

EISNERAMPER

NEW YORK LIQUIDATION BUREAU

**Statements of Cash Receipt and Disbursements - Cash Basis
of the Central Disbursement Account**

**DECEMBER 31, 2019 and 2018
With Independent Auditors' Report**



NEW YORK LIQUIDATION BUREAU

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

**For the Years Ended December 31, 2019 and 2018
With Independent Auditors' Report**

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INDEPENDENT AUDITORS' REPORT

Superintendent of Financial Services of the State of New York 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 for each of the years ended December 31, 2019 and 2018, 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 of the New York Liquidation Bureau in accordance with the 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 of the New York Liquidation Bureau 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 of the New York Liquidation Bureau 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 of the New York Liquidation Bureau 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 of the Central Disbursement Account of the New York Liquidation Bureau 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 of the New York Liquidation Bureau. 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 of the New York Liquidation Bureau, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau.



Opinion

In our opinion, the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau referred to above present fairly, in all material respects, the cash receipts and disbursements for each of the years ended December 31, 2019 and 2018, 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 of the New York Liquidation Bureau, which describes the basis of accounting. The statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau 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 Financial Services of the State of New York as Receiver who has jurisdiction over the New York Liquidation Bureau ("NYLB"), and management thereof and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
July 30, 2020



NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Receipts:		
Payments Received in Non-New York Liquidation:		
Proceedings	\$ 350,035,486	\$ 29,571,536
Reimbursement of Expenses	37,850,504	40,087,978
Closure of Payroll Account	1,298,839	-
Other Receipts	384,593	188,642
Transfer from Escheated Funds	345,966	944,137
Deposit for Administrative Expenses	10,000	300,000
Investment Income Received	9,919	9,531
Total Receipts	<u>389,935,307</u>	<u>71,101,824</u>
Disbursements:		
Payments to NYLB Security Funds Operating Accounts:		
New York Workers Compensation Security Fund	171,562,991	18,866,764
New York Property and Casualty Security Fund	170,458,362	9,531,788
New York Public Motor Vehicle Security Fund	8,014,133	1,172,984
	<u>350,035,486</u>	<u>29,571,536</u>
Operating Expenses:		
Salaries, Employee Relations and Welfare	22,545,109	22,618,881
Loss Adjustment Expenses	6,909,216	5,266,295
Professional Fees	3,261,213	3,350,167
Rent and Related Expenses	2,621,279	4,716,737
General and Administrative Expenses	3,038,164	6,781,637
Investment Expense	899,409	1,259,101
Insurance Expense	594,705	599,893
Escheatable Funds	358,715	944,137
Other Disbursements	336,537	873,297
Distribution to Fraternal	260,879	68,411
Salvage & Subrogation Fees	48,057	47,241
Miscellaneous	8,094	12,645
Large Deductible Payments	-	40,583
Total Operating Expenses	<u>40,881,377</u>	<u>46,579,025</u>
Total Disbursements and Operating Expenses	<u>390,916,863</u>	<u>76,150,561</u>
Net Disbursements	<u>(981,556)</u>	<u>(5,048,737)</u>
Cash – Beginning of Year	<u>6,711,787</u>	<u>11,760,524</u>
Cash – End of Year	<u>\$ 5,730,231</u>	<u>\$ 6,711,787</u>

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).

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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 her capacity as receiver (“Receiver”) of impaired or insolvent insurance companies (“Estates”) under New York Insurance Law (“Insurance Law”) Article 74. The NYLB reports to the Superintendent in her capacity as Receiver rather than in her capacity as regulator and head of the Department of Financial Services of the State of New York (“DFS”). The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (Special Deputy and other Agents, collectively, with the Special Deputy, "Agents") as are necessary to carry out her functions as Receiver. The Agents, along with division directors and senior managers of the NYLB, are collectively referred to herein as (“Management”). Management carries out, through the NYLB, the responsibilities of the Receiver with regard to the Estates. The NYLB manages the daily operations of all Estates, including Domestic Estates in Liquidation (“Domestic Estates”), Ancillary Estates, Conservations and Fraternal Associations.

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”), 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. 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.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

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, 2019 and 2018. The Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account of the NYLB 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 (“U.S. GAAP”). The cash basis of presentation differs from U.S. 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 identified specifically to the NYLB, the Estates and Security Funds.

