Union was a wholly-owned subsidiary of Frank B. Hall & Co., Inc.

Union was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

On July 16, 1985, Union was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of July 19, 2010, which required the presentment of all claims against Union or its insureds to the liquidator on or before that date.

(34) United Community Insurance Company

United Community Insurance Company ("UCIC") was incorporated under the laws of the State of New York as Urban Community Insurance Company on February 28, 1967.

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

United Community Insurance Company (continued)

On February 12, 1982, the company was reorganized and adopted its present name. In 1982, Lawrence Group Inc. ("Lawrence Group") acquired UCIC as a subsidiary and, in 1986, Lawrence Insurance Group acquired UCIC as a wholly-owned subsidiary.

UCIC was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

UCIC was placed into rehabilitation on July 7, 1994. On November 10, 1995, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of November 15, 2004, which requires the presentment of all claims against UCIC or its insureds to the liquidator on or before that date.

(35) U.S. Capital Insurance Company

U.S. Capital Insurance Company ("U.S. Capital") was incorporated under the laws of the State of New York as the Multiplus Insurance Company on January 11, 1985. The company was licensed to commence business as an insurer on March 1, 1987. In June, 1989, the company adopted its present name.

Outstanding capital stock was held by U.S. Capital Group Inc. (formerly known as Pan Atlantic Inc.), a publicly traded Delaware corporation. The holding company group was comprised of 12 companies fully integrated into the international insurance markets and operated through five subsidiary insurance and reinsurance companies.

U.S. Capital was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Profiles of Combined Domestic Estates in Liquidation (continued)

(35) U.S. Capital Insurance Company (continued)

U.S. Capital was placed into rehabilitation on August 22, 1997. On November 20, 1997, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of May 31, 2013, which required the presentment of all claims against U.S. Capital or its insureds to the liquidator on or before that date.

The liquidation proceeding was closed by a court order entered December 23, 2013.

(36) Washington Title Insurance Company

Washington Title Insurance Company ("Washington Title") was incorporated under the laws of the State of New York on October 14, 1992 and commenced business on April 1, 1996. Washington Title was engaged primarily in the issuance of title insurance and secondarily performing other title related services, including, but not limited to escrow, collection and trust activities in connection with real estate transactions.

Washington Title was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraph 18 (Title).

On November 18, 2011, Washington Title was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of September 30, 2013, which requires the presentment of all claims against Washington Title or its insureds to the liquidator on or before that date.

(37) Whiting National Insurance Company

Whiting National Insurance Company ("Whiting") was incorporated under the laws of the State of New York on September 4, 1969. Whiting was licensed to transact business as an insurer on October 1, 1969. Whiting was a wholly-owned subsidiary of Poe & Associates, Inc.

Whiting was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 18 (Title), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Profiles of Combined Domestic Estates in Liquidation (continued)

(37) Whiting National Insurance Company (continued)

Marine), 21 (Marine Protection and Indemnity), 22 (Residual Value), 23 (Mortgage Guaranty) and 24 (Credit Unemployment).

On November 21, 1988, Whiting was placed into liquidation and the Superintendent was appointed liquidator.

The estate obtained a bar date of December 31, 2003, which required the presentment of claims against Whiting or its insureds to the liquidator on or before that date. The liquidation proceeding was closed by court order entered on September 11, 2014.

Note 2: **Summary of Significant Accounting Policies**

Basis of Presentation

The Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis and Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis (collectively, "Combined Domestic Estates Financial Statements") reflect the combined financial position and combined cash receipts and disbursements of the Combined Domestic Estates in Liquidation. The Combined Domestic Estates 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 ("US GAAP"). This modified cash basis presentation differs from US GAAP in that the unrealized gains or losses on invested assets are reported on the combined 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) earned unused vacation benefits; (iii) post-retirement medical benefits; (iv) unpaid claims and related expenses; (v) reinsurance; (vi) investments in subsidiaries are not consolidated and presented on a US GAAP equity basis; and (vii) unrealized gains and losses on investments.

The Combined Domestic Estates Financial Statements do not include direct incurred but not reported ("IBNR") reserves.

The following supplementary schedules are attached hereto as:

- Appendix A: December 31, 2014: The Domestic Estates in Liquidation Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis ("2014 Supplementary Combining Schedules"); and

- Appendix B: December 31, 2013: The Domestic Estates in Liquidation Combining Schedules of the Estates Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis ("2013 Supplementary Combining Schedules").

The 2014 and 2013 Supplementary Combining Schedules both include cash transactions, the accruals noted above, case reserves and paid liabilities to the Security and Guaranty Funds.

Note 2: <u>Summary of Significant Accounting Policies</u> (continued)

<u>Basis of Presentation</u> (continued)

In the beginning of a liquidation proceeding, the liabilities are typically preliminary estimates that may change materially during the course of the liquidation, depending on the types of business that were written by the insurance company and the complexity of the insurance company's activities and organization.

Preparation of the Combined Domestic Estates Financial Statements requires Management to make estimates and assumptions that may affect the amounts reported herein and related accompanying notes. 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.

<u>Cash and Cash Equivalents</u>

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 the Combined Domestic Estates in Liquidation 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-2 (Moody's), A-1 (S&P) 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, 2014 and 2013, 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 the Combined Domestic Estates in Liquidation. The Combined Domestic Estates in Liquidation's cash balances in excess of FDIC insured limits were approximately $162 million and $64 million as of December 31, 2014 and 2013, respectively.

<u>Invested Assets</u>

Certificates of deposits ("CDs") include investments with maturities greater than 6 months and are expected to be held to maturity. These investments are recorded at fair market value based on quoted market prices.

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

Note 2: Summary of Significant Accounting Policies (continued)

Invested Assets (continued)

Combined Domestic Estates Financial Statements. Long term investments also include CDs with maturities in excess of one year from the date of acquisition. These are also generally held to maturity.

Equity securities include common stocks and are carried at market value with the related unrealized gains or losses shown in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) - Modified Cash Basis.

Limited partnerships represent ownership interests in equity partnerships and are carried on the underlying audited US GAAP equity of the investee with the unrealized gains or losses shown in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) - Modified Cash Basis.

Invested Assets in real estate represent property and land acquired by individual estates prior to liquidation or acquired through satisfaction of debt. The real estate is carried at estimated fair value based upon a recent appraisal or value based on a contract for sale with the unrealized gains or losses shown in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) - Modified Cash Basis.

Investments in Subsidiaries represent ownership interests in consolidated subsidiaries carried at fair market value, with unrealized gain or loss shown in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis.

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 Combined 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 Combined Assets over Combined Liabilities.

Investment income received includes interest income received from cash deposits, interest on bonds and short-term investments, dividends, realized gains or losses on sale of investments, rental income from real estate 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, included in proceeds from investments and presented in net investment income received.

For each reporting period (annual and interim periods), Management reviews investments with unrealized losses on a security-by-security basis and assesses

Note 2: Summary of Significant Accounting Policies (continued)

Invested Assets (continued)

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.

Reinsurance

Reinsurance recoverables on paid or allowed losses and loss adjustment expenses ("LAE") are reported as an asset when billed to reinsurers. Reinsurance recoverables on unpaid and non-allowed losses and LAE case reserves are reported as an asset when the reserve is set. These unpaid losses and LAE case reserves reflect Management's best estimates and therefore related reinsurance recoverables are subject to adjustment. Provision is made for uncollectible reinsurance as explained in Note 7 below.

Retroactive reinsurance agreements and loss portfolio transactions (if any), including subsequent development, are accounted for and recorded as prospective reinsurance. Commutations are recorded upon transaction settlement, which discharges present and future obligations between the parties arising out of the reinsurance agreement.

Receivables from Others

Receivables from Others include: (i) net balances receivable from affiliates of Inscorp; (ii) cash deposited with the central disbursement account ("CDA") for administrative expenses; and (iii) expense reimbursement receivables from the Security Funds.

As of December 31, 2014 and 2013, the Receivables from Others are as follows:

	2014	2013
Receivable From Affiliates	$ 197,993	$ 888,505
Cash on Deposit with CDA	7,189,000	8,442,000
Security Fund Expense Reimbursement Receivables	-	-
Total	$ 7,386,993	$ 9,330,505

Note 2: Summary of Significant Accounting Policies (continued)

Receivables from Others (continued)

The CDA is discussed in further detail in Note 9 below.

Other Assets

As of December 31, 2014, Other Assets held by certain Domestic Estates in Liquidation were $6,555,411, compared to $5,946,246 at December 31, 2013.

Investment in Subsidiaries

AMIC includes its indirectly and wholly-owned insurance subsidiaries, Atlantic Mutual International Limited ("AMIL") and Atlantic Companies Holding Corporation ("ACHC"). AMIL is an insurance company domiciled in the United Kingdom. AMIC owns 100% of ACHC. ACHC in turn owns 100% of AMIL. ALICOT is an insurance company domiciled in the state of Texas and was formerly Atlantic Lloyd's Insurance Company of Texas. It was converted from a Lloyd's Association to a stock insurance company on April 1, 2005. ALICOT is 100% owned by Centennial.

Up until April 2014, Centennial was carried as a wholly-owned subsidiary of ACHC, a Delaware corporation which in turn was a wholly-owned subsidiary of AMIC. A 1980 agreement among AMIC, Centennial, ACHC and other affiliated entities permitted the group to file a consolidated Federal income tax return.

By virtue of the Deconsolidation Agreement entered April 2014, Centennial repurchased all of its capital stock from ACHC terminating the parent subsidiary relationship. This also terminated the need to file consolidated tax returns for the group. Thus, AMIC and Centennial will file separate tax returns on a go forward basis inclusive of their respective subsidiaries.

AMIC and Centennial are Domestic Estates in Liquidation and are presented within the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis.

ALICOT and ACHC are presented using the underlying net assets on a US GAAP basis. AMIL is presented using the underlying net assets on a US GAAP basis, after foreign exchange translation adjustments.

As of December 31, 2014 and 2013, the Combined Domestic Estates in Liquidation had Investments in Subsidiaries with a cost of $10,100,456 and an estimated fair market value of $3,969,837 and $6,482,754, respectively.

Note 2: **Summary of Significant Accounting Policies (continued)**
Investment in Subsidiaries (continued)

AMIC's investment in its non-consolidated wholly-owned subsidiary at December 31, 2014 and December 31, 2013 were as follows and is presented as Investment in Subsidiaries in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis:

	Underlying US GAAP Equity as of 12/31/14	Underlying US GAAP Equity as of 12/31/13
ACHC	$ 624,066	$ 623,584
AMIL	1,125,627	3,640,274
Total AMIC's investments in subsidiaries	$ 1,749,693	$ 4,263,858

Centennial's investment in its non-consolidated wholly-owned subsidiary at December 31, 2014 and 2013, was as follows and is presented as Investment in Subsidiaries in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis:

	Underlying US GAAP Equity as of 12/31/14	Underlying US GAAP Equity as of 12/31/13
ALICOT	$ 2,220,144	$ 2,218,896
Total Centennial's investments in subsidiaries	$ 2,220,144	$ 2,218,896

Note 2: Summary of Significant Accounting Policies (continued)
Investment in Subsidiaries (continued)

The components of ALICOT at December 31, 2014 and 2013 are as follows:

	As of 12/31 2014	As of 12/31/2013
Assets:		
Cash and investments	$ 2,269,550	$ 2,713,498
Other assets	450,594	5,398
Total assets:	$ 2,720,144	$ 2,718,896
Liabilities:		
Loss and LAE	$ 500,000	$ 500,000
Other liabilities	-	-
Total liabilities	500,000	500,000
Surplus	2,220,144	2,218,896
Total liabilities and surplus	$ 2,720,144	$ 2,718,896

For the year ended:	2014	2013
Loss and LAE incurred	$ -	$ (500,000)
Net investment income and realized gains	7,729	7,775
Other income	-	59
Loss before income taxes	7,729	(492,166)
Income tax expense	-	-
Net income (loss)	$ 7,729	$ (492,166)

The components of AMIL at December 31, 2014 and 2013 are as follows:

	As of 12/31/2014	As of 12/31/2013
Assets:		
Cash and investments	$ 3,713,134	$ 4,127,539
Other assets	7,942	23,720
Total assets:	$ 3,721,076	$ 4,151,259
Liabilities:		
Administrative expenses	$ -	$ 414,353
Other liabilities	2,595,449	96,632
Total liabilities	2,595,449	510,985
Surplus	1,125,627	3,640,274
Total liabilities and surplus	$ 3,721,076	$ 4,151,259

Note 2: Summary of Significant Accounting Policies (continued)
Investment in Subsidiaries (continued)

For the Year Ended:		2014		2013
Administrative expenses incurred	$	(116,510)	$	(122,794)
Net investment income and realized gains		(29,497)		22,593
Underwriting Gain/(Loss)		(2,151,611)		-
Income/(Loss) before income taxes	$	(2,297,618)	$	(100,201)
Income tax expense		-		-
Net loss	$	(2,297,618)	$	(100,201)

The components of ACHC at December 31, 2014 and 2013, including AMIL, are as follows:

		As of 12/31/2014		As of 12/31/2013
Assets:				
Cash and investments	$	1,796,757	$	4,310,922
Other assets		-		-
Total assets:	$	1,796,757	$	4,310,922
Liabilities:				
Loss and LAE	$	-	$	-
Other liabilities		47,064		47,064
Total liabilities		47,064		47,064
Surplus		1,749,693		4,263,858
Total liabilities and surplus	$	1,796,757	$	4,310,922

For the Year Ended:		2014		2013
Loss and LAE incurred	$	-	$	-
Net investment income and realized gains		482		347
Other income		-		-
Income before income taxes		482		347
Income tax expense		-		-
Net income	$	482	$	347

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets

Statutory Deposits in New York or Other States

Statutory deposits in New York or other states are held by various state regulatory authorities in compliance with the insurance laws of the respective states and recorded at fair market value.

The sale of securities may be restricted pursuant to insolvency deposit requirements in states where one or more of the Domestic Estates in Liquidation previously conducted business. Due to their restrictive nature, these investments are classified as Restricted Assets and recorded at fair market value without regard to contractual maturity.

Other Restricted Assets

Security Fund Cash:

Security Fund Cash consists of dedicated monies received from the Security Funds solely to pay specific policy-related claims and expenses.

Funds Held for Secured Claims:

These funds are held for claims secured by letter of credit ("LOC") or other collateral securities, but do not include special deposit claims or claims against general assets.

Other Assets:

Restricted Assets are held to meet other obligations, such as dividends, second injury claim payments and escheated funds.

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

As of December 31, 2014, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below (estates without restricted assets are excluded):

Domestic Estate in Liquidation	Statutory Deposits	Other Restricted Assets: Security Fund Cash	Other Restricted Assets: Funds Held for Secured Claims	Other Restricted Assets: Other Assets	Total
AMIC	$ 30,649,001	$ -	$ 16,520,153	$ 688,613	$ 47,857,767
Centennial	16,322,862	-	1,711,675	229,538	18,264,075
Consolidated	-	-	-	422	422
Cosmopolitan	-	4,563	665,715	258,453	928,731
First Central	-	66,200	53,432	375,463	495,095
Frontier	18,152,626	-	1,713,600	-	19,866,226
Group Council	-	-	-	426	426
ICM	-	-	467,406	361,775	829,181
Ideal	-	-	3,213,586	361,166	3,574,752
Inscorp	229,668	-	2,354,972	967,581	3,552,221
Midland	-	250	1,093,012	616,915	1,710,177
Nassau	-	10,829	-	-	10,829
PLICA	2,028,365	-	-	-	2,028,365
Realm	205,000	14,716	-	25,934	245,650
Union	-	-	5,602,876	540,258	6,143,134
UCIC	-	-	-	529,133	529,133
Washington Title	-	-	2,063,233	-	2,063,233
Total:	$ 67,587,522	$ 96,558	$ 35,459,660	$ 4,955,677	$ 108,099,417

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

As of December 31, 2013, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below (estates without restricted assets are excluded):

Domestic Estate in Liquidation	Statutory Deposits	Other Restricted Assets: Security Fund Cash	Other Restricted Assets: Funds Held for Secured Claims	Other Restricted Assets: Other Assets	Total
AMIC	$ 31,363,189	$ -	$ 25,111,851	$ 688,613	$ 57,163,653
Capital Mutual	-	247,613	56,417	-	304,030
Centennial	16,971,283	-	1,718,420	229,538	18,919,241
Cosmopolitan	-	4,564	665,637	242,574	912,775
First Central	-	66,193	53,429	387,517	507,139
Frontier	18,701,258	-	2,538,489	-	21,239,747
Galaxy	-	-	131,064	-	131,064
Group Council	-	-	-	6,176	6,176
Home Mutual	-	-	1,387	-	1,387
ICM	2,110,512		370,281	361,775	2,842,568
Ideal	-	-	3,213,271	386,186	3,599,457
Inscorp	229,866	-	2,314,492	967,581	3,511,939
Midland		250	1,092,899	616,479	1,709,628
Nassau	-	10,797	-	-	10,797
NYMB	-	1,902,845	180,189	-	2,083,034
Realm	634,095	14,716	165,086	25,934	839,831
Union	-	-	5,602,312	537,149	6,139,461
UCIC	-	-	-	528,551	528,551
Washington Title	-	-	2,094,620	-	2,094,620
Total:	$ 70,010,203	$ 2,246,978	$ 45,309,844	$ 4,978,073	$ 122,545,098

Note 2: Summary of Significant Accounting Policies (continued)

Secured Claims

Secured claims, if present, relate to any claim secured by LOCs or other collateral securities, but does not include special deposit claims or claims against general assets. Secured claims also include claims which have become liens upon specific assets by reason of judicial process more than four months prior to the commencement of delinquency proceedings.

Unsecured Claims

Unsecured claims are comprised of one or more of the following:

(i) Allowed Claims

Allowed claims are the amounts that have been approved by the appropriate Receivership Court for incurred covered losses and/or LAE. The liability carried is net of distributions, if any, that may have been paid as early access or dividends from the liquidating insurer.

The details for dividends distributed from the Domestic Estates in Liquidation listed below for the years ended December 31, 2014 and 2013, are as follows and reported as an offset to allowed liabilities on the balance sheet:

	2014	2013
American Agents	$ -	$ 9,377,282
American Consumer	-	905,176
American Fidelity	-	6,206,136
Autoglass	-	153,717
Bakers Mutual	-	9,366
Capital Mutual	6,376,138	2,320,696
Carriers Casualty	3,714	-
Colonial Indemnity	612,217	-
Consolidated Mutual	-	381,353
Contractors Casualty	-	27,285
Cosmopolitan	1,030,369	16,400,857
First Central	28,323,234	1,686,322
Galaxy	7,512,017	7,636,669
Home Mutual	4,705,626	4,811,117
Ideal	1,027,543	4,446,780
Inscorp	966,412	3,910,653
Midland	78,757,452	73,352,028
NYMB	3,429,938	18,291,742
NY Surety	-	272,395
Titledge	-	458,821
Transtate	9,987,103	28,480,594
Union	4,179,012	888,402
UCIC	299,334	390,314
U.S. Capital	-	3,070,665
Whiting	493,356	-
Total	$ 147,703,465	$ 183,478,370

Note 2: Summary of Significant Accounting Policies (continued)
Unsecured Claims (continued)

(ii) Non-Allowed Claims

Non-allowed claim liabilities consist of one or both of the following:

1. Established Reserves

Established reserves are amounts that have been determined by Management to be reasonable estimates of claims for incurred covered losses and associated LAE not yet approved by the appropriate Receivership Court.

Established reserves are estimated using individual case basis valuations and statistical analyses and are subject to the effects of trends in claim severity and frequency. Management reviews the individual claim reserves that were established by the company prior to receivership and may make adjustments based on the following factors: applicable contracts; comparative liability; injuries and causal relationship; past and future pain and suffering; physical damage estimates; time on the line for exposure to toxin(s); venue; and verdict values.

