ANNUAL AUDIT REPORT OF THE NEW YORK LIQUIDATION BUREAU

December 31, 2013 and 2012

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NEW YORK LIQUIDATION BUREAU

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

For the Years Ended December 31, 2013 and 2012 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 for each of the years ended December 31, 2013 and 2012 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.

Auditors' 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 of 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 entity'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 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.

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, 2013 and 2012 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the 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, 2014

NEW YORK LIQUIDATION BUREAU
Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2013 and 2012

	2013	2012
Receipts:		
Investment Income Received	$ 26,057	$ 40,975
Reimbursement of Expenses	44,922,278	49,562,862
Reimbursement from Non-New York Liquidators	123,775,085	103,728,078
Other Receipts	40,324	218,287
Total Receipts	168,763,744	153,550,202
Disbursements:		
Early Access Distributions	117,570,200	103,727,726
Loss Adjustment Expenses	603,859	476,472
Claims Paid	846	5,802,000
Salvage and subrogation	471,701	302,183
Refunds to Domestic Estates	973,000	199,000
Funds Released to Collateral	161,717	372,968
Escheatable Funds	34,886	-
Taxes Paid	55,313	33,955
Salaries	19,193,202	19,330,017
Employee Relations and Welfare	11,258,820	10,747,227
Rent and Related Expenses	4,619,801	3,943,188
Professional Fees	5,296,091	4,303,624
General and Administrative Expenses	2,808,929	3,542,793
Other Disbursements	1,631,718	1,204,242
Total Disbursements	164,680,083	153,985,395
Net Receipts (Disbursements)	4,083,661	(435,193)
Cash - Beginning of Year	16,074,508	16,509,701
Cash - End of Year	$ 20,158,169	$ 16,074,508

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 NYLB reflect the amounts deposited in and disbursements made from the central disbursement account ("CDA") for the years ended December 31, 2013 and 2012. The Statements of

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

B. Basis of Presentation (continued)

Cash Receipts and Disbursements – Cash Basis 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, 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. Cash

Cash is comprised solely of the money deposited in the CDA, the excess of which 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. In addition, for longer term investment opportunities, cash is placed in a Money Market Deposit Account ("MMDA") which provides for more attractive yields. 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).

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

C. Cash (continued)

As of December 31, 2013 and 2012, 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 $17.7 million and $16.1 million as of December 31, 2013 and 2012, respectively.

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, 2013 and 2012.

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").

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

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.

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.

Claims Paid

During 2013, the NYLB made a claim payment for Frontier Insurance Company from the CDA. During 2012, the NYLB made claim payments for major policyholder claims incurred on behalf of Midland Property and Casualty 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 2013 and 2012 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 increased by $774,000 largely due to additional estate closures and the release of funds back to those estates.

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

E. Disbursements (continued)

Funds Released to Collateral

In 2013, the NYLB refunded $161,717 to the owners of various collateral. Of that amount, $142,874 was on behalf of Washington Title Insurance Company. In 2012, the NYLB refunded $372,968 of Letter of Credit collateral held by The Insurance Corporation of New York ($329,188) and Ideal Mutual Insurance Company ($43,780).

Taxes Paid

Taxes paid represents income 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:

	2013	2012
Pension Plan	$ 3,937,850	$ 3,626,621
Health Insurance	5,707,037	5,501,971
Employee Relations	1,613,933	1,586,924
Other	-	31,711
Total	$ 11,258,820	$ 10,747,227

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 2013 and 2012, the NYLB paid approximately $4.6 million and $3.9 million, respectively, in rent and related expenses for the Premises and the Warehouse.

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

E. Disbursements (continued)

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 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.

	2013	2012
Investment Expenses	$ 93,042	$ 150,347
Insurance	545,113	541,073
Travel and Travel Related Items	22,745	18,343
Real Estate Taxes	438,823	11,990
Books and Reference Material	29,034	30,578
MCT Mobility Tax	61,842	62,587
Web/Internet Services	80,314	70,790
Fees and Assessments	543	(228)
Association Dues and Membership Fees	117,940	119,366
Other	242,322	199,396
Total	$ 1,631,718	$ 1,204,242

Note 2: <u>Employee Retirement</u>

<u>New York State and Local Employees' Retirement System – Defined Benefit Plan</u>

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.

<u>New York State Deferred Compensation Plan – 457b</u>

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: <u>Federal and State Taxes</u>

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 the taxes on behalf of various Estates as discussed in Note 1.

Note 4: <u>Commitments</u>

<u>Offices</u>

In 2013, the NYLB paid approximately $3.3 million in rent and related expenses for the Premises. In 2012, the NYLB paid approximately $2.9 million in rent and related expenses for the Premises and the prior premises of 123 William Street.