C. Cash

Cash is comprised solely of the money deposited in the CDA and amounts in excess of current funding requirements may be invested in an overnight Money Market Deposit Account (“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-1 (Moody’s), A-2 (S&P) and F1+ (Fitch). 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), A-1+ (S&P) and F1+ (Fitch).

As of December 31, 2019 and 2018, the FDIC insured accounts up to \$250,000 at the above named institutions. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to the NYLB.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

D. Receipts

Payments Received in Non-New York Liquidation Proceedings

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 each Security Fund in order to qualify for receipt of a Final Distribution or Early Access Distribution (“EAD”) in a non-New York liquidation proceeding.

At December 31, 2019 and 2018, respectively, the following amounts were received by the CDA in non-New York liquidation proceedings for the purpose of reimbursing the Security Funds for claims payments and administrative expenses.

	<u>2019</u>	<u>2018</u>
Reliance Insurance Company	\$ 247,815,611	\$ 225,821
Legion Insurance Company	63,940,632	267,944
Villanova	14,127,927	-
Lumbermens Group	6,805,570	17,421,635
ULLICO	5,421,357	4,545,007
Western Employers	5,220,755	-
Fremont Indemnity	4,620,977	-
Lumbermens Underwriting Alliance	1,137,666	2,008,495
Eagle Insurance	658,882	-
Home Insurance Company	168,964	92,867
Newark Insurance	114,755	-
Guarantee Insurance Company	2,390	-
First Seabord	-	478,042
Great Atlantic	-	4,359,232
PHICO	-	31,946
Shelby Casualty	-	140,547
Total	<u>\$ 350,035,486</u>	<u>\$ 29,571,536</u>

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

D. Receipts (continued)

Reimbursement of Expenses

The NYLB receives reimbursements from the Estates and Security Funds for the general and administrative expenses it pays on their behalf. These expenses include items, such as salaries, payroll taxes, rent and related expenses, office expenses and 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. Reimbursed expenses in 2019 and 2018 amounted to \$37,850,504 and \$40,087,978, respectively.

Closure of Payroll Account

In 2019, the NYLB changed its payroll processing vendor. In doing so, the new payroll processing vendor did not require a Payroll Segregated account. The balance in the Payroll Segregated account of \$1,298,839 was returned to the NYLB Central Disbursement Account.

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. Other Receipts in 2019 and 2018 totaled \$384,593 and \$188,642, respectively.

Transfer from Escheated Funds

The NYLB received \$345,966 and \$944,137 in 2019 and 2018, respectively, from Estates' segregated cash account for further remittance of funds to the Office of the New York State Comptroller Unclaimed Funds.

Deposit for Administrative Expenses

The NYLB requested advances from the WC Fund for \$10,000 and \$300,000 in 2019 and 2018, respectively, for the payment of administrative and claims expenses for new estates placed in liquidation.

Investment Income Received

Investment Income Received, which consists primarily of interest income received on the MMDA balances in the CDA, totaled \$9,919 and \$9,531 for the years ended December 31, 2019 and 2018, respectively.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements

Payments to Security Funds Operating Accounts

Payments to Security Funds Operating Accounts consist of monies that have been received by the CDA in non-New York liquidation proceedings for the purpose of reimbursing the Security Funds. These reimbursements are for claims payments and loss adjustment expenses (“LAE”) incurred by the Security Funds for the handling and payment of claims on behalf of non-New York liquidation proceedings. Disbursements to Security Funds totaled \$350,035,486 in 2019 and \$29,571,536 in 2018. Below is the detail of the amount of reimbursement by each ancillary estate to the Security Fund.

Ancillary Estates	WC Fund	P/C Fund	PMV Fund	Total All Funds
Eagle Insurance	\$ -	\$ 564,152	\$ 94,730	\$ 658,882
Fremont Indemnity	4,592,392	28,585	-	4,620,977
Guarantee Ins Co	2,390	-	-	2,390
Home Insurance	168,964	-	-	168,964
Legion Insurance	45,849,201	17,443,896	647,534	63,940,631
Lumbermens Group	6,011,572	793,998	-	6,805,570
Lumbermen’s Underwriting Alliance	1,137,666	-	-	1,137,666
Newark Insurance	-	114,755	-	114,755
Reliance Insurance	106,767,172	135,161,290	5,887,149	247,815,611
Ullico Casualty	2,292,622	1,744,016	1,384,719	5,421,357
Villanova	174,918	13,953,009	-	14,127,927
Western Employers	4,566,094	654,661	-	5,220,755
Total	\$171,552,991	\$170,458,362	\$ 8,014,133	\$ 350,035,486