Although considerable variability is inherent in such estimates, Management believes that the established reserves for claims for incurred covered losses and the associated LAE are reasonable. The established reserves are continually reviewed and adjusted as necessary, as experience develops or new information becomes known.

Established reserves are calculated on an undiscounted basis and stated gross of reinsurance recoverables. Workers' compensation reserves are adjusted annually to reflect life expectancies and are not discounted. Because the Estates are in liquidation, no provision is made for IBNR loss reserves, including expected future development on claims already reported.

Security Fund LAE reserves are calculated primarily as a percentage of loss reserves, which reflect the historical percentage of LAE expenses paid as a percentage of losses paid. Guaranty Fund LAE reserves are stated as reported from the respective Guaranty Funds.

Note 2: Summary of Significant Accounting Policies (continued)

Unsecured Claims (continued)

(ii) Non-Allowed Claims (continued)

2. Reserves for Amounts Claimed

The liabilities for creditor claims which have neither been established by the NYLB nor received approval from the appropriate Receivership Court are carried as claimed amounts. Therefore, claimed amount reserves may be overstated.

LAE is allocated to a Domestic Estate in Liquidation as either direct or indirect LAE. Direct LAE is charged to specific claims for Domestic Estates in Liquidation. Indirect LAE is also allocated among the Domestic Estates.

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 7434 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 7434.

The 1999 amendments to Insurance Law Section 7434 set forth a comprehensive list of nine classes of creditor claims in specific order of priority of distribution. The statute provides that no distribution can be made to a class of creditors until each claim in the preceding class had been paid in full. This amendment applied to any proceeding under Insurance Law Article 74 as to which an order of liquidation had been entered on or after June 29, 1999. In 2005, the scheme of distribution of assets provided in Insurance Law Section 7434 was applied retroactively.

Note 2: Summary of Significant Accounting Policies (continued)

Distribution of Assets (continued)

The list of creditor classes in order of priority as set forth by Insurance Law Section 7434 is as follows:

(i) Class One – Administrative Claims
Claims with respect to the actual and necessary costs and expenses of administration incurred by the liquidator or rehabilitator.

(ii) Class Two – Claim and Related Costs
All claims under policies including claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of security funds or guaranty associations, but excluding claims under reinsurance contracts.

(iii) Class Three – Federal Government Claims
Claims of the federal government, except those stated above in Class two.

(iv) Class Four – Employee Claims
Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.

(v) Class Five – State and Local Government Claims
Claims of state and local governments, except those stated above in Class two.

(vi) Class Six – General Creditor Claims
Claims of general creditors, including, but not limited to, claims arising under reinsurance contracts.

(vii) Class Seven – Late Filed Claims
Claims filed late or any other claims other than claims stated in Class eight or Class nine below.

(viii) Class Eight – Section 1307 Shareholder's Loans
Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.

(ix) Class Nine – Shareholder Claims
Claims of shareholders or other owners in their capacity as shareholders.

Note 2: Summary of Significant Accounting Policies (continued)

Distribution of Assets (continued)

Provided below is a detailed description of the creditor classes.

Class One – Administrative Claims

Claims with respect to the actual and necessary expenses of administration incurred by the Receiver. Included in administrative claims are accruals for vacation benefits and post-retirement medical benefits that have been allocated among the Combined Domestic Estates in Liquidation.

Class Two – Claims and Related Costs

All claims under policies including such claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of Security Funds or Guaranty Funds, but excluding claims under reinsurance contracts.

Class Three through Class Nine – Subordinate Class of Creditor Claims

Should there be sufficient assets after paying Class two claims, these subordinate classes of creditor claims will be thoroughly investigated and recommended for allowance prior to dividend distribution. The NYLB's policy is not to incur additional costs on claims not expected to be paid. Therefore, these subordinate classes of creditor claims will not be handled until such time as assets are available to pay such claims. Prior to the 2005 amendment to Insurance Law Section 7434, certain Domestic Estates in Liquidation made distributions to creditors that are currently classified as Class three through Class six. These claims received court approval for each distribution.

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 the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations.

Taxes

When net income is generated for a specific Domestic Estate in Liquidation such income is subject to federal, New York State franchise and local taxes. The net income is offset against any net operating loss ("NOL") carry forwards.

Note 3: <u>Investments</u>

The components of net investment income received for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Interest on Bonds	$ 9,122,027	$ 12,826,980
Interest on Short-Term Investments and Cash Equivalents	269,965	115,653
Reimbursement of Interest	-	(319,375)
Investment in Subsidiaries	-	2,432,080
Realized Gain/(Loss) on Sale of Investments	(9,105,645)	(1,083,708)
Dividends	11,144	120,881
Gain (loss) on Investment in Partnership	35,908	-
Total Gross Investment Income	333,399	14,092,511
Net Amortization of Bond Premium and Discount	(206,662)	180,544
Net Investment Income Received	$ 126,737	$ 14,273,055

Note 3: Investments (continued)

As of December 31, 2014 and December 31, 2013, respectively, the cost or amortized cost and fair market value of bonds, for each Domestic Estate in Liquidation are as follows (estates with no bonds are excluded):

	December 31, 2014			
Domestic Estates in Liquidation	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
AMIC	$ 68,942,221	$ 247,726	$ (877,254)	$ 68,312,693
Centennial	30,186,594	189,849	(469,756)	29,906,687
Cosmopolitan	15,805,296	-	(444,491)	15,360,805
First Central	29,572,930	-	(365,520)	29,207,410
Frontier	22,506,016	3,046	(423,721)	22,085,341
Group Council	1,567,205	529	-	1,567,734
Ideal	28,577,655	1,140	(751,513)	27,827,282
Inscorp	14,167,395	204	(340,423)	13,827,176
Midland	285,803,625	25,377	(3,388,861)	282,440,141
PLICA	11,661,808	3,103	(30,242)	11,634,669
Union	5,989,606	684	(156,842)	5,833,448
UCIC	14,468,588	291	(353,916)	14,114,963
Total	$ 529,248,939	$ 471,949	$ (7,602,539)	$ 522,118,349

	December 31, 2013			
Domestic Estates in Liquidation	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
AMIC	$ 57,880,987	$ 301,203	$ (2,731,900)	$ 55,450,290
Centennial	27,620,038	367,240	(1,470,982)	26,516,296
Cosmopolitan	24,158,073	-	(1,952,508)	22,205,565
First Central	63,043,431	-	(2,814,388)	60,229,043
Frontier	16,856,956	-	(925,293)	15,931,663
Galaxy	7,500,394	-	(193,839)	7,306,555
Home Mutual	5,000,000	-	(93,450)	4,906,550
Ideal	55,013,968	12	(4,173,549)	50,840,431
Inscorp	30,088,642	3,435	(2,305,358)	27,786,719
Midland	315,453,909	9	(14,101,263)	301,352,655
Realm	1,498,248	-	(150,808)	1,347,440
Transtate	9,991,808	-	(724,953)	9,266,855
Union	12,471,375	-	(1,103,200)	11,368,175
UCIC	14,565,017	41	(953,348)	13,611,710
Total	$ 641,142,846	$ 671,940	$ (33,694,839)	$ 608,119,947

Note 3: Investments (continued)

The NYLB's short-term investments and bonds in a continuous unrealized loss position are as follows:

December 31, 2014

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Market Value	**Unrealized Losses**	**Fair Market Value**	**Unrealized Losses**	**Fair Market Value**	**Unrealized Losses**
U.S. Treasury and Agency Securities held to Maturity	$ -	$ -	$ 473,123,636	$ (7,602,539)	$ 473,123,636	$ (7,602,539)
Total Fixed Income	-	-	473,123,636	(7,602,539)	473,123,636	(7,602,539)
Total	$ -	$ -	$ 473,123,636	$ (7,602,539)	$ 473,123,636	$ (7,602,539)

December 31, 2013

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Market Value	**Unrealized Losses**	**Fair Market Value**	**Unrealized Losses**	**Fair Market Value**	**Unrealized Losses**
U.S. Treasury and Agency Securities held to Maturity	$ 196,609,719	$ (7,398,518)	$ 400,985,639	$ (26,296,317)	$ 597,595,358	$ (33,694,835)
Total Fixed Income	196,609,719	(7,398,518)	400,985,639	(26,296,317)	597,595,358	(33,694,835)
Total	$ 196,609,719	$ (7,398,518)	$ 400,985,639	$ (26,296,317)	$ 597,595,358	$ (33,694,835)

The NYLB's portfolio of short-term investments and bonds is sensitive to interest rate fluctuations which affect the fair market value of individual securities. Management has the intent and ability to hold the securities until recovery and/or maturity. Management does not consider the unrealized losses on the NYLB's portfolio of short-term investments and bonds as other-than-temporary impairments as of December 31, 2014 and 2013.

The amortized cost and fair market value of CDs and bonds held to maturity at December 31, 2014 are shown below by the date of contractual maturity. Actual maturity dates may differ from contractual maturity dates because borrowers may have the right to call or prepay obligations.

Note 3: Investments (continued)

Combined Estates in Liquidation	2014 Fair Market Value	2014 Amortized Cost
Due within one year	$ 3,770,735	$ 3,760,282
Due after one year and before five years	342,880,041	346,074,838
Due after five years and before ten years	143,253,341	147,580,240
Due after ten years and before fifteen years	25,400,608	25,428,987
Due after fifteen years	6,813,624	6,404,592
Total Combined Domestic Estates	$ 522,118,349	$ 529,248,939

The proceeds received and gains (losses) on called or sold bonds at December 31, 2014 and 2013 are as follows:

	Proceeds Received		Gains (losses) on Called or Sold	
	2014	2013	2014	2013
AMIC	$ 3,608,310	$ 6,330,172	$ 131,637	$ 11
Capital Mutual	-	5,000,000	-	-
Centennial	3,366,505	513,232	136,500	(38)
Cosmopolitan	7,722,050	40,113,445	(632,063)	(428,072)
First Central	22,337,150	13,634,463	(1,137,541)	(31,955)
Frontier	-	9,707,812	-	43,019
Galaxy	7,414,750	6,569,600	(85,230)	-
Home Mutual	4,968,000	3,052,200	(32,000)	-
Ideal	24,742,480	15,104,845	(1,686,211)	50,832
Inscorp	14,868,379	7,310,763	(1,055,594)	(72,210)
Midland	99,210,175	131,526,186	(3,700,217)	114,273
MIDPAC	-	1,010,250	-	-
Nassau	-	1,010,250	-	-
NYMB	-	7,087,500	-	(79,254)
PLICA	1,367,520	-	47,441	-
Realm	1,381,905	-	(116,386)	-
Transtate	9,461,790	34,032,518	(530,193)	(676,586)
Union	6,037,400	6,537,272	(445,788)	20,242
UCIC	-	4,708,921	-	(26,007)
U.S. Capital	-	24,356	-	2,037
TOTALS	$ 206,486,414	$ 293,273,785	$ (9,105,645)	$ (1,083,708)

Note 3: Investments (continued)

Mortgage-Backed Securities

In 2014 and 2013, Management identified 101 and 97 mortgage-backed securities, respectively, with amortized costs of approximately $32,241,314 and $9,063,742, respectively. They are carried at a fair market value of $32,636,644 and $9,661,351, respectively.

After reviewing these securities, Management has determined that, based on the information currently available to it, at December 31, 2014 there were no mortgage-backed securities with indirect subprime exposure.

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, the Combined Domestic Estates in Liquidation 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 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.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("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.

Note 4: <u>Fair Value Measurement</u> (continued)

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.

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.

Note 4: Fair Value Measurement (continued)

The following table summarizes the invested assets carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
As of December 31, 2014:				
Unrestricted Assets:				
U.S Government	$ -	$ 11,783,366	$	$ 11,783,366
U.S Government Agencies	-	408,573,857		408,573,857
Mortgage Backed Securities	-	30,139,419		30,139,419
Corporate Bonds	-	71,621,707		71,621,707
Limited Partnerships	-	-	241,549	241,549
Common Stocks - Unaffiliated	-	-	135,788	135,788
Investment in Subsidiaries	-	-	3,969,837	3,969,837
Real Estate	-	-	1,956,418	1,956,418
Buildings	-	-	4,463,582	4,463,582
Restricted Assets:				
U.S Government	-	14,165,160	-	14,165,160
U.S Government Agencies	-	15,148,726	-	15,148,726
Mortgage Backed Securities	-	-	-	-
Corporate Bonds	-	2,440,256	-	2,440,256
Total	$ -	$ 553,872,491	$ 10,767,174	$ 564,639,665

Note 4: Fair Value Measurement (continued)

The following table summarizes the invested assets carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
As of December 31, 2013:				
Unrestricted Assets:				
U.S Government	$ -	$ 328,736	$ -	$ 328,736
U.S Government Agencies	-	598,129,860	-	598,129,860
Mortgage Backed Securities	-	7,498,125	-	7,498,125
Collateral Mortgage Obligations	-	2,163,226	-	2,163,226
Limited Partnerships	-	-	882,175	882,175
Common Stocks - Unaffiliated	-	-	105,987	105,987
Investment in Subsidiaries	-	-	6,482,754	6,482,754
Real Estate	-	-	616,418	616,418
Buildings	-	-	4,463,582	4,463,582
Restricted Assets:	-	-	-	-
U.S. Government	-	13,796,789	-	13,796,789
U.S. Government Agencies	-	20,048,800	-	20,048,800
Mortgage Backed Securities	-	2,067,756	-	2,067,756
Collateral Mortgage Obligations	-	129,338	-	129,338
Total	$ -	$ 644,162,630	$ 12,550,916	$ 656,713,546

Note 4: Fair Value Measurement (continued)

Management used the following methods and assumptions in estimating the fair market value of financial instruments in the Combined Domestic Estates 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. The Combined Domestic Estates in Liquidation'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.

Common Stock Affiliates: The estimated fair value for the common stock affiliates is based on underlying US GAAP equity.

Real Estate and Buildings: The estimated fair value for real estate and buildings is determined based on independent appraisals or purchase commitments.

Limited Partnerships: The estimated fair value of the ownership interests in limited partnerships is based on the underlying US GAAP equity of the limited partnerships.

Securities classified as Level 1 included primarily corporate bonds and common stocks where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to the Domestic Estates in Liquidation by independent pricing services. There were no securities classified as Level 1 at 2014 and 2013.

Securities classified as Level 2 include primarily short term investments, bonds, statutory deposits in New York or 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 the Domestic Estates in Liquidation by independent pricing services.

Securities classified as Level 3 include primarily investments in limited partnerships and investments in subsidiaries carried at underlying US GAAP equity and real estate and buildings carried at current market appraisals.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation - Modified Cash Basis
For the Years Ended December 31, 2014 and 2013

Note 4: Fair Value Measurement (continued)

The following table summarizes changes to invested assets carried at fair market value and classified within Level 3 of the fair value hierarchy.

	Beginning Balance January 1, 2014	Transfers at time of Liquidation	Realized gains/ (losses)	Unrealized gains/ (losses)	Issuances	Purchases	Sales, Maturities, Settlements	Transfer In or Out of Level 3	Ending Balance December 31, 2014
Assets:									
Real estate	$ 616,418	$ -	$ -	$ -	$ -	$1,420,000	$ (80,000)	$ -	$ 1,956,418
Buildings	4,463,582	-	-	-	-	-	-	-	4,463,582
Limited Partnerships	882,175	-	-	(156,316)	-	-	(484,310)	-	241,549
Common stocks	105,987	-	-	29,801	-	-	-	-	135,788
Investment in subsidiaries	6,482,754	-	-	(2,512,917)	-	-	-	-	3,969,837
	$ 12,550,916	$ -	$ -	$ (2,639,432)	$ -	$1,420,000	$ (564,310)	$ -	$ 10,767,174

There were no significant transfers into or transfers out of Level 1 or 2. There were no changes in valuation techniques during 2014 and 2013.

Note 5: Investments in Partnerships

Frontier has ownership interests in equity partnerships and such interest is carried on the Combined Statements of Assets, Liabilities and Deficit of Assets Over Liabilities in Other Invested Assets. Frontier carries these interests based on the underlying US GAAP equity of the investee.

Limited Partnerships provide Frontier with access to management services and Investments that Frontier does not possess directly. As of December 31, 2014 and 2013, Frontier's aggregate investments in Limited Partnerships were $241,549 and $882,175, respectively. As of December 31, 2014 and 2013, Frontier's aggregate cost in the Limited Partnerships was $397,865 and $874,173 resulting in a change in unrealized losses of $156,316 for 2014, as compared with unrealized losses of $13,082 for 2013 recorded through the schedule of Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities – Modified Cash Basis.

Note 5: Investments in Partnerships (continued)

For 2014, Frontier received distributions from the Limited Partnerships in the amount of $484,310 compared to $110,951 for 2013; for the year ending 2014, Frontier had gross realized gains of $35,908. For the year ending 2013, Frontier had gross unrealized gains of $42,569.

Note 6: Real Estate and Buildings

Real estate and buildings includes a building and land owned by Frontier in Rock Hill, New York with a value of $5,000,000 as of December 31, 2014 and 2013, respectively. The building owned by Frontier in Rock Hill, New York is included as part of Invested Assets and reported at estimated fair value of $4,463,582 as of December 31, 2014 and 2013.

The land owned by Frontier is included in Real Estate and reported at an estimated fair value of $536,418 as of December 31, 2014 and 2013.

Real Property Transactions

On July 18, 2014, the Liquidator sold the last two parcels of Realm real property located in Stanly County, North Carolina for a sale price of $80,000.

The Liquidator acquired real property relating to the Nassau liquidation by stipulation executed in July 2014, and receipt of the deed to such property in October 2014. The property was appraised at $1,420,000 in July 2014.

Note 7: Reinsurance

Prior to their liquidations, most Domestic Estates in Liquidation wrote insurance coverage on a direct basis (and assumed reinsurance, if applicable). Many of these policies and assumed reinsurance contracts were reinsured with other insurance or reinsurance companies in the ordinary course of business. Reinsurance arrangements include a wide variety of treaty and facultative contracts providing *pro-rata*, excess of loss and catastrophe coverage. Reinsurance recoverables, if any, for a particular Domestic Estate in Liquidation pertain to loss events occurring prior to the bar date approved by the appropriate Receivership Court. The net reinsurance recoverables represent amounts due from reinsurers who are solvent or impaired (but not in receivership) for paid or allowed paid loss claims and LAE. Reinsurance recoverables are also calculated on outstanding case reserves (unpaid losses and unpaid LAE) for loss events occurring prior to the bar date.

Reinsurance is ceded to permit the recovery of a portion of the direct incurred losses and LAE from the reinsurer. However, such a transfer does not relieve the individual Domestic Estate in Liquidation of its obligation should the reinsurer not honor its commitments.

Note 7: Reinsurance (continued)

Because the Combined Domestic Estates in Liquidation are not relieved of their primary obligation to their policyholders, allowance accounts for reinsurance recoverables have been established for each Domestic Estate in Liquidation. Valuation allowances are maintained and determined based on several factors, such as a reinsurer's current payment history, aging and solvency. A percentage (less than 100%) is applied to reinsurance recoverable balances of reinsurers who are solvent or impaired (but not in receivership). A 100% allowance is applied to all reinsurance recoverables due from reinsurers that have been ordered into receivership. In addition, some balances may be in dispute or litigation.

Reinsurance recoverables are reviewed and updated periodically based on the collection history of the accounts and other material factors. The failure or inability to collect reinsurance recoverables owed to a specific Domestic Estate in Liquidation may have a material effect on such Estate.

Letters of Credit

The NYLB may elect to draw down on an LOC: (i) to collect unpaid recoverable balances due from a reinsurer; (ii) to collect reinsurance recoverables due to a Domestic Estate in Liquidation upon receipt of notification from the applicant or bank that the LOC will not be renewed or is to be canceled; or (iii) to fund the settlement of a commutation agreement.