<u>Lease Agreements</u>

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

($ Millions)	110 William 2014	110 William 2015-2026	Total
Rent	$ 3.4	$ 42.8	$ 46.2
Real Estate Tax	0.1	2.4	2.5
Electric	0.3	3.3	3.6
Operating Expenses	0.2	5.0	5.2
Total	$ 4.0	$ 53.5	$ 57.5

Note 4: Commitments (continued)

For 2013 and 2012, the NYLB paid approximately $.8 million and $.9 million, respectively, for Warehouse rent and related expenses. The estimated future minimum payments under the lease are as follows:

($ Millions)	Warehouse 2014-2018	Total
Rent and Related Expenses	$3.7	$3.7

Note 5: Subsequent Events

Subsequent events have been reviewed through July 7, 2014, 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 2014, the NYLB received the following EAD monies from Non-New York Liquidators:

Amwest Surety Insurance Company	$ 663,166
Home Insurance Company	115,947
Integrity	4,027,625
PHICO	1,306,216
Reliance Insurance Company	622,661
	$6,735,615

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2013 and 2012
With Independent Auditors' Report

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2013 and 2012
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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 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, 2013 and 2012, 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 to the Combined Domestic Estates Financial Statements, 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.

Auditors' 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the Combined Domestic Estates Financial Statements referred to above present fairly, in all material respects, the combined financial position of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2013 and 2012 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 basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the Combined Domestic Estates Financial Statements, which describes the modified cash 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 management's estimate of 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 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, 2014

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

	2013	2012
Combined Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 123,314,784	$ 132,424,405
Invested Assets:		
Certificates of Deposit	270,302	270,109
Bonds, at fair market value	608,119,947	705,951,633
Common Stocks, Unaffiliated at fair market value	105,987	105,987
Investment in subsidiaries	6,482,754	7,009,889
Limited Partnerships	882,175	963,639
Real Estate	616,418	1,490,583
Buildings	4,463,582	4,812,870
Total Invested Assets	620,941,165	720,604,710
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	**744,255,949**	**853,029,115**
Reinsurance Recoverables on Paid Losses and LAE	426,500,972	435,200,312
Less: Allowance for Uncollectible Reinsurance Recoverables	(352,818,236)	(359,678,988)
Net Reinsurance Recoverables on Paid Losses and LAE	73,682,736	75,521,324
Reinsurance Recoverables on Unpaid Losses and LAE	550,247,598	871,097,660
Less: Allowance for Uncollectible Reinsurance Recoverables	(487,585,698)	(661,166,254)
Net Reinsurance Recoverables on Unpaid Losses and LAE	62,661,900	209,931,406
Receivables from Others	9,330,505	13,610,414
Accrued Investment Income	2,408,799	3,666,947
Other Assets	5,946,246	7,025,320
Total Unrestricted Assets	**898,286,135**	**1,162,784,526**
Restricted Assets:		
Statutory Deposits in New York or Other States	70,010,203	76,149,642
Other Restricted Assets	52,534,895	51,891,802
Total Restricted Assets	**122,545,098**	**128,041,444**
Total Combined Assets	**$ 1,020,831,233**	**$ 1,290,825,970**

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,

	2013	2012
Combined Liabilities		
Secured Claims	$ 27,511,492	$ 27,527,949
Unsecured Claims:		
Class One - Administrative Claims	55,467,241	78,893,993
Class Two - Claims and Related Costs		
Allowed	2,403,482,198	2,283,813,770
Non-Allowed	1,256,021,910	1,679,744,493
Total Class Two – Claims and Related Costs	3,659,504,108	3,963,558,263
Class Three - Federal Government Claims	46,410,665	46,395,689
Class Four - Employee Claims	10,164	10,164
Class Five - State and Local Government Claims	25,526,826	23,052,330
Class Six - General Creditor Claims	773,246,391	792,260,430
Class Seven - Late Filed Claims	345,487,611	369,253,010
Class Eight - Section 1307 (Shareholder) Loans	160,618,056	164,763,289
Class Nine - Shareholder Claims	126,869,487	140,464,445
Total Combined Liabilities	**5,220,652,041**	**5,606,179,562**
Deficit of Combined Assets over Combined Liabilities	**(4,199,820,808)**	**(4,315,353,592)**
Total Combined Liabilities and Deficit of Combined Assets over Combined Liabilities	**$ 1,020,831,233**	**$ 1,290,825,970**