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements (continued)

Below is the detail of the amount of reimbursement by each ancillary estate to the Security Fund in 2018:

Ancillary Estates	WC Fund	P/C Fund	PMV Fund	Total All Funds
First Sealord	\$ -	\$ 478,042	\$ -	\$ 478,042
Great Atlantic Insurance Co	-	4,359,232	-	4,359,232
Home Insurance	92,867	-	-	92,867
Legion Insurance	267,944	-	-	267,944
Lumbermens Group	14,444,588	2,977,047	-	17,421,635
Lumbermen's Underwriting Alliance	2,008,495	-	-	2,008,495
Phico	7,469	24,477	-	31,946
Reliance insurance	225,821	-	-	225,821
Shelby	-	140,547	-	140,547
Ullico Casualty	1,819,580	1,552,443	1,172,984	4,545,007
Total	\$ 18,866,764	\$ 9,531,788	\$ 1,172,984	\$ 29,571,536

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements (continued)

Operating Expenses

Salaries, Employee Relations and Welfare

Salaries, 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 spend on the respective Estates and Security Funds.

The breakdown of Salaries, Employee Relations and Welfare expenses is as follows:

	2019	2018
Salaries	\$ 13,680,299	\$ 13,408,072
Health Insurance	6,009,187	5,627,75
Pension Plan	1,926,492	2,161,761
Employee Relations	929,131	1,421,289
Total	\$ 22,545,109	\$ 22,618,881

Loss Adjustment Expenses

Loss Adjustment Expenses (“LAE”) in 2019 and 2018 totaled \$6,909,216 and \$5,266,295, respectively. The NYLB pays 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.

Professional Fees

The NYLB has paid fees for the following types of professional services: reinsurance collections, accounting and auditing, information technology, actuarial and legal services not involving defense of policyholders. These expenses were allocated among the Estates and/or Security Funds. Reimbursement of such expenses is generally based on the amount of time NYLB employees allocate to the respective Estates and/or Security Funds. However, if professional fees are incurred, which relate solely to a specific Estate, that Estate is charged directly for such fees. Professional Fees totaled \$3,261,213 in 2019 and \$3,350,167 in 2018.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements (continued)

Rent and Related Expenses

The NYLB leased office space at 110 William Street, New York, New York (“Premises”). In 2010, the NYLB entered into a 15-year lease agreement for office space at 110 William Street, which was terminated on November 30, 2018. On December 27, 2017, the NYLB entered into a 15-year lease agreement for office space at 180 Maiden Lane, New York, New York. Such rent and related expenses are allocated to the Estates and Security Funds. (See Note 3).

Additionally, the NYLB leased storage space (“Warehouse”) at 168 39th Street, Brooklyn, New York since 1986. The lease at the Warehouse expired on August 31, 2018, and was not renewed. Warehouse space is currently being leased at three locations. (See Note 3).

In 2019 and 2018, the NYLB paid approximately \$2,621,279 and \$4,716,737, respectively, in rent and related expenses for the office space and the Warehouse, as well as offsite storage.

General and Administrative Expenses

The NYLB paid general and administrative expenses of \$3,038,164 in 2019 and \$6,781,637 in 2018. The majority of these expenses are for the procurement of information technology equipment and telecommunication services. In addition, 2018 included expenses to relocate from William Street to Maiden Lane, New York, New York.

Investment Expense

Investment Expense in 2019 and 2018 totaled \$899,409 and \$1,259,101, respectively, which includes bank charges and investment advisor fees.

Insurance Expense

Insurance expenses comprises the cost of the NYLB’s workers compensation policy, crime policy, liability policy and the Employed Lawyers Professional Liability policy. In 2019 and 2018 these expenses totaled \$594,705 and \$599,893, respectively.

Escheatable Funds

The NYLB released escheated funds in 2019 and 2018 in the amount of \$358,715 and \$944,137, respectively, to the New York State Comptroller, Office of Unclaimed Funds.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements (continued)

Other Disbursements

Other Disbursements refers to expenses paid by the NYLB, the majority of which were association dues and web/internet services. 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/or Security Funds.