If an LOC is drawn down, the monies collected are credited to the appropriate Domestic Estate in Liquidation.

Note 8: Related-Party Transactions

For the years ended December 31, 2014 and 2013, NYLB personnel performed certain administrative and investment functions, such as accounting, data processing, human resources and treasury management, for the Combined Domestic Estates in Liquidation.

The Combined Domestic Estates in Liquidation paid or accrued expenses for such functions pursuant to the NYLB's policy of charging the intercompany accounts of each respective Domestic Estate in Liquidation for expenses paid by the NYLB on behalf of such estate.

As of December 31, 2014 and 2013, the amounts remaining due to the NYLB are approximately $2.0 million and $1.3 million, respectively, and are included in Class

Note 8: <u>Related-Party Transactions</u> (continued)

One - Administrative Claims. During 2014 and 2013, the Combined Domestic Estates in Liquidation paid approximately $32.0 million and $31.2 million, respectively, of allocated expenses, detailed as follows:

	2014	2013
Salaries	$ 8,135,791	$ 9,110,742
Employee Relations & Welfare	13,131,752	12,990,614
Rent and Related Expenses	2,988,120	2,552,767
Professional Fees	5,881,999	4,223,283
General and Administrative	1,901,871	2,273,024
	$ 32,039,533	$ 31,150,430

Note 9: <u>Expense Reimbursement</u>

The NYLB manages the CDA which is a pooled cash account funded solely by cash advances from the Estates and/or Security Funds. Any excess funds in the CDA may be invested in overnight investment options including RepoNet, a repurchase agreement facility, and Liquidity Direct, a facility that allows for the purchase of various U.S. Government related money market funds. The NYLB uses the money in the CDA to pay administrative expenses such as employee relations and welfare, payroll, rent and related expenses, and office expenses. Such administrative expenses are allocated on a monthly basis among the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations and rehabilitation estates.

Note 10: <u>Asbestos and Environmental Reserves</u>

Major policyholders ("MPHs") – *i.e.*, insureds who have substantial exposure to long-tail industry-wide tort claims and who are generally recognized within the insurance industry as being major policyholders – have assorted asbestos, environmental and product claims against three of the Domestic Estates in Liquidation: Midland, Ideal and Union. Two other estates, Atlantic and Centennial, also have exposure to asbestos and environmental claims. In establishing the liability for unpaid claims and claim adjustment expenses related to asbestos, environmental and product claims on these estates, Management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and Management can reasonably estimate the estate's liability. Estimates of liabilities are reviewed and updated continually and as needed based on developed case law, claim history and experience.

The Combined Domestic Estates Financial Statements do not include IBNR reserves, including expected future development on claims already reported. Management

Note 10: Asbestos and Environmental Reserves (continued)

anticipates that, as more detailed information and documentation is received and reviewed regarding the claims in the Ideal, Union, Midland, Atlantic and Centennial estates, these reserves will be maintained as currently set, raised, lowered or eliminated as warranted on each claim.

As of December 31, 2014 and 2013, the reserves for Ideal, Union, Midland, Atlantic, Centennial and the corresponding reinsurance, if any, are as follows and reported as a Class II – Non-Allowed Liability:

	2014	2013
Union		
Gross Reserves		
Asbestos	$ 63	$ 99
Environmental	-	36
Products	63	99
Total Gross Reserves	126	234
Less Ceded Reserves	-	-
Net Reserves	$ 126	$ 234

	2014	2013
Ideal		
Gross Reserves		
Asbestos	$ 63	$ 63
Environmental	63	63
Products	63	63
Total Gross Reserves	189	189
Less Ceded Reserves	-	-
Net Reserves	$ 189	$ 189

	2014	2013
Midland		
Gross Reserves		
Asbestos	$ 89,586,756	$ 266,995,272
Environmental	11,054,868	11,187,969
Products	5,071,184	32,868,568
Total Gross Reserves	105,712,808	311,051,809
Less Ceded Reserves	(58,934,019)	(131,359,990)
Net Reserves	$ 46,778,789	$ 179,691,819

Note 10: Asbestos and Environmental Reserves (continued)

	2014	2013
Atlantic		
Gross Reserves		
Asbestos	$ 20,001	$ 20,001
Total Gross Reserves	20,001	20,001
Less Ceded Reserves	-	-
Net Reserves	$ 20,001	$ 20,001

	2014	2013
Centennial		
Gross Reserves		
Asbestos	$ 1,874,022	$ 1,874,022
Environmental	2,109	2,109
Total Gross Reserves	1,876,131	1,876,131
Less Ceded Reserves	-	-
Net Reserves	$ 1,876,131	$ 1,876,131

The decline in reserves for Union relate to the adjudication of the MPH claims. Remaining reserves reflect disallowed amounts of claims with objection hearings. The decline in Midland reserves relate to 2014 adjudications. The decrease in ceded reinsurance reserves for Midland was due primarily to commutations finalized in 2014 together with amounts being reclassified from outstanding reserves to paid. The changes in MPH reserves are reported in Class 2 – Claims and Related Costs Non-Allowed.

Note 11: Taxes

The Combined Domestic Estates in Liquidation are subject to federal income tax, but generally these estates do not generate taxable income or tax liability due to offsets available from NOL carry forwards.

For the 2014 tax year, none of the Domestic Estates in Liquidation paid estimated federal income tax liabilities with their tax extensions filed in March 2015.

The Combined Domestic Estates in Liquidation are subject to New York State franchise tax and Metropolitan Transit Authority local tax. Each Domestic Estate in Liquidation's tax is generally calculated at the minimum because the estates are in liquidation and do not generate premium income. State and local taxes paid on a combined basis were $9,626 in 2014, compared to $10,255 in 2013.

Note 11: Taxes (continued)

At December 31, 2013, certain Domestic Estates in Liquidation had unused NOL carry-forwards available to offset against future taxable income as follows:

Estate	Year NOL Carry-forward Begins Expiring	Trued Up NOL Carry-forward @ 12/31/12	New Estate Carryover	Expired NOL and FINAL RETURN	Taxable Income (Loss) for 2013	Section Reduction of (NOL) Form 982	NOL Carry-forward @ 12/31/2013
American Agents	2020	$ (68,374,542)	$ -	$ 68,479,294	$ (104,752)	$ -	$ -
American Consumer	2018	(12,792,661)	-	11,622,193	(109,276)	1,279,744	-
American Fidelity	2018	(35,684,024)	-	34,077,231	(494,235)	2,101,028	-
AMIC and subsidiaries	2020	(885,156,409)	-	-	(47,352,246)	-	(932,508,655)
Autoglass	2022	(392,026)	-	425,634	(33,608)	-	-
Capital Mutual	2021	(44,288,057)	-	44,378,236	(545,976)	455,797	-
Colonial Cooperative	2024	(21,657,766)	-		(5,770,457)	-	(27,428,223)
Colonial Indemnity	2027	(17,462,824)	-	-	(309,890)	1,371,659	(16,401,055)
Contractors Casualty	2019	(8,268,222)	-	8,283,062	(48,520)	33,680	-
Cosmopolitan	2019	(54,361,961)	-	-	265,701	14,443,545	(39,652,715)
First Central	2018	(138,770,577)	-	-	(106,075)	677,435	(138,199,217)
Frontier	2033	(64,324,098)	-	-	(76,654,670)	55,989	(140,922,779)
Galaxy	2018	(14,446,809)	-	-	264,683	-	(14,182,126)
Group Council	2024	(361,630,283)	-	-	(362,245)	7,435,586	(354,556,942)
Home Mutual	2018	(35,508,697)	-	-	(528,302)	360,613	(35,676,386)
ICM	2032	-	(66,531,430)	-	(7,639,044)	-	(74,170,474)
Ideal	2018	(456,630,646)	-	-	(4,633,144)	2,276,585	(458,987,205)
LIIC	2028	(32,034,618)	-	-	(121,839)	3,178,931	(28,977,526)
Midland	2024	(1,080,649,526)	-	-	2,160,366	-	(1,078,489,160)
MIDPAC	2018	(11,232,170)	-	11,290,841	(58,671)	-	-
Nassau	2018	(29,195,082)	-	-	320,507	-	(28,874,575)
NYMB	2018	(133,170,738)	-	-	(972,045)	912,618	(133,230,165)
NY Surety	2018	(14,783,761)	-	14,751,250	(292,417)	324,928	-
PLICA	2033	-	(13,419,924)	-	(3,224,890)	5,009,001	(11,635,813)
Realm	2024	(157,927,246)	-	-	(625,536)	343,593	(158,209,189)
Titledge	2030	(1,315,776)	-	1,377,223	(61,447)	-	-
Transtate	2024	(23,879,607)	-	23,471,043	408,564	-	-
Union	2018	(588,981,023)	-	-	(267,170)	8,333,352	(580,914,841)
U.S. Capital	2018	(34,209,712)	-	34,376,568	(242,530)	75,674	-
Washington Title	2026	(4,749,943)	-	-	(2,418,354)	26,222	(7,142,075)
Whiting	2019	(15,905,503)	-	-	(288,066)	-	(16,193,569)
Totals		(4,347,784,307)	(79,951,354)	252,532,575	(149,845,584)	48,695,980	(4,276,352,690)
Valuation Allowance		4,347,784,307	79,951,354	(252,532,575)	149,845,584	(48,695,980)	4,276,352,690
Operating Loss Carry Forward, Net of Valuation Allowance		$ -	$ -	$ -	$ -	$ -	$ -

Note 11: <u>Taxes</u> (continued)

As of December 31, 2013, the Combined Domestic Estates in Liquidation have accumulated NOLs of approximately $4.3 billion. NOLs for 2014 will be updated upon completion of the 2014 tax returns. Because the estates are 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.

Note 12: <u>Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans</u>

FASB ASC Topic 715, *Compensation – Retirement Benefits* ("Topic 715") requires an employer who sponsors a defined benefit plan to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur. Accordingly, defined benefit plans that are overfunded are shown as assets and defined benefit plans that are underfunded are shown as liabilities.

Since December 31, 2006, the NYLB has recorded the post-retirement benefit liability for each Domestic Estate in Liquidation as a Class One claim.

The Estates and Security Funds have accrued as liabilities approximately $121 million and $109 million, as of December 31, 2014 and 2013, respectively, relating to post-retirement medical benefit plan expenses. This liability is allocated among the Estates and Security Funds based on allocated salary expense. As of December 31, 2014 and 2013, the Combined Domestic Estates in Liquidation share of the estimated liability was approximately $47 million and $44 million, respectively, and included in Class One – Administrative Claims.

The NYLB has funded and non-funded contributory and non-contributory defined benefit pension and welfare plans, which cover the majority of its employees. The NYLB sponsors a post-retirement medical benefit plan for its employees. Health insurance benefits are administered through the New York State Health Insurance Program ("NYSHIP"). Active employees and retirees and their dependents that enroll are covered by NYSHIP, which provides hospital, medical, prescription drug and other health benefits through either the Empire Plan or a participating HMO, as selected by the enrollee. NYSHIP is funded by both employer and employee/retiree contributions. Active employees are eligible for continued health insurance coverage subject to years of service requirements with one or more public employers. Terminated vested employees who pay the full premium until they reach retirement age are also eligible for retirement benefits.

Note 12: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

An independent actuarial firm conducted a valuation of the post-retirement plan for the years ended December 31, 2014 and 2013, using Topic 715 and reported its conclusions in reports dated February 2015 and February 2014, respectively (collectively, "Actuarial Reports"). Pursuant to the Actuarial Reports, discount rates of 4.75% and 4.00% were selected by Management and used to determine the initial accumulated post-retirement benefit obligation ("APBO") and discount rates of 4.00% and 4.75% were applied to determine the APBO as of December 31, 2014 and 2013, respectively. The post-retirement benefit liability is as follows:

		2014			2013
APBO (Initial Accrual) as of January 1, 2014:	$	108,902,162	APBO (Initial Accrual) as of January 1, 2013:	$	142,407,376
APBO as of December 31, 2014:	$	121,017,462	APBO as of December 31, 2013:	$	108,902,162
Net Periodic Benefit Cost for the fiscal year 2014:	$	7,010,430	Net Periodic Benefit Cost for the fiscal year 2013:	$	8,601,993

Note 12: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

The following presentation was extracted from the Actuarial Reports for the years ended December 31, 2014 and 2013:

	Post-Retirement Benefits	
Reconciliation of benefit obligation	2014	2013
Obligation at beginning of year	$ 108,902,162	$ 142,407,376
Service cost including expenses	2,177,721	2,820,332
Interest cost	4,832,709	4,690,589
Plan amendments	-	-
Actuarial loss / (gain)	7,974,232	(38,229,534)
Acquisitions / (divestitures)	-	-
Benefit payments and expected expenses	(2,869,362)	(2,777,280)
Medicare Part D reimbursements	-	(9,321)
Curtailments	-	-
Special termination benefits	-	-
Settlements	-	-
Obligation at end of year	$ 121,017,462	$ 108,902,162
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Acquisitions / (divestitures)	-	-
Employer contributions	2,869,362	2,786,601
Benefit payments and actual expenses	(2,869,362)	(2,777,280)
Medicare Part D reimbursements	-	(9,321)
Settlements	-	-
Fair value of plan assets at end of year	-	-
Unfunded status at end of year	$ (121,017,462)	$ (108,902,162)

Note 12: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

The effect of a 1% increase in the assumed health care cost trend rates for each future year on the accumulated post-retirement benefit obligation for health care benefits and the aggregate of the service and interest cost components of net periodic post-retirement healthcare benefit cost is shown below:

	Post-Retirement Benefits	
	Accumulated Post-Retirement Benefit Obligation	Service Cost Plus Interest Cost
At Trend	$ 121,017,462	$ 7,010,430
At trend + 1%	144,001,195	8,475,892
Dollar Impact	22,983,733	1,465,462
Percentage Impact	18.99%	20.90%
At Trend – 1%	102,783,163	5,864,959
Dollar Impact	(18,234,299)	(1,145,471)
Percentage Impact	(15.07%)	(16.34%)

Amounts recognized in unrestricted net assets consist of:

	Post-Retirement Benefits	
	2014	2013
Transition asset/obligations	$ -	$ -
Prior service credit/cost	-	-
Gain/(Loss)	(12,684,994)	(4,710,762)
	($12,684,994)	($4,710,762)

Note 12: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

Cash Flows

Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid:

Fiscal Year Beginning:

2015	$	3,415,656
2016		3,754,083
2017		4,052,833
2018		4,316,503
2019		4,569,425
Years 2020-2024	$	26,722,552

Employee Retirement Plans

New York State and Local Employees' Retirement System – Defined Benefit Plan

The New York State and Local Employees' Retirement System ("Retirement System") offers a variety of plans and benefits and provides retirement benefits based on years of service and the average of an employee's highest three years' salary. Other benefits include: vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. All NYLB employees must participate in the Retirement System. However, all NYLB employees hired *before* January 1, 2010, are required to contribute three percent of their salary annually until the employee achieves 10 years of membership. All NYLB employees hired *on or after* January 1, 2010, are required to contribute three percent of their salary annually until separation from service or retirement. Funding consists of contributions from active employees, as well as payment by the NYLB of an annual invoice which is based on the total salaries that were paid to NYLB employees as of the close of the previous New York State fiscal year.

Note 12: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

New York State Deferred Compensation Plan – 457b

This is a voluntary retirement savings program funded entirely by employee contributions. Employees are eligible to contribute to this program as of their first day of employment with the NYLB. Through payroll deduction, participants may contribute from 1% to 25% of salary up to the specified annual maximum. Contributions are pre-tax for federal, state and local income tax purposes.

Note 13: Repurchase Agreements

The NYLB invests in overnight tri-party repurchase agreements ("Repurchase Agreements"). Repurchase Agreements consist of one-day maturity transactions among three parties: the NYLB as the investor, the counterparty (*e.g.*, broker or dealer), and the custodian bank that acts as an intermediary between the two.

Each Repurchase Agreement Account ("RAA") is linked to an NYLB demand deposit account ("DDA"). The NYLB either draws funds from the RAA to cover checks and other debits (*e.g.*, wire transfers) or adds to the RAA if there is excess cash in the DDA. If there is no activity in the DDA, the corresponding RAA rolls over automatically with the interest rate established by the broker/dealer for that day. The Repurchase Agreements subsequently settle at full value.

Pursuant to the Repurchase Agreements, the broker/dealer pledges collateral in the form of U.S. Treasury securities ("Collateral"), which must be no less than 102% of the value of the cash invested. Management and the custodian bank verify and monitor the Collateral pledged by the broker/dealer. The Collateral is maintained in a custody account controlled by the NYLB.

If there is a default by the broker/dealer, then the NYLB can request the custodian bank to sell the Collateral or the NYLB can take possession of such Collateral and have it transferred to a designated custody account. Interest is credited to the RAA daily and the pledging of collateral begins again for the new day's investment.

The balances of the RAA as of December 31, 2014 and 2013, were $38,175,124 and $13,174,978, respectively. The collateral balances as of December 31, 2014 and 2013, were $38,938,626 and $13,438,478, respectively, and included in Cash and Cash Equivalents.

Note 14: Legal Matters, Commitments and Contingencies

After inquiry and review of the records of each Domestic Estate in Liquidation, 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 the Combined Domestic Estates in Liquidation.

Management, in furtherance of the Receiver's statutory obligations, continuously endeavors to: (i) recover the assets of Domestic Estates in Liquidation; and (ii) wind up the business affairs of Domestic Estates in Liquidation including, without limitation, the litigation of policyholder and reinsurance claims.

Note 15: Subsequent Events

Subsequent events have been reviewed through July 7, 2015, the date which these audited Combined Domestic Estates Financial Statements were available to be issued. Management is aware of the following subsequent events that may have a material impact on the financial condition or results of operations of the Combined Domestic Estates in Liquidation.

Reinsurance Collected

The amount of reinsurance collected for each Domestic Estate in Liquidation subsequent to December 31, 2014, is listed in the table below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2014, and billed and subsequently received in 2015.

	Domestic Estate in Liquidation	**Collections of Reinsurance Recoverable on Paid Losses and LAE**
(1)	Colonial Cooperative	$ 659,170
(2)	First Central	57,599
(3)	ICM	3,643,206
(4)	Ideal	473,229
(5)	Inscorp	1,059,232
(6)	Midland	2,871,351
(7)	PLICA	2,025,429
(8)	Realm	3,868,910
	Total	$14,658,126

Note 15: Subsequent Events (continued)

Dividends Distributed

The following Domestic Estates in Liquidation made dividend distributions subsequent to December 31, 2014:

Cosmopolitan	$ 116,960
First Central	4,582,266
Ideal	4,260,879
Inscorp	9,789,686
Midland	2,212,500
Union	12,379
UCIC	1,207,101
	$22,181,771

Estate Closures

The following estates were closed subsequent to December 31, 2014:

Transtate Insurance Company was closed on January 2, 2015.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Superintendent of the New York State Department of Financial Services as Receiver of the
Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau
and Management of the New York Liquidation Bureau

We have audited the combined statements of assets, liabilities and deficit of assets over liabilities – modified cash basis of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2014 and 2013, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended (collectively referred to as "Combined Domestic Estates Financial Statements"), and have issued our report thereon dated July 7, 2015, which expressed an unmodified opinion on those Combined Domestic Estates Financial Statements. Our audits were performed for the purpose of forming an opinion on the Combined Domestic Estates Financial Statements as a whole. The supplementary combining schedules of the Combined Domestic Estates in Liquidation's assets, liabilities and (deficit) surplus of assets over liabilities, and cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis as of and for the years ended December 31, 2014 and 2013 are presented for purposes of additional analysis and are not a required part of the Combined Domestic Estates Financial Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Combined Domestic Estates Financial Statements. The information has been subjected to the auditing procedures applied in the audits of the Combined Domestic Estates Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Combined Domestic Estates Financial Statements or to the Combined Domestic Estates Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Combined Domestic Estates Financial Statements as a whole.