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,

	2013	2012
Combined Receipts:		
Net Investment Income Received	$ 14,273,055	$ 19,983,140
Reinsurance Recovered	113,803,296	36,456,161
Premiums Collected	229,158	122,397
Salvage and Subrogation	3,585,362	2,841,088
Expense Reimbursement Received from Security Funds	105,062	-
Reimbursement from Central Disbursement Account	625,000	235,000
Release from Statutory Deposits	6,755,664	2,320,661
Litigation Awards	3,520,691	443
Claim Refunds	87,100	988,176
Large Deductible	207	121,698
Second Injury Claim Refunds	59,308	641,096
Transfer from Segregated Accounts	836,008	301,706
Escrow Account	-	719,950
Received from Affiliates	25,075	-
Miscellaneous	2,043,550	1,898,748
Total Combined Receipts	**145,948,536**	**66,630,264**
Combined Disbursements:		
Dividends	183,478,370	149,368,648
Transfer to Affiliate	2,432,080	-
Transfer to Segregated Account	354,883	2,495,012
Claims Paid	25,748	5,815,542
Loss Adjustment Expense	495,458	509,546
Reimbursement of Allocated Expenses	31,150,430	22,862,077
Salvage and Subrogation fees	533,135	453,430
Miscellaneous	1,720,926	935,203
Total Combined Disbursements	**220,191,030**	**182,439,458**
Net Decrease of Combined Receipts Over Combined Disbursements	**(74,242,494)**	**(115,809,194)**
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	**853,029,115**	**842,460,226**
Opening Cash, Cash Equivalents and Invested Assets, Balances of New Estates	144,265	132,581,018
Closed Estates	(87)	-
Reclassification to Invested Assets	-	1,397,000
Unrealized (Loss) Gain on Investments	(34,674,850)	(7,599,935)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	**$ 744,255,949**	**$ 853,029,115**

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
Notes to Combined Financial Statements of the Domestic Estates In Liquidation - Modified Cash Basis
For the Years Ended December 31, 2013 and 2012

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, 2013 and 2012 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, 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, Health Partners of New York, LLC, Home Mutual Insurance Company of Binghamton, New York, Horizon Insurance Company, ICM Insurance Company, Ideal Mutual Insurance Company, The Insurance Corporation of New York, Long Island Insurance Company, MDNY Healthcare, Inc., Midland Insurance Company, Midland Property and Casualty Insurance Company, Nassau Insurance Company, New York Merchant Bakers Insurance Company, New York Surety Company, 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: Nature of Operations of the Combined Domestic Estates in Liquidation

Background (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 Health Partners of New York LLC, Horizon Insurance Company and MDNY Healthcare were terminated during the period ended December 31, 2012, however, activity and residual liabilities for all three Domestic Estates in Liquidation is included through the date of termination. 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. Bakers Mutual Insurance Company, which was closed in 1997, was reopened on August 17, 2012 and closed on August 31, 2013. Frontier Insurance Company was placed into liquidation on November 16, 2012 and activity from November 16, 2012 forward is included. Autoglass Insurance Company was placed into liquidation on January 9, 2012 and the proceeding was terminated on February 21, 2013. Carriers Casualty Insurance Company, which was closed in 1997, was reopened on May 3, 2013 and activity from May 3, 2013 forward is included. ICM Insurance Company was placed into liquidation on December 24, 2013 and its $144,265 of cash on hand was included in opening cash, cash equivalents and invested assets in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis at January 1, 2013.

Atlantic Mutual Insurance Company and Centennial Insurance Company were placed into liquidation on April 27, 2011. Washington Title Insurance Company was placed into liquidation on November 18, 2011. Atlantic Mutual Insurance Company, Centennial Insurance Company and Washington Title Insurance Company were not subject to audits for activity through December 31, 2011; however, the opening cash, cash equivalents and invested assets of these Domestic Estates in Liquidation are included in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis at January 1, 2012 and activity from January 1, 2012 forward is included.

The financial statements for the following estates are not included in the Combined Estates Financial Statements for the years ended December 31, 2013 and 2012: (i) Lion Insurance Company and Professional Liability Insurance Company of

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

Background (continued)

America, which are the subject of rehabilitation proceedings; (ii) Aspen U.S. Insurance Company, which was placed into liquidation on August 24, 2011 with assets of approximately $6,520,900 (unaudited) and subsequently closed on September 7, 2012 with a final 2012 distribution of $6,481,378; (iii) Madison Insurance Company, which was placed into liquidation on September 21, 2011 with assets of approximately $183,785,000 (unaudited) and subsequently closed on August 10, 2012 with a final 2012 distribution of $183,965,681; (iv) Financial Guaranty Insurance Company which was placed into rehabilitation on July 3, 2012 and subsequently closed on August 19, 2013; (v) 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; (vi) fraternal associations; (vii) ancillary estates; (viii) conservations; and (ix) six unfunded shell companies that were placed into liquidation in 2011 and closed in 2012 and one unfunded shell company that was placed into liquidation in 2013 and closed in 2014.