Other Disbursements for the years ended December 31, were as follows:

	<u>2019</u>	<u>2018</u>
Association Dues	\$ 145,327	\$ 149,987
Web/Internet Services	125,046	191,387
Metropolitan Commuter Transportation Mobility Tax	43,002	42,146
Books and Reference Material	15,714	48,737
Travel and Travel Related Items	4,681	10,352
Other	2,767	13,380
Real Estate Taxes	-	417,308
Total	<u>\$ 336,537</u>	<u>\$ 873,297</u>

Distribution to Fraternal

Distribution to Fraternal as of December 31, 2019 and 2018 totaled \$260,879 and \$68,411, respectively. These assets were distributed to various Fraternal associations, which distributions terminated the liquidation proceeding.

Salvage and Subrogation Fees

Salvage and Subrogation fees are charged by attorneys retained by the NYLB to collect outstanding salvage and subrogation from third parties who contributed to a claim. Such fees totaled \$48,057 in 2019 and \$47,241 in 2018.

Miscellaneous

Miscellaneous includes state taxes and local assessments paid from the CDA by the NYLB on behalf of various Estates totaling \$8,094 in 2019 and \$12,645 in 2018.

Certain disbursements may require additional research in order to properly allocate such expense to the appropriate Estate or Security Fund. While Management determines the appropriate Estate or Security Fund, these expenses are held in a suspense account.

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

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

E. Disbursements (continued)

Large Deductible Payments

Certain insurance companies offer policyholders large deductible programs in which the policyholder is responsible for self-administering and funding its own claims under a policy up to an agreed limit. Under such programs, the Receiver, or the state guaranty fund that is handling the claim, administers the claim in the usual course and makes all covered loss payments. The Receiver is responsible for collecting the large deductible amount from the policyholder to reimburse itself or the applicable guaranty fund for loss payments covered under the program. Large Deductible payments totaled \$0 in 2019 and \$40,583 in 2018.

F. Reclassifications

Certain amounts in the 2018 Statement of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account have been reclassified for comparative purposes to conform with the presentation in the 2019 Statement of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account.

Note 2: Commitments and Contingencies

Offices

In 2019 and 2018, the NYLB paid approximately \$1.4 million and \$3.4 million, respectively, in rent and related expenses for the Premises. The lease for 110 William Street terminated on November 30, 2018 and new space was leased at 180 Maiden Lane.

Lease Agreements

The estimated minimum future lease payments under the NYLB's current lease agreement for office space is as follows:

	2020	2021	2022	2023	2024	2025-2034	Total
(\$ Millions)							
Rent	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 23.00	\$ 34.00
Real Estate Tax	.02	.03	.04	.06	.08	1.63	1.86
Electric	.14	.14	.14	.15	.15	1.68	2.40
Operating Expenses	.03	.05	.07	.08	.10	2.00	2.33
Total	\$ 2.39	\$ 2.42	\$ 2.45	\$ 2.49	\$ 2.53	\$ 28.31	\$ 40.59

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2019 and 2018

Note 2: Commitments and Contingencies (continued)

The NYLB leased warehouse space at various storage facilities in 2019 and 2018. In 2019 and 2018, additional storage space was rented for \$0.2 million and \$0.2 million, respectively. The estimated future minimum warehouse rent payments under the leases are as follows:

Warehouse	Term of Lease	Cost Per Cubic Ft. Per Month	Estimated Annual Rent
American Record Management Systems	5	\$.0875	\$108,000
Iron Mountain	1	\$.1430	\$205,000

The Company also maintains a warehouse lease with Underground Vaults & Storage, Inc. for a term of five years, with estimated annual rent of \$44,000.

The extent of the impact of the coronavirus ("COVID-19") outbreak on the operation and financial performance of our business are unknown. However, the Company does not expect that the outbreak will have a material adverse effect on our business or financial results at this time.

Note 3: Subsequent Events

Subsequent events have been reviewed through July 30, 2020, 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:

From January 1, 2020 through July 30, 2020, the following amounts were received by the CDA in non-New York liquidation proceedings for the purpose of reimbursing the Security Funds:

Lumbermen's Underwriting Alliance	\$ 239,735
Lumbermens Mututal	96,570
The Home Insurance Co	35,785
Total	<u>\$ 372,090</u>