EisnerAmper LLP

New York, New York
July 7, 2015

Supplementary Schedules

Appendix A

December 31, 2014

The Domestic Estates in Liquidation

Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets

	ATLANTIC MUTUAL	Elimination of IBNR	ATLANTIC MUTUAL (Adjusted)	CAPITAL MUTUAL	CARRIERS CASUALTY
Unrestricted Assets:					
Cash and Cash Equivalents	$ 6,546,200	$ -	$ 6,546,200	$ 679,640	$ 1
Investments					
Certificate of Deposit	-	-	-	-	-
Bonds, at fair market value	68,312,693	-	68,312,693	-	-
Common Stocks, Unaffiliated at fair market value	95,639	-	95,639	-	-
Total Investments	68,408,332	-	68,408,332	-	-
Total Cash, Cash Equivalents and Investments	74,954,532	-	74,954,532	679,640	1
Other Invested Assets:					
Investment in Subsidiaries	1,749,693	-	1,749,693	-	-
Limited Partnerships	-	-	-	-	-
Real Estate	-	-	-	-	-
Buildings	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	76,704,225	-	76,704,225	679,640	1
Reinsurance Recoverables on Paid Losses and LAE	9,193,766	-	9,193,766	1,911	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(9,193,766)	-	(9,193,766)	(1,911)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	24,441,407	(7,160,905)	17,280,502	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(24,441,407)	7,160,905	(17,280,502)	-	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-
Receivables from Others	613	-	613	-	-
Accrued Investment Income	371,197	-	371,197	-	-
Other Assets	1,872,033	-	1,872,033	-	-
Total Unrestricted Assets	78,948,068	-	78,948,068	679,640	1
Restricted Assets:					
Statutory Deposits in New York or Other States	30,649,001	-	30,649,001	-	-
Other Restricted Assets	17,208,766	-	17,208,766	-	-
Total Restricted Assets	47,857,767	-	47,857,767	-	-
Total Assets	$ 126,805,835	$ -	$ 126,805,835	$ 679,640	$ 1

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)	COLONIAL INDEMNITY	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL
Unrestricted Assets:						
Cash and Cash Equivalents	$ 3,161,885	$ -	$ 3,161,885	$ -	$ 53,405	$ -
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	29,906,687	-	29,906,687	-	-	-
Common Stocks, Unaffiliated at fair market value	34,049	-	34,049	-	-	-
Total Investments	29,940,736	-	29,940,736	-	-	-
Total Cash, Cash Equivalents and Investments	33,102,621	-	33,102,621	-	53,405	-
Other Invested Assets:						
Investment in Subsidiaries	2,220,144	-	2,220,144	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	35,322,765	-	35,322,765	-	53,405	-
Reinsurance Recoverables on Paid Losses and LAE	3,379,288	-	3,379,288	4,162,496	11,166,737	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(3,379,288)	-	(3,379,288)	(4,162,496)	(11,166,737)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	25,937,975	(4,229,295)	21,708,680	-	8,085,667	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(25,937,975)	4,229,295	(21,708,680)	-	(8,085,667)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	206	-	206	-	-	-
Accrued Investment Income	157,672	-	157,672	-	1,132	-
Other Assets	809,574	-	809,574	-	994,790	-
Total Unrestricted Assets	36,290,217	-	36,290,217	-	1,049,327	-
Restricted Assets:						
Statutory Deposits in New York or Other States	16,322,862	-	16,322,862	-	-	-
Other Restricted Assets	1,941,213	-	1,941,213	-	-	422
Total Restricted Assets	18,264,075	-	18,264,075	-	-	422
Total Assets	$ 54,554,292	$ -	$ 54,554,292	$ -	$ 1,049,327	$ 422

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets

	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)	GALAXY
Unrestricted Assets:						
Cash and Cash Equivalents	$ 9,314,790	$ 5,461,730	$ 5,866,998	$ -	$ 5,866,998	$ -
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	15,360,805	29,207,410	22,085,341	-	22,085,341	-
Common Stocks, Unaffiliated at fair market value	-	-	6,100	-	6,100	-
Total Investments	15,360,805	29,207,410	22,091,441	-	22,091,441	-
Total Cash, Cash Equivalents and Investments	24,675,595	34,669,140	27,958,439	-	27,958,439	-
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	241,549	-	241,549	-
Real Estate	-	-	536,418	-	536,418	-
Buildings	-	-	4,463,582	-	4,463,582	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	24,675,595	34,669,140	33,199,988	-	33,199,988	-
Reinsurance Recoverables on Paid Losses and LAE	558,264	208,090	11,170,781	-	11,170,781	48,905
Less: Allowance for Uncollectible Reinsurance Recoverables	(558,264)	-	(11,170,781)	-	(11,170,781)	(48,905)
Net Reinsurance Recoverables on Paid Losses and LAE	-	208,090	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	6,284,137	6,534,465	16,529,127	(3,581,512)	12,947,615	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(6,284,137)	-	(16,529,127)	3,581,512	(12,947,615)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	6,534,465	-	-	-	-
Receivables from Others	159,609	989,000	-	-	-	-
Accrued Investment Income	75,289	57,576	114,762	-	114,762	-
Other Assets	964,741	34,330	241,647	-	241,647	-
Total Unrestricted Assets	25,875,234	42,492,601	33,556,397	-	33,556,397	-
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	18,152,626	-	18,152,626	-
Other Restricted Assets	928,731	495,095	1,713,600	-	1,713,600	-
Total Restricted Assets	928,731	495,095	19,866,226	-	19,866,226	-
Total Assets	$ 26,803,965	$ 42,987,696	$ 53,422,623	$ -	$ 53,422,623	$ -

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets	GROUP COUNCIL	HOME MUTUAL	ICM	IDEAL MUTUAL	INSCORP	LONG ISLAND
Unrestricted Assets:						
Cash and Cash Equivalents	$ 397,474	$ -	$ 339,850	$ 26,912,730	$ 16,030,510	$ 1,097,547
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	1,567,734	-	-	27,827,282	13,827,176	-
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	1,567,734	-	-	27,827,282	13,827,176	-
Total Cash, Cash Equivalents and Investments	1,965,208	-	339,850	54,740,012	29,857,686	1,097,547
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	1,965,208	-	339,850	54,740,012	29,857,686	1,097,547
Reinsurance Recoverables on Paid Losses and LAE	23,061,831	1,070,402	797,539	55,029,736	16,102,581	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(23,061,831)	(1,070,402)	(797,539)	(55,029,736)	(16,102,581)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	4,501,603	5,872,437	29,513,938	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(4,501,603)	(5,872,437)	(29,513,938)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	100,000	-	-	660,000	447,565	-
Accrued Investment Income	8,028	-	-	116,668	84,738	-
Other Assets	-	-	-	-	64,389	82,067
Total Unrestricted Assets	2,073,236	-	339,850	55,516,680	30,454,378	1,179,614
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	229,668	-
Other Restricted Assets	426	-	829,181	3,574,752	3,322,553	-
Total Restricted Assets	426	-	829,181	3,574,752	3,552,221	-
Total Assets	$ 2,073,662	$ -	$ 1,169,031	$ 59,091,432	$ 34,006,599	$ 1,179,614

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets	MIDLAND	NASSAU	NEW YORK MERCHANT	PLICA	Elimination of IBNR	PLICA (Adjusted)
Unrestricted Assets:						
Cash and Cash Equivalents	$ 77,386,487	$ 2,325,195	$ -	$ 2,547,457	$ -	$ 2,547,457
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	282,440,142	-	-	11,634,669	-	11,634,669
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	282,440,142	-	-	11,634,669	-	11,634,669
Total Cash, Cash Equivalents and Investments	359,826,629	2,325,195	-	14,182,126	-	14,182,126
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	1,420,000	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	359,826,629	3,745,195	-	14,182,126	-	14,182,126
Reinsurance Recoverables on Paid Losses and LAE	157,722,879	12,961,618	21,339,014	1,819,209	-	1,819,209
Less: Allowance for Uncollectible Reinsurance Recoverables	(113,227,042)	(12,961,618)	(21,339,014)	(1,819,209)	-	(1,819,209)
Net Reinsurance Recoverables on Paid Losses and LAE	44,495,837	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	270,489,401	-	-	12,647,892	(8,255,392)	4,392,500
Less: Allowance for Uncollectible Reinsurance Recoverables	(245,591,062)	-	-	(12,647,892)	8,255,392	(4,392,500)
Net Reinsurance Recoverables on Unpaid Losses and LAE	24,898,339	-	-	-	-	-
Receivables from Others	3,260,000	200,000	-	-	-	-
Accrued Investment Income	903,582	-	-	28,799	-	28,799
Other Assets	-	10,000	-	1,174,245	-	1,174,245
Total Unrestricted Assets	433,384,387	3,955,195	-	15,385,170	-	15,385,170
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	2,028,365	-	2,028,365
Other Restricted Assets	1,710,177	10,829	-	-	-	-
Total Restricted Assets	1,710,177	10,829	-	2,028,365	-	2,028,365
Total Assets	$ 435,094,564	$ 3,966,024	$ -	$ 17,413,535	$ -	$ 17,413,535

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Assets	REALM NATIONAL	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	WASHINGTON TITLE	WHITING NATIONAL	ESTATE TOTALS
Unrestricted Assets:							
Cash and Cash Equivalents	$ 10,427,364	$ 270,598	$14,188,504	$ 14,874,863	$ 219,700	$ -	$ 198,102,928
Investments							
Certificate of Deposit	-	-	-	-	270,303	-	270,303
Bonds, at fair market value	-	-	5,833,448	14,114,962	-	-	522,118,349
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-	135,788
Total Investments	-	-	5,833,448	14,114,962	270,303	-	522,524,440
Total Cash, Cash Equivalents and Investments	10,427,364	270,598	20,021,952	28,989,825	490,003	-	720,627,368
Other Invested Assets:							
Investment in Subsidiaries	-	-	-	-	-	-	3,969,837
Limited Partnerships	-	-	-	-	-	-	241,549
Real Estate	-	-	-	-	-	-	1,956,418
Buildings	-	-	-	-	-	-	4,463,582
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	10,427,364	270,598	20,021,952	28,989,825	490,003	-	731,258,754
Reinsurance Recoverables on Paid Losses and LAE	7,070,059	5,386	40,311,825	6,140,939	-	1,063,733	384,386,989
Less: Allowance for Uncollectible Reinsurance Recoverables	(7,070,059)	(159)	(40,311,825)	(6,140,939)	-	(1,063,733)	(339,677,835)
Net Reinsurance Recoverables on Paid Losses and LAE	-	5,227	-	-	-	-	44,709,154
Reinsurance Recoverables on Unpaid Losses and LAE	10,939,613	11,000,000	1,117,885	460,116	-	10,833	411,139,392
Less: Allowance for Uncollectible Reinsurance Recoverables	(10,939,613)	(11,000,000)	(1,117,885)	(460,116)	-	(10,833)	(379,706,588)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	31,432,804
Receivables from Others	600,000	-	470,000	500,000	-	-	7,386,993
Accrued Investment Income	-	-	31,573	53,405	-	-	2,004,421
Other Assets	160,956	-	-	-	146,639	-	6,555,411
Total Unrestricted Assets	11,188,320	275,825	20,523,525	29,543,230	636,642	-	823,347,537
Restricted Assets:							
Statutory Deposits in New York or Other States	205,000	-	-	-	-	-	67,587,522
Other Restricted Assets	40,650	-	6,143,134	529,133	2,063,233	-	40,511,895
Total Restricted Assets	245,650	-	6,143,134	529,133	2,063,233	-	108,099,417
Total Assets	$ 11,433,970	$ 275,825	$26,666,659	$ 30,072,363	$ 2,699,875	$ -	$ 931,446,954

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	ATLANTIC MUTUAL	Elimination of IBNR	ATLANTIC MUTUAL (Adjusted)	CAPITAL MUTUAL	CARRIERS CASUALTY
Secured Claims	$ 6,188,848	$ -	$ 6,188,848	$ -	$ -
Class I - Administrative Claims	2,397,565	-	2,397,565	-	896
Class II - Claims and Related Costs:					
Allowed	22,626,546	-	22,626,546	29,925,461	4,146
Non Allowed	224,897,772	-	224,897,772	-	-
IBNR	25,286,155	(25,286,155)	-	-	-
Total Class II - Claims and Related Costs	272,810,473	(25,286,155)	247,524,318	29,925,461	4,146
Class III - Federal Government Claims	39,418,405	-	39,418,405	441	-
Class IV - Employee Claims	-	-	-	3,123	-
Class V - State and Local Government Claims	2,109,256	-	2,109,256	52,295	-
Class VI - General Creditor Claims	9,943,169	-	9,943,169	3,916,233	-
Class VII - Late Filed Claims	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	159,398,946	-	159,398,946	-	-
Class IX - Share Holder Claims	-	-	-	-	-
Total Liabilities	492,266,662	(25,286,155)	466,980,507	33,897,553	5,042
Liquidator's Surplus (Deficit)	(365,460,827)	25,286,155	(340,174,672)	(33,217,913)	(5,041)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 126,805,835	$ -	$ 126,805,835	$ 679,640	$ 1

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)	COLONIAL INDEMNITY	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL
Secured Claims	$ 2,059,463	$ -	$ 2,059,463	$ -	$ 7,829	$ 422
Class I - Administrative Claims	1,385,153	-	1,385,153	19,476	282,225	(98,213)
Class II - Claims and Related Costs:						
Allowed	26,309,337	-	26,309,337	2,725,933	16,650,864	6,673,669
Non Allowed	119,133,321	-	119,133,321	-	11,407,810	-
IBNR	5,854,677	(5,854,677)	-	-	-	-
Total Class II - Claims and Related Costs	151,297,335	(5,854,677)	145,442,658	2,725,933	28,058,674	6,673,669
Class III - Federal Government Claims	6,839,598	-	6,839,598	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	2,291,507	-	2,291,507	54	50	3,053
Class VI - General Creditor Claims	3,029,565	-	3,029,565	668,539	1,395,406	3,464,686
Class VII - Late Filed Claims	-	-	-	-	-	15,120,795
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	1,075,375	-
Class IX - Share Holder Claims	-	-	-	-	-	-
Total Liabilities	166,902,621	(5,854,677)	161,047,944	3,414,002	30,819,559	25,164,412
Liquidator's Surplus (Deficit)	(112,348,329)	5,854,677	(106,493,652)	(3,414,002)	(29,770,232)	(25,163,990)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 54,554,292	$ -	$ 54,554,292	$ -	$ 1,049,327	$ 422

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)	GALAXY
Secured Claims	$ 958,134	$ 86,063	$ 1,713,600	$ -	$ 1,713,600	$ -
Class I - Administrative Claims	1,416,542	4,452,986	3,659,541	-	3,659,541	-
Class II - Claims and Related Costs:						
Allowed	39,554,312	103,301,054	96,063,381	-	96,063,381	31,831,753
Non Allowed	13,246,101	9,634,653	136,672,355	-	136,672,355	-
IBNR	-	-	22,391,188	(22,391,188)	-	-
Total Class II - Claims and Related Costs	52,800,413	112,935,707	255,126,924	(22,391,188)	232,735,736	31,831,753
Class III - Federal Government Claims	-	-	40,368,736	-	40,368,736	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	7,476	874,434	8,566,188	-	8,566,188	2,720
Class VI - General Creditor Claims	3,301,927	1,763,389	47,889,271	-	47,889,271	968,917
Class VII - Late Filed Claims	9,973,857	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Share Holder Claims	-	1	10,584	-	10,584	-
Total Liabilities	68,458,349	120,112,580	357,334,844	(22,391,188)	334,943,656	32,803,390
Liquidator's Surplus (Deficit)	(41,654,384)	(77,124,884)	(303,912,221)	22,391,188	(281,521,033)	(32,803,390)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 26,803,965	$42,987,696	$ 53,422,623	$ -	$ 53,422,623	$ -

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	GROUP COUNCIL	HOME MUTUAL	ICM	IDEAL MUTUAL	INSCORP	LONG ISLAND
Secured Claims	$ 426	$ -	$ 467,406	$ 3,488,629	$ 1,467,295	$ -
Class I - Administrative Claims	568,770	1,357,911	254,952	9,626,241	2,389,496	310,146
Class II - Claims and Related Costs:						
Allowed	233,969,144	23,175,607	(1,100,000)	251,608,286	26,592,668	26,398,709
Non Allowed	22,775,053	-	6,515,022	28,062,791	13,434,970	1,684,981
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	256,744,197	23,175,607	5,415,022	279,671,077	40,027,638	28,083,690
Class III - Federal Government Claims	-	-	14,976	-	-	-
Class IV - Employee Claims	4,425	-	-	-	-	-
Class V - State and Local Government Claims	22,828	126,590	9,673	280,887	1,516,694	554,134
Class VI - General Creditor Claims	56,202,748	2,453,877	5,906,911	100,898,502	128,516,605	913,265
Class VII - Late Filed Claims	-	-	-	70,962,026	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	107,467,599	-
Total Liabilities	313,543,394	27,113,985	12,068,940	464,927,362	281,385,327	29,861,235
Liquidator’s Surplus (Deficit)	(311,469,732)	(27,113,985)	(10,899,909)	(405,835,930)	(247,378,728)	(28,681,621)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ 2,073,662	$ -	$ 1,169,031	$ 59,091,432	$ 34,006,599	$ 1,179,614

See accompanying independent auditor's report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	MIDLAND	NASSAU	NEW YORK MERCHANT	PLICA	**Elimination of IBNR**	**PLICA (Adjusted)**
Secured Claims	$ 1,666,086	$ -	$ -	$ -	$ -	$ -
Class I - Administrative Claims	19,133,235	151,645	31,390	1,031,471	-	1,031,471
Class II - Claims and Related Costs:						
Allowed	1,147,832,922	38,595,724	103,544,494	-	-	-
Non Allowed	227,791,645	1,553	-	6,583,167	-	6,583,167
IBNR	-	-	-	11,435,000	(11,435,000)	-
Total Class II - Claims and Related Costs	1,375,624,567	38,597,277	103,544,494	18,018,167	(11,435,000)	6,583,167
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	2,400	-	2,400
Class V - State and Local Government Claims	8,317,575	77,966	482,493	2,043	-	2,043
Class VI - General Creditor Claims	186,748,008	683,278	3,528,156	8,657,375	-	8,657,375
Class VII - Late Filed Claims	169,550,639	3,943,046	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	-	-
Total Liabilities	1,761,040,110	43,453,212	107,586,533	27,711,456	(11,435,000)	16,276,456
Liquidator’s Surplus (Deficit)	(1,325,945,546)	(39,487,188)	(107,586,533)	(10,297,921)	11,435,000	1,137,079
Total Liabilities and Liquidator’s Surplus (Deficit)	$ 435,094,564	$ 3,966,024	$ -	$17,413,535	$ -	$17,413,535

See accompanying independent auditor's report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