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 7602(a)(1)(B), is obligated to pay only certain specified insurance claims with respect to coverage of property or risks. Pursuant to Insurance Law Section 7603(a)(2), claims that have been allowed by an

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

appropriate Receivership Court 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. Claims that have been allowed by the appropriate Receivership Court 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.

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.

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

Background (continued)

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.

(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.

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

(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 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).

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

(4) Atlantic Mutual Insurance Company (continued)

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.

(5) 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,

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

(7) Capital Mutual Insurance Company (continued)

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 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.

(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.

(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.

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

(9) <u>Centennial Insurance Company</u> (continued)

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).

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) <u>Colonial Cooperative Insurance Company</u>

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.

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

(11) <u>Colonial Indemnity Insurance Company</u>

Colonial Indemnity Insurance Company ("Colonial Indemnity") was incorporated under the laws of the State of New York as the Charter Indemnity Company onSeptember 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 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.

(12) <u>Consolidated Mutual Insurance Company</u>

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

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

(12) Consolidated Mutual Insurance Company (continued)

Aircraft Physical Damage), 20 (Marine and Inland Marine), and 21 (Marine Protection and Indemnity).

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.

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

(16) Frontier Insurance Company (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.

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

(17) Galaxy Insurance Company

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 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.

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

(17) Galaxy Insurance Company (continued)

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.

(18) Group Council Mutual Insurance Company

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) Health Partners of New York, LLC

Health Partners of New York, LLC ("HPNY") was formed on October 26, 2006, as a single member limited liability company whose sole member was WSNCHS East Inc. d/b/a The Long Island Home ("TLIH").

In September 2001, TLIH was authorized to operate a managed long-term care plan ("Managed Care Plan") under the New York State Public Health Law. On January 1, 2007, HPNY assumed the operations of the Managed Care Plan.

On December 22, 2008, HPNY was placed into liquidation and the Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on October 10, 2012.

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

(20) Home Mutual Insurance Company of Binghamton, New York

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.

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.

(21) Horizon Insurance Company

Horizon Insurance Company ("Horizon") was incorporated under the laws of the State of New York and licensed to transact business as an insurer on June 28, 1971. Horizon was a wholly-owned subsidiary of the Ambassador Group Inc., a Delaware holding company based in North Bergen, New Jersey. Ambassador Insurance Company, a Vermont company, was the other subsidiary of the group.

Horizon 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), 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).

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

(21) Horizon Insurance Company (continued)

On November 29, 1984, Horizon was placed into liquidation and the Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on October 16, 2012.

(22) 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.

(23) 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.

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.

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

(24) 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.

(25) 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.

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

(26) MDNY Healthcare, Inc.

MDNY Healthcare, Inc. ("MDNY") was incorporated under the laws of the State of New York as MDLI Healthcare, Inc. on June 21, 1995. On October 12, 1995, the company adopted its present name.

MDNY was licensed to operate as a health maintenance organization ("HMO") in Nassau and Suffolk counties pursuant to the provisions of Article 44 of the New York Public Health Law. On November 1, 1995, the Insurance Department granted a conditional certificate of authority to MDNY, which commenced operations as an HMO on January 1, 1996.

On July 31, 2008, MDNY was placed into liquidation and Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on November 20, 2012.

(27) 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, 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 previously filed (or deemed filed) proof of claim, including a policyholder protection proof of claim, and

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

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.

(28) <u>Midland Property and Casualty Insurance Company</u>

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.

(29) <u>Nassau Insurance Company</u>

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.

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

(29) <u>Nassau Insurance Company</u> (continued)

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.

(30) <u>New York Merchant Bakers Insurance Company</u>

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.

(31) <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.

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

(31) New York Surety Company (continued)

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.

(32) Realm National Insurance Company

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-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.

(33) 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.

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

(33) Titledge Insurance Company of New York, Inc. (continued)

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.

(34) 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.

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.

(35) 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

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

(35) Union Indemnity Insurance Company of New York (continued)

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.

(36) 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.

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.

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

(37) 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).

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.

(38) 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).

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

(38) Washington Title Insurance Company (continued)

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.

(39) 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 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.

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

<u>Basis of Presentation</u>

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 incurred but not reported ("IBNR") reserves.