Liabilities	REALM NATIONAL	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	WASHINGTON TITLE	WHITING NATIONAL	ESTATE TOTALS
Secured Claims	$ 161,865	$ -	$ 6,306,524	$ 660,779	$ 2,141,041	$ -	$ 27,374,410
Class I - Administrative Claims	3,610,508	-	4,568,846	1,456,298	298,032	-	58,305,112
Class II - Claims and Related Costs:							
Allowed	65,133,332	23,199,256	177,173,485	129,961,906	3,883,764	18,594,917	2,644,230,670
Non Allowed	34,707,400	-	576,870	6,501,995	1,768,584	-	865,396,043
IBNR	-	-	-	-	-	-	-
Total Class II - Claims and Related Costs	99,840,732	23,199,256	177,750,355	136,463,901	5,652,348	18,594,917	3,509,626,713
Class III - Federal Government Claims	-	-	137,245	-	-	-	86,779,401
Class IV - Employee Claims	2,616	-	-	-	-	-	12,564
Class V - State and Local Government Claims	61,013	-	71,337	-	11,119	-	25,441,385
Class VI - General Creditor Claims	17,837,082	931,512	161,040,254	2,875,881	596,606	8,372,978	762,504,140
Class VII - Late Filed Claims	401	-	69,492,805	-	-	51,242	339,094,811
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	160,474,321
Class IX - Share Holder Claims	-	-	-	18,666,845	-	-	126,145,029
Total Liabilities	121,514,217	24,130,768	419,367,366	160,123,704	8,699,146	27,019,137	5,095,757,886
Liquidator's Surplus (Deficit)	(110,080,247)	(23,854,943)	(392,700,707)	(130,051,341)	(5,999,271)	(27,019,137)	(4,164,310,932)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 11,433,970	$ 275,825	$ 26,666,659	$ 30,072,363	$ 2,699,875	$ -	$ 931,446,954

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2014

	ATLANTIC MUTUAL	CAPITAL MUTUAL	CARRIERS CASUALTY	CENTENNIAL	COLONIAL INDEMNITY	COLONIAL COOPERATIVE
Receipts:						
Net Investment Income Received	$ 1,401,980	$ 3,145	$ 1	$ 673,190	$ -	$ 4
Reinsurance Recovered	138,238	2,680,555	-	591,298	140,000	20,489
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	596,107	-	-	174,889	-	-
Reimbursement from Central Disbursement Account	-	150,000	-	-	150,000	-
Expense Reimbursement Received from Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	139,636	-	-	14,792	-	-
Second Injury Claim Refunds	12,752	-	-	8,375	-	-
Release from Statutory Deposits	600,370	-	-	558,651	-	-
Transfer from Segregated Accounts	7,606,862	-	-	-	-	-
Litigation Awards	-	-	-	-	-	-
Received from Affiliates	-	-	-	-	4,425	-
Miscellaneous	162,176	-	-	45,061	3,059	63
Total Receipts	10,658,121	2,833,700	1	2,066,256	297,484	20,556
Disbursements:						
Dividends	-	6,376,138	3,714	-	612,217	-
Funds Released to Reinsurers	-	-	-	241,438	-	-
Rehabilitation Expenses	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	2,033	-	-	150	-	-
Salvage and Subrogation Fees	92,595	-	-	314,408	-	-
Reimbursement of Allocated Expenses:						
Salaries	1,144,376	93,357	3,205	837,691	82	131,141
Employee Relations & Welfare	669,991	1,522,659	92,595	491,058	129,746	-
Rent and Related Expenses	355,205	42,710	443	177,593	3,265	12,311
Professional Fees	93,765	21,035	12,341	119,442	15,939	19,543
General and Administrative Expenses	940,845	7,851	187	344,588	15,056	1,308
Miscellaneous	110,476	14,863	119	66,789	43,265	1,213
Total Disbursements	3,409,286	8,078,613	112,604	2,593,157	819,570	165,516
Net Increase (Decrease) of Receipts Over Disbursements	7,248,835	(5,244,913)	(112,603)	(526,901)	(522,086)	(144,960)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	70,151,133	5,924,553	112,604	35,019,744	522,086	198,365
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	(695,743)	-	-	829,922	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 76,704,225	$ 679,640	$ 1	$ 35,322,765	$ -	$ 53,405

See accompanying independent auditor's report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2014

	CONSOLIDATED MUTUAL	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	GALAXY	GROUP COUNCIL
Receipts:						
Net Investment Income Received	$ -	$ (246,292)	$ (456,457)	$ 640,669	$ (33,551)	$ (5,181)
Reinsurance Recovered	-	226,712	835,466	42,988	4,149	-
Premiums Collected	-	-	-	23,447	-	-
Salvage and Subrogation	-	-	-	104,407	-	-
Reimbursement from Central Disbursement Account	-	-	-	-	100,000	-
Expense Reimbursement Received from Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	53,037	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Statutory Deposits	-	-	-	878	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Litigation Awards	-	-	-	1,100,010	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	-	15	188,567	-	-
Total Receipts		(19,580)	379,024	2,154,003	70,598	(5,181)
Disbursements:						
Dividends	-	1,030,368	28,323,234	-	7,512,017	-
Funds Released to Reinsurers	-	-	-	-	-	-
Rehabilitation Expenses	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	-	-	-	8,925	-	-
Salvage and Subrogation Fees	-	-	-	13,219	-	-
Reimbursement of Allocated Expenses:						
Salaries	-	177,341	145,991	901,435	46,666	62,206
Employee Relations & Welfare	-	109,061	85,463	524,059	1,775,756	37,966
Rent and Related Expenses	-	69,726	62,141	552,313	22,080	30,725
Professional Fees	-	57,464	17,519	284,319	19,911	56,813
General and Administrative Expenses	-	13,895	19,663	81,156	19,373	8,510
Miscellaneous	-	12,968	18,961	854,878	4,859	4,243
Total Disbursements	-	1,470,823	28,672,972	3,220,304	9,400,662	200,463
Net Increase (Decrease) of Receipts Over Disbursements	-	(1,490,403)	(28,293,948)	(1,066,301)	(9,330,064)	(205,644)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	-	24,657,981	60,514,221	33,905,787	9,136,225	2,170,324
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	1,508,017	2,448,867	360,502	193,839	528
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ -	$ 24,675,595	$ 34,669,140	$ 33,199,988	$ -	$ 1,965,208

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2014

	HOME MUTUAL	ICM	IDEAL MUTUAL	INSCORP	LONG ISLAND	MIDLAND
Receipts:						
Net Investment Income Received	$ (9,075)	$ 3,223	$ (896,692)	$ (640,764)	$ 841	$ 127,594
Reinsurance Recovered	365,275	735	335,465	3,034,179	-	86,586,425
Premiums Collected	-	14,468	-	-	-	-
Salvage and Subrogation	-	14,713	-	164,743	40,663	-
Reimbursement from Central Disbursement Account	75,000	-	-	-	-	-
Expense Reimbursement Received from Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Statutory Deposits	-	1,009,194	-	-	-	-
Transfer from Segregated Accounts	-	-	-	134,000	-	-
Litigation Awards	-	-	-	-	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	71,926	-	-	1,128	1,004
Total Receipts	431,200	1,114,259	(561,227)	2,692,158	42,632	86,715,023
Disbursements:						
Dividends	4,705,626	-	1,027,543	966,412	-	78,757,452
Funds Released to Reinsurers	-	-	-	-	-	-
Rehabilitation Expenses	-	-	-	-	-	-
Transfer to Segregated Accounts	-	97,081	-	-	-	-
Loss Adjustment Expense	-	-	1,047	9,887	-	39,674
Salvage and Subrogation Fees	-	-	-	-	22,121	-
Reimbursement of Allocated Expenses:						
Salaries	64,335	349,449	583,919	964,476	64,602	1,314,308
Employee Relations & Welfare	1,174,196	211,148	343,248	590,074	-	780,267
Rent and Related Expenses	55,409	77,629	277,117	246,947	19,061	430,852
Professional Fees	21,121	104,422	213,052	102,027	15,357	823,219
General and Administrative Expenses	18,634	46,450	39,142	65,365	403	138,554
Miscellaneous	75,728	32,495	41,899	56,868	1,078	170,884
Total Disbursements	6,115,049	918,674	2,526,967	3,002,056	122,622	82,455,210
Net Increase (Decrease) of Receipts Over Disbursements	(5,683,849)	195,585	(3,088,194)	(309,898)	(79,990)	4,259,813
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	5,590,399	144,265	54,405,042	28,205,882	1,177,537	344,829,042
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	93,450	-	3,423,164	1,961,702	-	10,737,774
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ -	$ 339,850	$ 54,740,012	$ 29,857,686	$ 1,097,547	$ 359,826,629

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2014

	NASSAU	NEW YORK MERCHANT	PLICA	REALM NATIONAL	TRANSTATE	UNION INDEMNITY
Receipts:						
Net Investment Income Received	$ 2,051	$ 2,190	$ 103,493	$ (92,888)	$ (434,021)	$ (251,700)
Reinsurance Recovered	-	1,033,198	152	2,074,966	570,090	-
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	-	-	-	-	-	295,000
Reimbursement from Central Disbursement Account	-	150,000	-	-	100,000	-
Expense Reimbursement Received from Security Funds	-	697,677	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Statutory Deposits	-	-	2,479,519	2,265	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Litigation Awards	1,420,000	-	-	-	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	180,237	33,404	217	-	-
Total Receipts	1,422,051	2,063,302	2,616,568	1,984,560	236,069	43,300
Disbursements:						
Dividends	-	3,429,938	-	-	9,987,103	4,179,012
Funds Released to Reinsurers	-	-	-	-	-	-
Rehabilitation Expenses	-	-	293,712	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	-	-	22,520	-	-	-
Salvage and Subrogation Fees	-	-	-	-	-	118,205
Reimbursement of Allocated Expenses:						
Salaries	52,293	242,698	237,628	257,012	50,613	165,222
Employee Relations & Welfare	28,013	3,111,185	129,664	151,822	982,152	100,528
Rent and Related Expenses	9,774	97,328	54,133	102,877	17,931	93,900
Professional Fees	73,763	18,706	115,868	23,070	11,736	22,371
General and Administrative Expenses	28,730	16,134	25,777	25,496	4,256	15,206
Miscellaneous	28,112	49,078	17,847	25,972	95,863	12,347
Total Disbursements	220,685	6,965,067	897,149	586,249	11,149,654	4,706,791
Net Increase (Decrease) of Receipts Over Disbursements	1,201,366	(4,901,765)	1,719,419	1,398,311	(10,913,585)	(4,663,491)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	2,543,829	4,901,765	-	8,878,245	10,459,234	23,738,402
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	12,597,229	-	-	-
Closed Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	-	(134,522)	150,808	724,949	947,041
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 3,745,195	$ -	$ 14,182,126	$ 10,427,364	$ 270,598	$ 20,021,952

See accompanying independent auditor's report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2014

	UNITED COMMUNITY	WASHINGTON TITLE	WHITING NATIONAL	CLOSED ESTATES	ESTATE TOTALS
Receipts:					
Net Investment Income Received	$ 234,976	$ 1	$ -	$ -	$ 126,737
Reinsurance Recovered	25,000	-	-	-	98,705,380
Premiums Collected	-	-	-	-	37,915
Salvage and Subrogation	-	-	-	-	1,390,522
Reimbursement from Central Disbursement Account	-	-	-	-	725,000
Expense Reimbursement Received from Security Funds	-	-	-	-	697,677
Claim Refunds	-	-	-	-	53,037
Large Deductible	-	-	-	-	154,428
Second Injury Claim Refunds	-	-	-	-	21,127
Release from Statutory Deposits	-	-	-	-	4,650,877
Transfer from Segregated Accounts	-	-	-	-	7,740,862
Litigation Awards	16,750,000	-	50,000	-	19,320,010
Received from Affiliates	-	-	-	-	4,425
Miscellaneous	-	5,000	-	-	691,857
Total Receipts	17,009,976	5,001	50,000	-	134,319,854
Disbursements:					
Dividends	299,333	-	493,358	-	147,703,465
Funds Released to Reinsurers	-	-	-	-	241,438
Rehabilitation Expenses	-	-	-	-	293,712
Transfer to Segregated Accounts	-	-	-	-	97,081
Loss Adjustment Expense	-	100,507	-	-	184,743
Salvage and Subrogation Fees	-	-	-	-	560,548
Reimbursement of Allocated Expenses:					
Salaries	149,519	86,778	9,448	-	8,135,791
Employee Relations & Welfare	91,101	-	-	-	13,131,752
Rent and Related Expenses	167,390	9,260	-	-	2,988,120
Professional Fees	3,404,988	153,666	60,542	-	5,881,999
General and Administrative Expenses	13,313	509	11,470	-	1,901,871
Miscellaneous	12,698	2,725	29,215	-	1,785,443
Total Disbursements	4,138,342	353,445	604,033	-	182,905,963
Net Increase (Decrease) of Receipts Over Disbursements	12,871,634	(348,444)	(554,033)	-	(48,586,109)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	15,518,511	838,447	554,033	158,293	744,255,949
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	12,597,229
Closed Estates	-	-	-	(158,293)	(158,293)
Unrealized Gain / (Loss) on Investments	599,680	-	-	-	23,149,978
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 28,989,825	$ 490,003	$ -	$ -	$ 731,258,754

See accompanying independent auditor's report on supplementary information.

Supplementary Schedules

Appendix B

December 31, 2013

The Domestic Estates in Liquidation

Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	ATLANTIC MUTUAL	Elimination of IBNR	ATLANTIC MUTUAL (Adjusted)
Unrestricted Assets:						
Cash and Cash Equivalents	$ 18,054	$ -	$ -	$ 10,358,826	$ -	$ 10,358,826
Investments						
Certificates of Deposit	-	-	-	-		-
Bonds, at fair market value	-	-	-	55,450,289	-	55,450,289
Common Stocks, Unaffiliated at fair market value	-	-	-	78,160	-	78,160
Total Investments	-	-	-	55,528,449	-	55,528,449
Total Cash Cash Equivalents and Investments	18,054	-	-	65,887,275		65,887,275
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	4,263,858	-	4,263,858
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	18,054	-	-	70,151,133	-	70,151,133
Reinsurance Recoverables on Paid Losses and LAE	4,250	4,913,822	-	9,304,454	-	9,304,454
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(4,913,822)	-	(9,304,454)	-	(9,304,454)
Net Reinsurance Recoverables on Paid Losses and LAE	4,250	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	23,986,436	(7,224,071)	16,762,365
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	-	(23,986,436)	7,224,071	(16,762,365)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	-	-	-	613	-	613
Accrued Investment Income	-	-	-	355,803	-	355,803
Other Assets	-	-	-	2,232,179	-	2,232,179
Total Unrestricted Assets	22,304	-	-	72,739,728	-	72,739,728
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	31,363,189	-	31,363,189
Other Restricted Assets	-	-	-	25,800,464	-	25,800,464
Total Restricted Assets	-	-	-	57,163,653	-	57,163,653
Total Assets	$ 22,304	$ -	$ -	$ 129,903,381	$ -	$ 129,903,381

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	AUTOGLASS	BAKERS MUTUAL	CAPITAL MUTUAL	CARRIERS CASUALTY	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)
Unrestricted Assets:							
Cash and Cash Equivalents	$ -	$ -	$ 5,924,553	$ 112,604	$ 6,256,723	$ -	$ 6,256,723
Investments							
Certificates of Deposit	-	-	-	-	-	-	-
Bonds, at fair market value	-	-	-	-	26,516,299	-	26,516,299
Common Stocks, Unaffiliated at fair market value	-	-	-	-	27,826	-	27,826
Total Investments	-	-	-	-	26,544,125	-	26,544,125
Total Cash Cash Equivalents and Investments	-	-	5,924,553	112,604	32,800,848	-	32,800,848
Other Invested Assets:							
Investment in Subsidiaries	-	-	-	-	2,218,896	-	2,218,896
Limited Partnerships	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	-	-	5,924,553	112,604	35,019,744	-	35,019,744
Reinsurance Recoverables on Paid Losses and LAE	-	-	4,707,304	-	3,096,866	-	3,096,866
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(4,707,304)	-	(3,096,866)	-	(3,096,866)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	569,630	-	26,399,442	(4,267,721)	22,131,721
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(569,630)	-	(26,399,442)	4,267,721	(22,131,721)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	-
Receivables from Others	-	-	266,000	-	206	-	206
Accrued Investment Income	-	-	-	-	141,093	-	141,093
Other Assets	-	-	-	-	901,994	-	901,994
Total Unrestricted Assets	-	-	6,190,553	112,604	36,063,037	-	36,063,037
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	-	-	16,971,283	-	16,971,283
Other Restricted Assets	-	-	304,031	-	1,947,958	-	1,947,958
Total Restricted Assets	-	-	304,031	-	18,919,241	-	18,919,241
Total Assets	$ -	$ -	$ 6,494,584	$ 112,604	$ 54,982,278	$ -	$ 54,982,278

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	COLONIAL INDEMNITY	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL
Unrestricted Assets:						
Cash and Cash Equivalents	$ 522,086	$ 198,365	$ -	$ -	$ 2,452,416	$ 285,178
Investments						
Certificates of Deposit	-	-	-	-	-	-
Bonds, at fair market value	-	-	-	-	22,205,565	60,229,043
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	-	-	-	-	22,205,565	60,229,043
Total Cash Cash Equivalents and Investments	522,086	198,365	-	-	24,657,981	60,514,221
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	522,086	198,365	-	-	24,657,981	60,514,221
Reinsurance Recoverables on Paid Losses and LAE	4,252,496	4,205,773	-	554,850	533,882	412,296
Less: Allowance for Uncollectible Reinsurance Recoverables	(4,252,496)	(4,205,773)	-	(554,850)	(533,882)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	412,296
Reinsurance Recoverables on Unpaid Losses and LAE	-	12,079,694	-	-	7,756,205	5,725,869
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(12,079,694)	-	-	(7,756,205)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	5,725,869
Receivables from Others	150,000	-	-	-	159,609	989,000
Accrued Investment Income	-	1,132	-	-	111,112	164,396
Other Assets	-	994,790	-	-	964,741	34,330
Total Unrestricted Assets	672,086	1,194,287	-	-	25,893,443	67,840,112
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	-	-
Other Restricted Assets	-	-	-	-	912,775	507,138
Total Restricted Assets	-	-	-	-	912,775	507,138
Total Assets	$ 672,086	$ 1,194,287	$ -	$ -	$ 26,806,218	$ 68,347,250

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)	GALAXY	GROUP COUNCIL	HOME MUTUAL
Unrestricted Assets:						
Cash and Cash Equivalents	$ 12,091,949	$ -	$ 12,091,949	$ 1,829,670	$ 2,170,324	$ 683,849
Investments						
Certificates of Deposit	-	-	-	-	-	-
Bonds, at fair market value	15,931,663	-	15,931,663	7,306,555	-	4,906,550
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	15,931,663	-	15,931,663	7,306,555	-	4,906,550
Total Cash Cash Equivalents and Investments	28,023,612	-	28,023,612	9,136,225	2,170,324	5,590,399
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	882,175	-	882,175	-	-	-
Real Estate	536,418	-	536,418	-	-	-
Buildings	4,463,582	-	4,463,582	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	33,905,787	-	33,905,787	9,136,225	2,170,324	5,590,399
Reinsurance Recoverables on Paid Losses and LAE	11,173,391	-	11,173,391	48,904	23,061,831	1,980,417
Less: Allowance for Uncollectible Reinsurance Recoverables	(11,173,391)	-	(11,173,391)	(48,904)	(23,061,831)	(1,980,417)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	24,314,872	(11,367,670)	12,947,202	-	-	5,127
Less: Allowance for Uncollectible Reinsurance Recoverables	(24,314,872)	11,367,670	(12,947,202)	-	-	(5,127)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	-	-	-	212,000	100,000	127,000
Accrued Investment Income	96,809	-	96,809	22,853	-	4,166
Other Assets	306,337	-	306,337	-	-	-
Total Unrestricted Assets	34,308,933	-	34,308,933	9,371,078	2,270,324	5,721,565
Restricted Assets:						
Statutory Deposits in New York or Other States	18,701,258	-	18,701,258	-	-	-
Other Restricted Assets	2,538,489	-	2,538,489	131,064	6,176	1,387
Total Restricted Assets	21,239,747	-	21,239,747	131,064	6,176	1,387
Total Assets	$ 55,548,680	$ -	$ 55,548,680	$ 9,502,142	$ 2,276,500	$ 5,722,952

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	ICM	Elimination of IBNR	ICM (Adjusted)	IDEAL MUTUAL	INSCORP	LONG ISLAND	MIDLAND
Unrestricted Assets:							
Cash and Cash Equivalents	$ 144,265	$ -	$ 144,265	$ 3,564,611	$ 419,162	$ 1,177,537	$ 43,476,391
Investments							
Certificates of Deposit	-	-	-	-	-	-	-
Bonds, at fair market value	-	-	-	50,840,431	27,786,720	-	301,352,651
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-	-
Total Investments	-			50,840,431	27,786,720	-	301,352,651
Total Cash Cash Equivalents and Investments	144,265	-	144,265	54,405,042	28,205,882	1,177,537	344,829,042
Other Invested Assets:							
Investment in Subsidiaries	-	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	144,265	-	144,265	54,405,042	28,205,882	1,177,537	344,829,042
Reinsurance Recoverables on Paid Losses and LAE	380,865	-	380,865	53,061,904	14,927,506	-	199,920,276
Less: Allowance for Uncollectible Reinsurance Recoverables	(380,865)	-	(380,865)	(53,061,904)	(14,927,506)	-	(126,881,370)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-	73,038,906
Reinsurance Recoverables on Unpaid Losses and LAE	5,080,287	(545,534)	4,534,753	8,120,478	31,018,098	-	405,036,469
Less: Allowance for Uncollectible Reinsurance Recoverables	(5,080,287)	545,534	(4,534,753)	(8,120,478)	(31,018,098)	-	(348,459,626)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	56,576,843
Receivables from Others	-	-	-	660,000	447,565	-	3,260,000
Accrued Investment Income	-	-	-	226,684	110,958	-	979,451
Other Assets	3,559	-	3,559	-	97,880	82,067	-
Total Unrestricted Assets	147,824	-	147,824	55,291,726	28,862,285	1,259,604	478,684,242
Restricted Assets:							
Statutory Deposits in New York or Other States	2,110,512	-	2,110,512	-	229,866	-	-
Other Restricted Assets	732,056	-	732,056	3,599,457	3,282,072	-	1,709,628
Total Restricted Assets	2,842,568	-	2,842,568	3,599,457	3,511,938	-	1,709,628
Total Assets	$ 2,990,392	$ -	$ 2,990,392	$ 58,891,183	$ 32,374,223	$ 1,259,604	$ 480,393,870

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	MIDPAC	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL	TITLEDGE	TRANSTATE
Unrestricted Assets:							
Cash and Cash Equivalents	$ -	$ 2,543,829	$ 4,901,765	$ -	$ 7,450,805	$ 109,693	$ 1,192,378
Investments							
Certificates of Deposit	-	-	-	-	-	-	-
Bonds, at fair market value	-	-	-	-	1,347,440	-	9,266,856
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-	-
Total Investments	-	-	-	-	1,347,440	-	9,266,856
Total Cash Cash Equivalents and Investments	-	2,543,829	4,901,765	-	8,798,245	109,693	10,459,234
Other Invested Assets:							
Investment in Subsidiaries	-	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-	-
Real Estate	-	-	-	-	80,000	-	-
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	-	2,543,829	4,901,765	-	8,878,245	109,693	10,459,234
Reinsurance Recoverables on Paid Losses and LAE	-	12,961,618	22,917,544	1,071,047	4,943,326	-	227,443
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(12,961,618)	(22,917,544)	(1,071,047)	(4,943,326)	-	(159)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-	227,284
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	1,204	-	9,183,583	-	11,359,188
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(1,204)	-	(9,183,583)	-	(11,000,000)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	359,188
Receivables from Others	-	200,000	873,512	-	600,000	-	315,000
Accrued Investment Income	-	-	-	-	9,092	-	59,896
Other Assets		10,000	-	-	171,730	-	-
Total Unrestricted Assets	-	2,753,829	5,775,277	-	9,659,067	109,693	11,420,602
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	-	-	634,095	-	-
Other Restricted Assets	-	10,797	2,083,034	-	205,736	-	-
Total Restricted Assets	-	10,797	2,083,034	-	839,831	-	-
Total Assets	$ -	$ 2,764,626	$ 7,858,311	$ -	$ 10,498,898	$ 109,693	$11,420,602

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Assets	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WASHINGTON TITLE	WHITING NATIONAL	ESTATE TOTALS
Unrestricted Assets:						
Cash and Cash Equivalents	$12,370,227	$ 1,906,801	$ 30,546	$ 568,144	$ 554,033	$ 123,314,784
Investments						
Certificates of Deposit	-	-	-	270,303	-	270,303
Bonds, at fair market value	11,368,175	13,611,710	-	-	-	608,119,947
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	105,986
Total Investments	11,368,175	13,611,710	-	270,303	-	608,496,236
Total Cash Cash Equivalents and Investments	23,738,402	15,518,511	30,546	838,447	554,033	731,811,020
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	6,482,754
Limited Partnerships	-	-	-	-	-	882,175
Real Estate	-	-	-	-	-	616,418
Buildings	-	-	-	-	-	4,463,582
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	23,738,402	15,518,511	30,546	838,447	554,033	744,255,949
Reinsurance Recoverables on Paid Losses and LAE	40,311,872	6,037,604	425,698	-	1,063,733	426,500,972
Less: Allowance for Uncollectible Reinsurance Recoverables	(40,311,872)	(6,037,604)	(425,698)	-	(1,063,733)	(352,818,236)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	73,682,736
Reinsurance Recoverables on Unpaid Losses and LAE	1,117,885	1,830,995	56,299	-	10,833	550,247,598
Less: Allowance for Uncollectible Reinsurance Recoverables	(1,117,885)	(1,830,995)	(56,299)	-	(10,833)	(487,585,698)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	62,661,900
Receivables from Others	470,000	500,000	-	-	-	9,330,505
Accrued Investment Income	62,612	62,742	-	-	-	2,408,799
Other Assets	-	-	-	146,639	-	5,946,246
Total Unrestricted Assets	24,271,014	16,081,253	30,546	985,086	554,033	898,286,135
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	-	70,010,203
Other Restricted Assets	6,139,462	528,551	-	2,094,620	-	52,534,895
Total Restricted Assets	6,139,462	528,551	-	2,094,620	-	122,545,098
Total Assets	$30,410,476	$ 16,609,804	$ 30,546	$ 3,079,706	$ 554,033	$ 1,020,831,233

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	**AMERICAN AGENTS**	**AMERICAN CONSUMER**	**AMERICAN FIDELITY**	**ATLANTIC MUTUAL**	**Elimination of IBNR**	**ATLANTIC MUTUAL (Adjusted)**
Secured Claims	$ -	$ -	$ -	$ 6,203,945	$ -	$ 6,203,945
Class I - Administrative Claims	-	-	(2,350)	1,542,812	-	1,542,812
Class II - Claims and Related Costs:						
Allowed	42,258,006	14,629,875	31,331,580	(2,728,282)	-	(2,728,282)
Non Allowed	-	-	-	231,932,286	-	231,932,286
IBNR	-	-	-	25,286,155	(25,286,155)	-
Total Class II - Claims and Related Costs	42,258,006	14,629,875	31,331,580	254,490,159	(25,286,155)	229,204,004
Class III - Federal Government Claims	-	-	-	39,418,405	-	39,418,405
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	306,878	44,842	92,237	2,109,256	-	2,109,256
Class VI - General Creditor Claims	682,397	4,321,635	8,057,352	7,334,715	-	7,334,715
Class VII - Late Filed Claims	335	67,852	6,324,613	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	159,398,946	-	159,398,946
Class IX - Share Holder Claims	-	-	-	-	-	-
Total Liabilities	43,247,616	19,064,204	45,803,432	470,498,238	(25,286,155)	445,212,083
Liquidator's Surplus (Deficit)	(43,225,312)	(19,064,204)	(45,803,432)	(340,594,857)	25,286,155	(315,308,702)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 22,304	$ -	$ -	$ 129,903,381	$ -	$ 129,903,381

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	AUTOGLASS	BAKERS MUTUAL	CAPITAL MUTUAL	CARRIERS CASUALTY	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)
Secured Claims	$ -	$ -	$ 56,417	$ -	$ 2,064,495	$ -	$ 2,064,495
Class I - Administrative Claims	-	12	1,658,661	1,699	838,449	-	838,449
Class II - Claims and Related Costs:							
Allowed	-	-	36,198,365	4,285	3,901,038	-	3,901,038
Non Allowed	-	-	99,989	2,798	130,919,173	-	130,919,173
IBNR	-	-	-	-	5,854,677	(5,854,677)	-
Total Class II - Claims and Related Costs	-	-	36,298,354	7,083	140,674,888	(5,854,677)	134,820,211
Class III - Federal Government Claims	-	-	441	-	6,839,598	-	6,839,598
Class IV - Employee Claims	-	-	3,123	-	-	-	-
Class V - State and Local Government Claims	-	-	52,295	-	2,289,507	-	2,289,507
Class VI - General Creditor Claims	-	-	3,984,677	-	3,028,454	-	3,028,454
Class VII - Late Filed Claims	-	-	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	83,735	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	-	-	-
Total Liabilities	83,735	12	42,053,968	8,782	155,735,391	(5,854,677)	149,880,714
Liquidator’s Surplus (Deficit)	(83,735)	(12)	(35,559,384)	103,822	(100,753,113)	5,854,677	(94,898,436)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ -	$ -	$ 6,494,584	$ 112,604	$ 54,982,278	$ -	$ 54,982,278

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	**COLONIAL INDEMNITY**	**COLONIAL COOPERATIVE**	**CONSOLIDATED MUTUAL**	**CONTRACTORS CASUALTY**	**COSMOPOLITAN MUTUAL**	**FIRST CENTRAL**
Secured Claims	$ -	$ 7,829	$ -	$ -	$ 935,089	$ 86,059
Class I - Administrative Claims	154,556	192,877	(98,405)	-	1,133,542	3,907,795
Class II - Claims and Related Costs:						
Allowed	3,312,754	10,010,481	6,673,669	5,685,495	39,576,631	130,779,822
Non Allowed	353,607	15,387,241	-	-	14,486,764	8,375,070
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	3,666,361	25,397,722	6,673,669	5,685,495	54,063,395	139,154,892
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	54	50	3,053	7,941	7,476	874,434
Class VI - General Creditor Claims	781,039	1,394,061	2,816,698	869,685	3,301,927	1,763,389
Class VII - Late Filed Claims	-	-	15,120,795	-	9,973,857	-
Class VIII - Section 1307 (Shareholder) Loans	-	1,075,375	-	60,000	-	-
Class IX - Share Holder Claims	-	-	-	-	-	1
Total Liabilities	4,602,010	28,067,914	24,515,810	6,623,121	69,415,286	145,786,570
Liquidator's Surplus (Deficit)	(3,929,924)	(26,873,627)	(24,515,810)	(6,623,121)	(42,609,068)	(77,439,320)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 672,086	$ 1,194,287	$ -	$ -	$ 26,806,218	$68,347,250

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)	GALAXY	GROUP COUNCIL	HOME MUTUAL
Secured Claims	$ 1,869,408	$ -	$ 1,869,408	$ 131,064	$ 6,176	$ 1,387
Class I - Administrative Claims	2,891,395	-	2,891,395	1,933,256	434,858	2,605,047
Class II - Claims and Related Costs:						
Allowed	13,440,114	-	13,440,114	39,246,595	231,012,195	27,832,640
Non Allowed	207,830,703	-	207,830,703	84,237	30,210,120	43,705
IBNR	22,391,188	(22,391,188)	-	-	-	-
Total Class II - Claims and Related Costs	243,662,005	(22,391,188)	221,270,817	39,330,832	261,222,315	27,876,345
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	4,425	-
Class V - State and Local Government Claims	8,558,618	-	8,558,618	2,720	22,828	126,590
Class VI - General Creditor Claims	47,875,858	-	47,875,858	501,255	56,202,748	2,366,580
Class VII - Late Filed Claims	-	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	-	-
Total Liabilities	304,857,284	(22,391,188)	282,466,096	41,899,127	317,893,350	32,975,949
Liquidator's Surplus (Deficit)	(249,308,604)	22,391,188	(226,917,416)	(32,396,985)	(315,616,850)	(27,252,997)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 55,548,680	$ -	$ 55,548,680	$ 9,502,142	$ 2,276,500	$ 5,722,952

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	ICM	Elimination of IBNR	ICM (Adjusted)	IDEAL MUTUAL	INSCORP	LONG ISLAND	MIDLAND
Secured Claims	$ -	$ -	$ -	$ 3,488,040	$ 1,292,814	$ -	$ 1,665,947
Class I - Administrative Claims	12,771	-	12,771	7,671,255	1,821,710	476,365	15,124,478
Class II - Claims and Related Costs:							
Allowed	-	-	-	250,389,733	14,036,851	10,843,353	911,145,946
Non Allowed	3,147,810	-	3,147,810	29,947,259	23,731,451	16,085,760	480,080,037
IBNR	50,000	(50,000)	-	-	-	-	-
Total Class II - Claims and Related Costs	3,197,810	(50,000)	3,147,810	280,336,992	37,768,302	26,929,113	1,391,225,983
Class III - Federal Government Claims	14,976	-	14,976	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-	-
Class V - State and Local Government Claims	8,647	-	8,647	280,887	1,516,694	72,384	8,317,575
Class VI - General Creditor Claims	5,455,684	-	5,455,684	100,950,795	121,246,659	913,265	199,125,995
Class VII - Late Filed Claims	-	-	-	70,962,026	-	-	169,550,639
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	107,467,599	-	-
Total Liabilities	8,689,888	(50,000)	8,639,888	463,689,995	271,113,778	28,391,127	1,785,010,617
Liquidator's Surplus (Deficit)	(5,699,496)	50,000	(5,649,496)	(404,798,812)	(238,739,555)	(27,131,523)	(1,304,616,747)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 2,990,392	$ -	$ 2,990,392	$ 58,891,183	$ 32,374,223	$ 1,259,604	$ 480,393,870

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	**MIDPAC**	**NASSAU**	**NEW YORK MERCHANT**	**NEW YORK SURETY**	**REALM NATIONAL**	**TITLEDGE**	**TRANSTATE**
Secured Claims	$ -	$ -	$ 180,189	$ -	$ 326,951	$ -	$ -
Class I - Administrative Claims	-	106,085	3,153,616	-	3,687,468	-	1,216,302
Class II - Claims and Related Costs:							
Allowed	-	38,595,724	106,877,072	8,328,424	58,491,949	-	32,850,037
Non Allowed	-	1,553	79,664	-	41,312,759	-	382,310
IBNR	-	-	-	-	-	-	-
Total Class II - Claims and Related Costs	-	38,597,277	106,956,736	8,328,424	99,804,708	-	33,232,347
Class III - Federal Government Claims	-	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	2,616	-	-
Class V - State and Local Government Claims	-	77,966	482,493	17,725	61,013	-	-
Class VI - General Creditor Claims	-	683,278	3,824,710	505,129	18,364,198	-	931,512
Class VII - Late Filed Claims	-	3,943,046	-	-	401	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	-	735,042	-
Total Liabilities	-	43,407,652	114,597,744	8,851,278	122,247,355	735,042	35,380,161
Liquidator’s Surplus (Deficit)	-	(40,643,026)	(106,739,433)	(8,851,278)	(111,748,457)	(625,349)	(23,959,559)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ -	$ 2,764,626	$ 7,858,311	$ -	$ 10,498,898	$ 109,693	$11,420,602

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2013

Liabilities	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WASHINGTON TITLE	WHITING NATIONAL	ESTATE TOTALS
Secured Claims	$ 6,362,474	$ 660,779	$ -	$ 2,172,429	$ -	$ 27,511,492
Class I - Administrative Claims	3,659,449	1,117,347	-	216,292	9,899	55,467,241
Class II - Claims and Related Costs:						
Allowed	168,480,627	128,797,392	22,386,512	5,040	19,088,275	2,403,482,198
Non Allowed	7,618,765	7,830,895	-	6,077,954	-	1,256,021,910
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	176,099,392	136,628,287	22,386,512	6,082,994	19,088,275	3,659,504,108
Class III - Federal Government Claims	137,245	-	-	-	-	46,410,665
Class IV - Employee Claims	-	-	-	-	-	10,164
Class V - State and Local Government Claims	71,337	-	109,175	12,151	-	25,526,826
Class VI - General Creditor Claims	161,040,301	2,887,281	3,076,398	585,738	8,372,978	773,246,391
Class VII - Late Filed Claims	69,492,805	-	-	-	51,242	345,487,611
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	160,618,056
Class IX - Share Holder Claims	-	18,666,845	-	-	-	126,869,487
Total Liabilities	416,863,003	159,960,539	25,572,085	9,069,604	27,522,394	5,220,652,041
Liquidator’s Surplus (Deficit)	(386,452,527)	(143,350,735)	(25,541,539)	(5,989,898)	(26,968,361)	(4,199,820,808)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ 30,410,476	$ 16,609,804	$ 30,546	$ 3,079,706	$ 554,033	$ 1,020,831,233

See accompanying independent auditors’ report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	ATLANTIC MUTUAL	AUTOGLASS	BAKERS MUTUAL
Receipts:						
Investment Income Received	$ 9,772	$ 8,324	$ 2,772	$ 1,631,779	$ 11	$ 34
Reinsurance Recovered	99,831	232,410	320,676	116,148	-	-
Premiums Collected	-	-	-	857	-	-
Salvage and Subrogation	391	-	-	1,876,398	-	-
Refund from Central Disbursement Account	200,000	50,000	75,000	-	-	-
Reimbursement from New York Security Funds	105,062	-	-	-	-	-
Claim Refunds	-	-	-	24,515	-	-
Large Deductible	-	-	-	155	-	-
Second Injury Claim Refunds	-	-	-	39,551	-	-
Release from Ancillary Special Deposits	-	-	-	3,428,434	-	-
Transfer from Segregated Accounts	-	-	-	39,069	-	-
Litigation Awards	-	-	-	2,334,435	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	15	10	18,832	216,321	-	-
Total Receipts	415,071	290,744	417,280	9,707,662	11	34
Disbursements:						
Dividends	9,377,282	905,176	6,206,137	-	153,717	9,366
Claims Paid	-	-	-	-	-	-
Transfer to Affiliate	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	41,600	-	-
Loss Adjustment Expense	-	-	-	116,255	-	-
Salvage and Subrogation Fees	20	-	-	151,484	-	-
Reimbursement of Allocated Expenses:						
Salaries	91,763	15,676	19,090	1,063,245	3,055	2,392
Employee Relations & Welfare	3,238,015	578,294	864,896	643,437	5,991	268,225
Rent and Related Expenses	31,121	7,403	3,137	264,527	-	-
Professional Fees	18,984	6,221	11,744	195,028	6,663	-
General and Administrative Expenses	11,786	2,869	3,232	1,112,920	-	1,673
Other Expense	35,649	55,027	52,018	77,760	27,441	100
Total Disbursements	12,804,620	1,570,666	7,160,254	3,666,256	196,867	281,756
Net Increase (Decrease) of Receipts Over Disbursements	(12,389,549)	(1,279,922)	(6,742,974)	6,041,406	(196,856)	(281,722)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	12,407,603	1,279,922	6,742,974	67,030,971	196,856	281,722
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	-	-	(2,921,244)	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 18,054	$ -	$ -	$ 70,151,133	$ -	$ -

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	CAPITAL MUTUAL	CARRIERS CASUALTY	CENTENNIAL	COLONIAL INDEMNITY	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL
Receipts:						
Investment Income Received	$ 43,835	$ 1	$ 676,884	$ 49	$ 2,770	$ 2
Reinsurance Recovered	182,113	-	38,716	466,179	9,400	338,571
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	6,785	-	1,048,112	-	-	-
Refund from Central Disbursement Account	-	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	52	-	-	-
Second Injury Claim Refunds	-	-	19,757	-	-	-
Release from Ancillary Special Deposits	-	-	3,317,794	-	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Litigation Awards	-	-	181,250	-	-	-
Received from Affiliates	-	-	-	25,075	-	-
Miscellaneous	-	116,871	36,010	82	19,369	-
Total Receipts	232,733	116,872	5,318,575	491,385	31,539	338,573
Disbursements:						
Dividends	2,320,696	-	-	-	-	381,353
Claims Paid	-	-	-	-	-	-
Transfer to Affiliate	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	-	-	16,241	-	1,119	-
Salvage and Subrogation Fees	-	-	329,081	-	-	-
Reimbursement of Allocated Expenses:						
Salaries	131,428	2,581	736,868	45,459	140,670	4,304
Employee Relations & Welfare	73,151	1,161	438,241	-	6	1,135
Rent and Related Expenses	38,858	294	150,066	16,901	4,887	785
Professional Fees	19,193	50	110,225	17,630	20,447	9,521
General and Administrative Expenses	12,041	116	453,549	5	25	4,195
Other Expense	6,769	66	49,092	622	2,309	(62,720)
Total Disbursements	2,602,136	4,268	2,283,363	80,617	169,463	338,573
Net Increase (Decrease) of Receipts Over Disbursements	(2,369,403)	112,604	3,035,212	410,768	(137,924)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	8,310,706	-	34,138,103	111,318	337,748	-
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	(16,750)	-	(2,153,571)	-	(1,459)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 5,924,553	$ 112,604	$ 35,019,744	$ 522,086	$ 198,365	$ -

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	GALAXY	GROUP COUNCIL
Receipts:						
Investment Income Received	$ 213	$ 280,710	$ 929,615	$ 780,791	$ 220,915	$ 4
Reinsurance Recovered	52,158	1,057,381	373,128	9,018,276	1,198,280	-
Premiums Collected	-	-	-	225,909	-	-
Salvage and Subrogation	-	-	-	123,001	-	-
Refund from Central Disbursement Account	50,000	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	62,585	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	606,096	-	-
Litigation Awards	-	-	-	80,006	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	-	-	957,365	289,361	-
Total Receipts	102,371	1,338,091	1,302,743	11,854,029	1,708,556	4
Disbursements:						
Dividends	27,285	16,400,857	1,686,322	-	7,636,669	-
Claims Paid	-	-	-	25,748	-	-
Transfer to Affiliate	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	95,000	-	-
Loss Adjustment Expense	-	-	-	178,002	-	-
Salvage and Subrogation Fees	-	-	-	30,775	-	-
Reimbursement of Allocated Expenses:						
Salaries	13,719	152,724	104,306	1,804,162	73,269	62,387
Employee Relations & Welfare	521,409	86,503	64,853	736,661	44,079	40,283
Rent and Related Expenses	777	56,343	42,344	500,072	21,770	24,759
Professional Fees	7,601	28,284	18,386	178,224	18,560	19,360
General and Administrative Expenses	1,134	12,708	13,024	171,407	10,992	8,253
Other Expense	43,115	7,977	12,782	811,739	4,418	3,348
Total Disbursements	615,040	16,745,396	1,942,017	4,531,790	7,809,757	158,390
Net Increase (Decrease) of Receipts Over Disbursements	(512,669)	(15,407,305)	(639,274)	7,322,239	(6,101,201)	(158,386)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	512,669	41,931,857	63,879,231	27,945,676	15,471,245	2,328,710
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	(1,866,571)	(2,725,736)	(1,362,128)	(233,819)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ -	$ 24,657,981	$ 60,514,221	$ 33,905,787	$ 9,136,225	$ 2,170,324

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	HOME MUTUAL	ICM	IDEAL MUTUAL	INSCORP	LONG ISLAND	MIDLAND
Receipts:						
Investment Income Received	$ 129,078	$ -	$ 1,030,431	$ 631,747	$ 134	$ 7,409,672
Reinsurance Recovered	-	-	1,145,042	1,085,411	-	91,712,877
Premiums Collected	-	-	-	-	719	-
Salvage and Subrogation	-	-	-	(22,619)	103,294	-
Refund from Central Disbursement Account	-	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	171,975	-	-
Litigation Awards	-	-	-	200,000	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	-	13	-	1,332	15,798
Total Receipts	129,078		2,175,486	2,066,514	105,479	99,138,347
Disbursements:						
Dividends	4,811,117	-	4,446,780	3,910,656	-	73,352,027
Claims Paid	-	-	-	-	-	-
Transfer to Affiliate	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	140,367	-	-
Loss Adjustment Expense	-	-	110	2,998	-	17,291
Salvage and Subrogation Fees	-	-	-	-	15,326	110
Reimbursement of Allocated Expenses:						
Salaries	86,653	-	489,267	892,414	97,585	1,663,348
Employee Relations & Welfare	53,201	-	292,805	520,549	6	983,176
Rent and Related Expenses	45,674	-	207,022	200,062	6,300	414,397
Professional Fees	19,183	-	54,357	370,311	17,969	1,773,795
General and Administrative Expenses	23,212	-	39,469	63,201	1,296	158,554
Other Expense	5,505	-	25,230	41,308	1,537	89,853
Total Disbursements	5,044,545	-	5,555,040	6,141,866	140,019	78,452,551
Net Increase (Decrease) of Receipts Over Disbursements	(4,915,467)	-	(3,379,554)	(4,075,352)	(34,540)	20,685,796
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	10,622,156	-	61,643,756	34,335,818	1,212,077	338,673,719
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	144,265	-	-	-	-
Unrealized Gain / (Loss) on Investments	(116,290)	-	(3,859,160)	(2,054,584)	-	(14,530,473)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 5,590,399	$ 144,265	$ 54,405,042	$ 28,205,882	$ 1,177,537	$ 344,829,042

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	MIDPAC	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL	TITLEDGE
Receipts:						
Investment Income Received	$ 16,186	$ 13,448	$ 34,108	$ 292	$ 40,177	$ 977
Reinsurance Recovered	-	-	130,380	50,176	4,464,364	-
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	-	-	-	-	165,000	-
Refund from Central Disbursement Account	50,000	-	-	50,000	-	-
Reimbursement from New York Security Funds	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	9,436	-
Transfer from Segregated Accounts	-	-	-	18,843	-	-
Litigation Awards	-	725,000	-	-	-	-
Received from Affiliates	-	-	-	-	-	-
Miscellaneous	-	35,000	-	116,373	533	-
Total Receipts	66,186	773,448	164,488	235,684	4,679,510	977
Disbursements:						
Dividends	-	-	18,291,743	272,395	-	458,821
Claims Paid	-	-	-	-	-	-
Transfer to Affiliate	2,432,080	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	77,916	-	-
Loss Adjustment Expense	-	944	-	-	904	-
Salvage and Subrogation Fees	-	-	-	-	2,774	-
Reimbursement of Allocated Expenses:						
Salaries	25,364	92,821	289,491	22,006	261,103	17,390
Employee Relations & Welfare	607,436	54,009	180,240	546,196	157,499	20,196
Rent and Related Expenses	2,314	38,916	87,818	4,691	86,796	-
Professional Fees	8,047	189,284	19,566	10,204	19,865	18,696
General and Administrative Expenses	7,172	27,599	27,612	4,411	21,777	4,875
Other Expense	33,581	67,403	15,168	39,532	80,153	14,866
Total Disbursements	3,115,994	470,976	18,911,638	977,351	630,871	534,844
Net Increase (Decrease) of Receipts Over Disbursements	(3,049,808)	302,472	(18,747,150)	(741,667)	4,048,639	(533,867)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	3,052,768	2,245,637	23,481,205	741,667	5,247,165	643,560
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	(2,960)	(4,280)	167,710	-	(417,559)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ -	$ 2,543,829	$ 4,901,765	$ -	$ 8,878,245	$ 109,693

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2013

	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WASHINGTON TITLE	WHITING NATIONAL	ESTATE TOTALS
Receipts:							
Investment Income Received	$ (210,446)	$ 351,681	$ 227,147	$ 6,795	$ 355	$ 2,792	$ 14,273,055
Reinsurance Recovered	68,198	-	1,133,006	429,946	-	80,629	113,803,296
Premiums Collected	-	-	-	-	1,673	-	229,158
Salvage and Subrogation	-	265,000	-	-	20,000	-	3,585,362
Refund from Central Disbursement Account	-	-	-	100,000	-	50,000	625,000
Reimbursement from New York Security Funds	-	-	-	-	-	-	105,062
Claim Refunds	-	-	-	-	-	-	87,100
Large Deductible	-	-	-	-	-	-	207
Second Injury Claim Refunds	-	-	-	-	-	-	59,308
Release from Ancillary Special Deposits	-	-	-	-	-	-	6,755,664
Transfer from Segregated Accounts	-	-	-	-	25	-	836,008
Litigation Awards	-	-	-	-	-	-	3,520,691
Received from Affiliates	-	-	-	-	-	-	25,075
Miscellaneous	220,015	-	-	-	250	-	2,043,550
Total Receipts	77,767	616,681	1,360,153	536,741	22,303	133,421	145,948,536
Disbursements:							
Dividends	28,480,595	888,401	390,314	3,070,661	-	-	183,478,370
Claims Paid	-	-	-	-	-	-	25,748
Transfer to Affiliate	-	-	-	-	-	-	2,432,080
Transfer to Segregated Accounts	-	-	-	-	-	-	354,883
Loss Adjustment Expense	-	427	-	-	161,167	-	495,458
Salvage and Subrogation Fees	-	3,565	-	-	-	-	533,135
Reimbursement of Allocated Expenses:							
Salaries	69,461	208,299	208,646	56,024	111,713	52,059	9,110,742
Employee Relations & Welfare	44,434	121,838	117,824	1,229,975	6	454,884	12,990,614
Rent and Related Expenses	25,803	78,788	129,571	38,155	7,541	14,875	2,552,767
Professional Fees	18,503	146,262	495,072	16,281	285,372	74,395	4,223,283
General and Administrative Expenses	6,884	15,774	15,916	17,650	13,954	3,739	2,273,024
Other Expense	49,847	10,663	10,136	102,364	4,331	1,937	1,720,926
Total Disbursements	28,695,527	1,474,017	1,367,479	4,531,110	584,084	601,889	220,191,030
Net Increase (Decrease) of Receipts Over Disbursements	(28,617,760)	(857,336)	(7,326)	(3,994,369)	(561,781)	(468,468)	(74,242,494)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	39,687,558	25,719,676	16,363,117	4,029,109	1,400,228	1,022,501	853,029,028
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-	144,265
Unrealized Gain / (Loss) on Investments	(610,564)	(1,123,938)	(837,280)	(4,194)	-	-	(34,674,850)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 10,459,234	$ 23,738,402	$ 15,518,511	$ 30,546	$ 838,447	$ 554,033	$ 744,255,949

See accompanying independent auditors' report on supplementary information.

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION

Financial Statements - Modified Cash Basis

As of December 31, 2014 and 2013 and For the Year Ended December 31, 2014
and the Period From August 8, 2013 through December 31, 2013
With Independent Auditors' Report

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION

Financial Statements - Modified Cash Basis

As of December 31, 2014 and 2013 and For the Year Ended December 31, 2014 and For the Period From August 8, 2013 through December 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements – Modified Cash Basis

We have audited the accompanying financial statements – modified cash basis 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, 2014 and 2013, and the related statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for the year ended December 31, 2014 and the period from August 8, 2013 through December 31, 2013 (collectively referred to as "Financial Statements") and the related notes to the Financial Statements.

Management's Responsibility for the Financial Statements – Modified Cash Basis

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with a modified cash basis presentation as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Company's 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 the 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 Company'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 Company'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.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position (modified cash basis) of the Executive Life Insurance Company of New York in Liquidation managed by the New York Liquidation Bureau as of December 31, 2014 and 2013, and the related statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for the year ended December 31, 2014 and for the period from August 8, 2013 through December 31, 2013, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the accompanying 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 that matter.

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 7, 2015

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, 2014 and 2013

	2014	2013
Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 8,249,546	$ 4,585,567
Invested Assets:		
Bonds, at fair market value	11,998,166	13,971,188
Common stock, at fair market value	12	12
Total Invested Assets	11,998,178	13,971,200
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	**20,247,724**	**18,556,767**
Receivable from Revolving Fund	650,000	650,000
Accrued Investment Income	51,218	126,511
Total Unrestricted Assets	**20,948,942**	**19,333,278**
Restricted Assets:		
Statutory Deposits in Other States	608,665	592,505
Segregated Contingency Fund	10,339,918	10,175,899
Other Restricted Assets	46,582	154,103
Total Restricted Assets	**10,995,165**	**10,922,507**
Total Assets	**$ 31,944,107**	**$ 30,255,785**

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
As of December 31, 2014 and 2013

	2014	**2013**
Secured Liabilities:		
Segregated Contingency Fund	10,339,918	$ 10,175,899
Abandoned Property	46,582	124,095
Other Secured Claims	-	30,008
Total Secured Liabilities	10,386,500	10,330,002
Unsecured Liabilities:		
Class One - Administrative Expenses	1,399,196	429,093
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
Claimovers – Non-Allowed	43,726,109	43,726,109
Annuity Contracts-Due and Unpaid	170,106	170,106
Less: Distributions	(64,429)	(64,429)
Total Class Four - Claims Under Insurance Policies – Non-Allowed	1,004,908,348	1,004,908,348
Class Five – Federal, State and Local Government Claims – Non-Allowed	-	31,054
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	1,020,519,462	1,019,523,915
Deficit of Assets over Liabilities	(988,575,355)	(989,268,130)
Total Liabilities and Deficit of Assets over Liabilities	$ 31,944,107	$ 30,255,785

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 Change in Cash,
Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis
For the Year Ended December 31, 2014 and For the Period
From August 8, 2013 through December 31, 2013

	For the Year Ended December 31, 2014	For the Period From August 8, 2013 Through December 31, 2013
Receipts:		
Net Investment Income Received	$ 295,849	$ 329,103
Reimbursement of Expenses	176,766	455,803
Release From Statutory Deposits	2,480	-
Transfer From Segregated Accounts	38,070	-
Litigation Awards	12,318	-
Miscellaneous	87,494	-
Total Receipts	612,977	784,906
Disbursements:		
Rehabilitation Expenses	130,856	468,728
Salaries	241,011	202,792
Employee Relations and Welfare	143,915	110,721
Professional Fees	432,223	86,525
Rent and Rent Items	82,233	37,009
Abandoned Property	46,582	34,886
Miscellaneous	12,510	30,987
Annuity Benefits	-	23,057
General and Administrative Expenses	19,097	12,559
Total Disbursements:	1,108,427	1,007,264
Net Decrease of Receipts Over Disbursements	(495,450)	(222,358)
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), January 1, 2014 and August 8, 2013	18,556,767	20,992,421
Unrealized Gain/(Loss) on Investments Including Restricted)	2,186,407	(2,213,296)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 20,247,724	$ 18,556,767

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 Year Ended December 31, 2014 and For the Period From August 8, 2013 Through December 31, 2013

Note 1: <u>Organization and Nature of Operation</u>

<u>Introduction</u>

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 (and his successors in office) 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.

<u>The Plan of Liquidation and Restructuring</u>

On September 1, 2011, the Receivership Court entered an Order to Show Cause ("OTSC") to convert the ELNY rehabilitation to a liquidation on the basis that ELNY was insolvent and further efforts to rehabilitate the company would be futile. In connection with the OTSC, the Superintendent of Financial Services of the State of New York ("Superintendent") 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 between the Superintendent, 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. The Superintendent will maintain a level of oversight that provides for the monitoring of GABC to ensure that it is operating in compliance with the provisions of the Agreement of Restructuring.

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

Note 1: Organization and Nature of Operation (continued)

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 Rehabilitator's restructuring agreement 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.

Background of the New York Liquidation

The New York Liquidation Bureau ("NYLB" or the "Bureau") is the organization that carries out the duties of the Superintendent in his 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 his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"). The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Acting Special Deputy Superintendent ("Acting Special Deputy") and other Agents) as are necessary to carry out his 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 approves the actions of the Receiver and, by extension, the NYLB. 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

Basis of Presentation

The Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis and Statement 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

Note 2: **<u>Summary of Significant Accounting Policies</u>**

<u>Basis of Presentation</u> (continued)

accepted accounting principles in the United States of America ("US GAAP"). This modified cash basis presentation differs from US 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) earned unused vacation benefits; (iii) post-retirement medical benefits; and (iv) unrealized gains and losses on investments.

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.

<u>Unrestricted Assets</u>

<u>Cash and Cash Equivalents</u>

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-2 (Moody's), A-1 (S&P) for JP Morgan and, P-1 (Moody's), A-1+ (S&P) and F1+ (Fitch) for Bank of New York Mellon. As of December 31, 2014 and 2013, 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. ELNY's cash balances in excess of FDIC insured limits were approximately $8.0 million and $4.1 million at December 31, 2014 and 2013, respectively.

<u>Invested Assets</u>

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.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation (continued)

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 proceeds from investments.

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.

Revolving Fund

A revolving fund of $650,000 at December 31, 2014 and 2013, 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 Statement 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.

Statutory Deposits in Other States

Statutory deposits in other states are held by various state regulatory authorities in compliance with the insurance laws of the respective states and recorded at fair market value.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation (continued)

The sale of securities may be restricted pursuant to insolvency deposit requirements in states where ELNY previously conducted business. Due to their restrictive nature, these investments are classified as restricted assets and recorded at fair market value without regard to contractual maturity.

Segregated Contingency Fund (Restricted Asset)

ELNY classified $10,000,000 of bonds as Restricted Assets in the Statement of Assets, Liabilities and Deficit of Assets Over Liabilities – Modified Cash Basis at the closing date of the Agreement of Restructuring. At December 31, 2014, these bonds had accrued interest payable to GABC of $339,918 which includes $ -0- of accrued interest and $274,741 of interest received compared to accrued interest payable to GABC of $175,809 which includes $56,802 of accrued interest and $119,007 of interest received in 2013. *See* Secured Liabilities below for an explanation of the Segregated Contingency Fund. At December 31, 2014 these bonds were sold and therefore valued at $ -0-. At December 31, 2013, these bonds were valued at $11,812,040 with an unrealized loss of $949,540.

Other Restricted Assets

Other Restricted Assets consisted of cash set aside to pay the Secured Liabilities – Abandoned Property and Secured Liabilities – other Secured Claims. *See* Secured Liabilities for Due and Unpaid Claims.

Secured Liabilities

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

Segregated Contingency Fund (Secured Liability)

At December 31, 2013, the Segregated Contingency Fund of $10,000,000 was established for use 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. Interest payable of $339,918 and $175,899 has been recorded as of December 31, 2014 and 2013, respectively.

Abandoned Property

Abandoned property represents annuitant checks that were prepared and sent but not cashed.

Note 2: **Summary of Significant Accounting Policies**

Basis of Presentation (continued)

Other Secured Claims

Other Secured Claims represented taxes withheld but not yet remitted to the appropriate authority.

Unsecured Liabilities

Administrative Expenses

As of December 31, 2014 and 2013, ELNY reported $220,673 and $429,093, respectively, of general expenses incurred but not paid. In addition, Administrative Expenses include $1,178,523 and $0, respectively, of annuity benefits arising out of pre-liquidation claims. *See* Note 8 "Subsequent Events".

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, 2014 and 2013, $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 Statement 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, 2014; 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% per annum, for the period August 8, 2013 to December 31, 2014, it would have amounted to $63,786,520.

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.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation (continued)

Interest accrues on the claim-overs at 4% per annum. As of December 31, 2014 and 2013, ELNY reported $43,726,109 as a liability in the Statement 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, 2014, it would have amounted to $2,443,870.

Annuity Contracts – Due and Unpaid

Annuity Contracts – Due and Unpaid represents Pending Life and Annuity Claims that came due previously but checks were not issued.

Federal, State and Local Government Claims

ELNY is subject to federal income tax, New York State Franchise tax and Metropolitan Transit Authority ("MTA") Surcharge. ELNY does not generate taxable income or have any tax liability due to recurring net operating losses ("NOL"). As of December 31, 2014 and 2013, ELNY reported $0 and $31,054, respectively, as a liability in the Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as Federal, State and Local Government Claims in Class Five – Federal, State and Local Government Claims.

Amounts Held for Agents' Accounts

ELNY established a reserve for unpaid commissions claimed by agents for placements prior to rehabilitation. As of December 31, 2014 and 2013, ELNY reported, as a liability in the Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as General Creditors' Claims in Class Six the amount of $3,825,418.

Statement of Cash Receipts and Disbursements

Reimbursement of Expenses

For the year ended December 31, 2014 and for the period from August 8, 2013 through December 31, 2013, ELNY was reimbursed $176,766 and $455,803, respectively, for legal expenses paid by ELNY.

Rehabilitation Expenses

During 2014, $130,856 was allocated to ELNY from the NYLB for direct expenses, which include brokerage, management, legal and annuity processing expenses. For the period from August 8, 2013 through December 31, 2013, $468,728 was allocated to ELNY from the NYLB for direct expenses.

Note 2: Summary of Significant Accounting Policies
Basis of Presentation (continued)
Abandoned Property

During 2014, $46,582 of unclaimed pre-liquidation annuity payments were segregated to restricted assets. Two payments were made as re-issues of stale dated checks for the period from August 8, 2013 through December 31, 2013.

Annuity Benefits

Payments that were due prior to the date of liquidation and were made to annuity claimants post-liquidation by MetLife.

Unsecured claims are comprised of one or more of the following:

(i) Allowed Claims

Allowed claims are the amounts that have been approved by the appropriate Receivership Court for incurred covered losses and expenses. The liability carried is net of distributions, if any, that may have been paid as early access or dividends.

(ii) Non-Allowed Claims

Non-allowed claim liabilities consist of one or both of the following:

1. Established Reserves

Established reserves are amounts that have been determined by Management to be reasonable estimates of claims for incurred losses and expenses.

Although considerable variability is inherent in such estimates, Management believes that the established reserves for claims for incurred losses and expenses are reasonable. The established reserves are continually reviewed and adjusted as necessary, as experience develops or new information becomes known.

Because ELNY is in liquidation, no provision is made for IBNR ("incurred by not reported") loss reserves, including expected future development on claims already reported.

2. Reserves for Amounts Claimed

The liabilities for creditor claims which have neither been established by the NYLB nor received approval from the appropriate Receivership Court are carried as claimed amounts. Therefore, claimed amount reserves may be overstated.

Note 2: **Summary of Significant Accounting Policies**
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 1999 amendments to Insurance Law Section 7435 set forth a comprehensive list of eight classes of creditor claims in specific order of priority of distribution. The statute provides that no distribution can be made to a class of creditors until each claim in the preceding class had been paid in full. This amendment applied to any proceeding under Insurance Law Article 74 as to which an order of liquidation had been entered on or after June 29, 1999. In 2005, the scheme of distribution of assets provided in Insurance Law Section 7435 was applied retroactively.

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) of section seven thousand seven hundred thirteen of Article 77 The Life Insurance Company Guaranty Corporation of New York Act.

(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 this article. Such priority shall be in lieu of any other similar priority which may be authorized by law as to wages or compensation of employees.

Note 2: Summary of Significant Accounting Policies
Basis of Presentation (continued)

(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 Contracts
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.

(5) Class Five – Federal, State and Local Government Claims
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
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. Every claim under a separate account agreement providing, in effect, that the assets in the separate account shall not be chargeable with liabilities arising out of any other business of the insurer shall be satisfied out of the assets in the separate account equal to the reserves maintained in such account for such agreement and, to the extent, if any, not fully discharged thereby, shall be treated as a class four claim against the estate of the life insurance company.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation (continued)

Provided below is a detailed description of the creditor classes.

Class One – Administrative Claims

Claims with respect to the actual and necessary expenses of administration incurred by the Receiver. Included in administrative claims are accruals for allocated vacation benefits and post-retirement medical benefits.

Class Two through Class Eight – Subordinate Class of Creditor Claims

Should there be sufficient assets after paying Class one claims, these subordinate classes of creditor claims will be thoroughly investigated and recommended for allowance prior to dividend distribution pursuant to Insurance Law Section 7435. The NYLB's policy is not to incur additional costs on claims not expected to be paid. Therefore, these subordinate classes of creditor claims will not be handled until such time as assets are available to pay such 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.

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation (continued)

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.

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, 2014 and 2013 was $220,673 and $429,093, respectively, which consists of unpaid allocated expenses and was recorded as Class One – Administrative Claims.

Note 3: Investments

Bonds

At December 31, 2014, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds are summarized follows:

	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S.Government Obligations	$12,013,835	$17,521	$33,190	$11,998,166
Total	$12,013,835	$17,521	$33,190	$11,998,166

At December 31, 2013, 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
U.S.Government Obligations	$ 16,184,484	$ 149,408	$ 2,362,704	$13,971,188
Total	$ 16,184,484	$ 149,408	$ 2,362,704	$13,971,188

The book adjusted carrying value of debt securities at December 31, 2014 and 2013, 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.

	2014 Amortized Value	2014 Fair Market Value	2013 Amortized Value	2013 Fair Market Value
Less than one year	$ -	$ -	$ -	$ -
One to five years	9,768,709	9,735,956	-	-
Five to ten years	-	-	-	-
Ten years or greater	2,245,126	2,262,210	16,184,484	13,971,188
Total	$ 12,013,835	$ 11,998,166	$ 16,184,484	$ 13,971,188

Net Unrealized Capital Losses

Aggregate unrealized losses on bonds are as follows at December 31, 2014 and 2013.

December 31, 2014

	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	$ 9,842,696	$ 33,190	$ -	$ -	$ 9,842,696	$ 33,190
Total	$ 9,842,696	$ 33,190	$ -	$ -	$ 9,842,696	$ 33,190

Note 3: Investments (continued)

	December 31, 2013					
	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	$ -	$ -	$ 9,571,875	$ 2,362,704	$ 9,571,875	$2,362,704
Total	$ -	$ -	$ 9,571,875	$ 2,362,704	$ 9,571,875	$2,362,704

Other-than-Temporary Analysis

For each reporting period (annual and interim periods), ELNY's investments with unrealized losses are reviewed on a security-by-security basis and it is determined whether such declines are other-than-temporary. In assessing whether a decline is other-than-temporary, various factors are considered 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 principal payments; (iii) an analysis of the security's market value (*e.g.*, amount, duration and significance of the decline); (iv) ELNY'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, a decrease in unassigned deficit is incurred and the cost basis of the impaired asset is adjusted to its fair market value. As of December 31, 2014 and 2013, ELNY did not have to write down any 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, 2014 and 2013, 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 at December 31, 2014 and 2013.
(3) ELNY has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

Note 3: <u>Investments</u> (continued)

The components of net investment income received for the year ending December 31, 2014 and for the period from August 8, 2013 through December 31, 2013 are as follows:

	2014	2013
Loss on Sale of Assets	$ (159,516)	$ -
Interest on Bonds	435,070	353,548
Interest on Short-Term Investments and Cash Equivalents	328	35
Total Gross Investment Income	275,882	353,583
Net Amortization of Bond Premium and Discount	19,967	(24,480)
Net Investment Income Received	$ 295,849	$ 329,103

Note 4: <u>Fair Value Measurement</u>

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 Measurement* ("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

Note 4: Fair Value Measurement (continued)

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.

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 table summarizes the financial instruments carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2014 and 2013:

As of December 31, 2014:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted:				
U.S. Government Obligations	$ -	$ 11,998,166	$ -	$ 11,998,166
Common Stocks	-	-	12	12
Restricted:				
U.S. Government Obligations	-	-	-	-
Statutory Deposits in Other States	-	354,689	-	354,689
Total:	$ -	$ 12,352,855	$ 12	$ 12,352,867

Note 4: Fair Value Measurement (continued)

As of December 31, 2013:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted:				
U.S. Government Obligations	$ -	$ 13,971,188	$ -	$ 13,971,188
Common Stocks	-	-	12	12
Restricted:				
U.S. Government Obligations	-	10,000,000	-	10,000,000
Statutory Deposits in Other States	-	356,716	-	356,716
Total:	$ -	$ 24,327,904	$ 12	$ 24,327,916

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 1 included primarily corporate bonds and common stocks where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to ELNY by independent pricing services.

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.

Note 4: <u>Fair Value Measurement</u> (continued)

Securities classified as Level 3 includes a common stock security carried at cost, which is deemed to approximate fair value.

Note 5: <u>Related-Party Transactions</u>

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, 2014 and 2013, ELNY accrued $220,673 and $429,093, respectively, for Administrative and Investment Functions. These balances due to the NYLB are included in Class One-Administrative Claims

For the year ended December 31, 2014 and the period from August 8, 2013 through December 31, 2013, ELNY paid the following Administrative and Investment Functions expense:

	2014	2013
Salaries	$ 241,011	$ 202,792
Employee Relations & Welfare	143,915	110,721
Professional Fees	432,223	86,525
Rent and Related Expenses	82,233	37,009
General and Administrative	19,097	12,559
	$ 918,479	$ 449,606

Note 6: **<u>Taxes</u>**

At December 31, 2013, ELNY's federal tax return had the following unused operating loss carry forwards available to offset future taxable income, which carry forwards begin to expire in 2018:

Arising from Tax Year:	Year of Expiry	Net Operating Losses	NOL Available
1998	2018	$ 49,182,515	$ 49,182,515
1999	2019	63,117,721	63,117,721
2000	2020	3,726,080	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	18,383,926
Total		$ 859,268,192	$ 859,269,092

***** Includes adjustment to original filed federal income tax return.

NOLs for 2014 will be updated upon completion of the 2014 tax returns. 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 because the estate is in liquidation and does not generate premium income.

Note 7: **<u>Legal Matters, Commitments and Contingencies</u>**

At December 31, 2014 and 2013 in accordance with the Segregated Contingency Segment, ELNY has established a Segregated Contingency Fund of $10,000,000 for potential future legal expenses as discussed in Note 2 Secured Liabilities.

Note 7: Legal Matters, Commitments and Contingencies (continued)

In connection with a federal lawsuit filed on behalf of ELNY shortfall annuitants ("ELNY Objectors"), the Superintendent filed a motion in the ELNY supervising court to enforce anti-suit injunctions contained in the Order of Liquidation and prior orders of the court. On January 25, 2013, the motion was granted and an order was issued finding counsel for the ELNY Objectors ("ELNY Counsel") in contempt. The federal action was voluntarily dismissed by the ELNY Objectors on February 6, 2013. A notice of appeal of the contempt order was filed by ELNY Counsel on February 14, 2013.

On August 9, 2013, the ELNY Objectors perfected the appeal of the supervising court's contempt order. In accordance with the agreed briefing schedule, the Superintendent's responsive brief on the appeal was filed with the Appellate Division, Second Department, on October 29, 2013.

On November 5, 2014, the Second Department affirmed the supervising court's contempt order. The ELNY Counsel sought leave from the Second Department to appeal the decision to the New York Court of Appeals. The Second Department denied leave on March 11, 2015. The ELNY Counsel then directly moved the Court of Appeals for leave to appeal, which was denied on June 10, 2015.

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.

Note 8: Subsequent Events

Subsequent events have been reviewed through July 7, 2015, the date which ELNY's audited Financial Statements were available to be issued, and Management is aware of the following subsequent event:

In March 2015, the Liquidator was advised that an obligation under an ELNY annuity remained unpaid as of the liquidation date of August 8, 2013, due to an administrative error. Management expects the amount due of approximately $1.2 million will be paid in 2015.

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2014 and 2013
With Independent Auditors' Report

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2014 and 2013
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Superintendent of the New York State Department of Financial Services as Receiver and the Management of the Lion Insurance Company in Rehabilitation

Report on the Statutory Basis Schedules

We have audited the accompanying schedules of cash and cash equivalents – statutory basis of Lion Insurance Company in Rehabilitation (the "Company") as of December 31, 2014 and 2013 (the "Statutory Basis Schedules") and the related notes to the schedules of cash and cash equivalents – statutory basis.

Management's Responsibility for the Statutory Basis Schedules

Management is responsible for the preparation and fair presentation of these schedules of cash and cash equivalents – statutory basis in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statutory Basis Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these schedules of cash and cash equivalents – statutory basis 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 schedules of cash and cash equivalents – statutory basis are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statutory Basis Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statutory Basis Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Statutory Basis Schedules 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 Company'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 Statutory Basis Schedules.

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

Opinion

In our opinion, the Statutory Basis Schedules referred to above, present fairly, in all material respects, cash and cash equivalents - statutory basis of the Lion Insurance Company in Rehabilitation as of December 31, 2014 and 2013, on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the accompanying Statutory Basis Schedules, which describes the basis of accounting. The Statutory Basis Schedules were prepared in conformity with accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America to comply with the requirements of the New York State Department of Financial Services. Our opinion is not modified with respect to that matter.

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 7, 2015

LION INSURANCE COMPANY IN REHABILITATION
Schedules of Cash and Cash Equivalents - Statutory Basis
As of December 31, 2014 and 2013

	2014	2013
Cash and Cash Equivalents - Statutory Basis		
Cash and cash equivalents	$ 167,867	$ 607,721
Total Cash and Cash Equivalents - Statutory Basis	**$ 167,867**	**$ 607,721**

See accompanying notes to the Schedules of Cash and Cash Equivalents - Statutory Basis. The Schedules of Cash and Cash Equivalents - Statutory Basis and accompanying notes are prepared solely for the use of the Receiver, the NYLB and Management (as defined herein).

LION INSURANCE COMPANY IN REHABILITATION
Notes to Schedules of Cash and Cash Equivalents - Statutory Basis
As of December 31, 2014 and 2013

Note 1: **Organization and Nature of Operations**

Lion Insurance Company ("Lion") is a wholly-owned subsidiary of Eagle Insurance Company ("Eagle"), a New Jersey domiciled property and casualty insurance company, which is, in turn, a wholly-owned subsidiary of The Robert Plan Corporation ("The Robert Plan"), Lion's ultimate parent.

Lion was incorporated as a stock insurance company on July 14, 1989 and was licensed under the laws of the state of New York on October 1, 1990. Lion was licensed to transact the kinds of insurance specified in New York Insurance Law ("Insurance Law") Section 1113(a) paragraphs: 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage). In 1991, Lion began writing private passenger car insurance. Substantially all of the policies issued by Lion are located in New York State.

Lion had significant transactions with Eagle and The Robert Plan Corporation of New York ("Robert-NY"), a third party claims service administrator and a wholly-owned subsidiary of The Robert Plan. In return for servicing fees, Robert-NY provided Lion with claims administration services, which included loss adjustment and control and loss payment functions. This agreement has since been terminated.

On February 16, 2006, Lion transferred $1,500,000 to The Robert Plan, without first obtaining approval from the former New York State Department of Insurance (the "Insurance Department").

On September 26, 2006, Lion entered into a stipulation with The Robert Plan and the Insurance Department (the "Stipulation") whereby, The Robert Plan agreed to repay the loan to Lion pursuant to a repayment schedule. Accordingly, if The Robert Plan defaulted in any manner in making repayment, Lion consented to being placed into rehabilitation. Simultaneous with the execution of the Stipulation, Lion's Board of Directors ("Board") held a special meeting at which the Board unanimously approved the resolution consenting to an entry of an order of rehabilitation and the commencement of proceedings for that purpose in the Supreme Court of the State of New York, County of New York ("Receivership Court").

The Robert Plan failed to make the required payments for October 2006 and all dates thereafter and thus defaulted, thereby violating the Stipulation. Accordingly, Lion consented to being placed into rehabilitation.

Pursuant to Insurance Law Article 74, on September 6, 2007, the Receivership Court issued an order ("Rehabilitation Order") placing Lion into rehabilitation and appointing the then-Superintendent of Insurance of the State of New York (and his successors in office) rehabilitator of Lion ("Rehabilitator"). The Rehabilitation Order directed the Rehabilitator to, among other things, take possession of Lion's property,

Note 1: Organization and Nature of Operations (continued)

conduct Lion's business and take such steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary.

The New York Liquidation Bureau ("NYLB") is the organization that carries out the duties of the Superintendent of Financial Services of the State of New York ("Superintendent") in his capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under Insurance Law Article 74. The NYLB reports to the Superintendent in his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"). The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Acting Special Deputy Superintendent and other Agents) as necessary to carry out his functions as 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 policyholders and creditors. The Agents, along with division directors and senior managers of the NYLB, are hereinafter referred to as "Management." Management carries out the responsibilities of the Receiver and manages the daily operations of all Estates.

Note 2: Summary of Significant Accounting Policies

A. Accounting Practices

The *Accounting Practices and Procedures Manual* ("APP Manual") of the National Association of Insurance Commissioners ("NAIC") summarizes statutory accounting practices and provides guidance to regulatory agencies in formulating prescribed or permitted practices. The DFS adopted portions of the APP Manual, subject to exceptions, conflicts and additions set forth in Insurance Regulation 172, 11 N.Y.C.R.R. 83 ("Prescribed Practices").

Permitted statutory accounting practices include practices that differ from Prescribed Practices but that are allowed by the DFS. Management did not seek permission from the DFS to deviate from the Prescribed Practices. As a result, there are no permitted practices applicable to Lion. The outcome of applying the Prescribed Practices to Lion would not be significantly different from the outcome of applying the APP Manual to Lion.

Management has elected to prepare Lion's Schedules of Cash and Cash Equivalents - Statutory Basis as of December 31, 2014 and 2013 in accordance with Prescribed Practices. The Prescribed Practices used to prepare the Schedules of Cash and Cash

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Equivalents - Statutory Basis are a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("US GAAP"). Below are the significant differences between the Prescribed Practices and US GAAP:

Cash and Cash Equivalents

Cash and Cash Equivalents represents cash balances and unrestricted invested assets with maturities of one year or less at the date of purchase. Under US GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

B. Accounting Policies

Management used the following methods and assumptions in the preparation of the Schedules of Cash and Cash Equivalents - Statutory Basis.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of acquisition, including money market mutual funds, and are typically stated at amortized cost.

Note 3: Fair Market Value of Cash and Cash Equivalents

Cash and Cash Equivalents

The carrying amounts reported in the Schedules of Cash and Cash Equivalents – Statutory Basis for cash and cash equivalents are a reasonable estimate of fair market value.

Note 4: Concentration of Credit Risk

Financial instruments that have the potential to subject Lion to credit risk consist of cash and cash equivalents.

Cash and cash equivalents are deposited with high quality financial institutions. At times, such amounts may exceed the insured limits of the Federal Deposit Insurance Corporation ("FDIC") and/or the Securities Investor Protection Corporation. Certain cash equivalents include investments in money market mutual fund securities, which are not necessarily insured by the FDIC.

Lion maintains cash balances at a financial institution that is insured by the FDIC, which as of December 31, 2014 and 2013, insured accounts up to $250,000. Management monitors balances of cash in excess of insured limits and believes that

Note 4: Concentration of Credit Risk (continued)

such balances do not represent a material credit risk to Lion. As of December 31, 2014, Lion's cash balance was below the FDIC limits as compared with an excess of $253,860 in 2013. Cash accounts are currently held with JPMorgan Chase which is rated A-1(S&P)/P-2(Moody's).

Note 5: Subsequent Events

In accordance with SSAP No. 9, *Subsequent Events*, subsequent events have been reviewed through July 7, 2015, the date on which these audited schedules were available to be issued and Management is aware of the following subsequent event:

Pursuant to an order of the Receivership Court entered March 10, 2015, the Lion rehabilitation proceeding was converted to a liquidation proceeding and terminated upon distribution of Lion's assets to Eagle.