The following supplementary schedules are attached hereto as:

- Appendix A: 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"); and

- Appendix B: December 31, 2012: 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 ("2012 Supplementary Combining Schedules").

The 2013 and 2012 Supplementary Combining Schedules both include cash transactions, the accruals noted above, case reserves and paid liabilities to the Security and Guaranty Funds.

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (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.

Cash and Cash Equivalents

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

The NYLB maintains the cash balances of 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, 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 $64 million and $128 million as of December 31, 2013 and 2012, respectively.

Invested Assets

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

<u>Invested Assets</u> (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.

Investments in 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.

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 NYMB and Cosmopolitan; (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, 2013 and 2012, the Receivables from Others are as follows:

	2013	2012
Receivable From Affiliates	$ 888,505	$ 888,202
Cash on Deposit with CDA	8,442,000	12,082,000
Security Fund Expense Reimbursement Receivables	-	640,212
Total	$ 9,330,505	$ 13,610,414

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, 2013, Other Assets held by certain Domestic Estates in Liquidation were $5,946,246, compared to $7,025,320 at December 31, 2012.

Investment in Subsidiaries

AMIC includes its indirectly and wholly-owned insurance subsidiaries, Centennial, ALICOT Insurance Company ("ALICOT") and Atlantic Mutual International Limited ("AMIL"). Centennial is 100% owned by Atlantic Companies Holding Corporation ("ACHC"). ACHC holds 100% of AMIL and ALICOT is 100% owned by Centennial. 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.

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 an insurance company domiciled in the United Kingdom and is presented using the underlying net assets on a US GAAP basis, after foreign exchange translation adjustments.

As of December 31, 2013 and 2012, the Combined Domestic Estates in Liquidation had investments in subsidiaries with a cost of $10,100,456 and an estimated fair market value of $6,482,754 and $7,009,889, 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, 2013 and at December 31, 2012 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 12/31/13	Underlying US GAAP Equity as of 12/31/12
ACHC	$ 623,584	$ 623,237
AMIL	3,640,274	3,669,410
Total AMIC's investments in subsidiaries	$ 4,263,858	$ 4,292,647

Centennial's investment in its non-consolidated wholly-owned subsidiary at December 31, 2013 and 2012, 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 12/31/13	Underlying US GAAP Equity as of 12/31/12
ALICOT	$ 2,218,896	$ 2,717,242
Total Centennial's investments in subsidiaries	$ 2,218,896	$ 2,717,242

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

The components of ALICOT at December 31, 2013 and 2012 are as follows:

	As of 12/31 2013	As of 12/31/2012
Assets:		
Cash and investments	$ 2,713,498	$ 2,711,859
Other assets	5,398	5,383
Total assets:	$ 2,718,896	$ 2,717,242
Liabilities:		
Loss and LAE	$ 500,000	$ -
Other liabilities	-	-
Total liabilities	500,000	-
Surplus	2,218,896	2,717,242
Total liabilities and surplus	$ 2,718,896	$ 2,717,242
For the year ended:	12/31/2013	12/31/2012
Loss and LAE incurred	$ (500,000)	$ -
Net investment income and realized gains	7,775	18,788
Other income	59	-
Loss before income taxes	(492,166)	18,788
Income tax expense	-	-
Net loss	$ (492,166)	$ 18,788

The components of AMIL at December 31, 2013 and 2012 are as follows:

	As of 12/31/2013	As of 12/31/2012
Assets:		
Cash and investments	$ 4,127,539	$ 4,113,966
Other assets	23,720	51,908
Total assets:	$ 4,151,259	$ 4,165,874
Liabilities:		
Administrative expenses	$ 414,353	$ 406,481
Other liabilities	96,632	89,983
Total liabilities	510,985	496,464
Surplus	3,640,274	3,669,410
Total liabilities and surplus	$ 4,151,259	$ 4,165,874

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

	For the Year ended 2013	For the Year ended 2012
Administrative expenses incurred	$ (122,794)	$ (141,766)
Net investment income and realized gains	22,593	(9,825)
Other income	-	(24)
Income before income taxes	(100,201)	(151,615)
Income tax expense	-	-
Net loss	$ (100,201)	$ (151,615)

The components of ACHC at December 31, 2013 and 2012, including AMIL, are as follows:

	As of 12/31/2013	As of 12/31/2012
Assets:		
Cash and investments	$ 4,310,922	$ 4,339,385
Other assets	-	5,082
Total assets:	$ 4,310,922	$ 4,344,467
Liabilities:		
Loss and LAE	$ -	$ -
Other liabilities	47,064	51,820
Total liabilities	47,064	51,820
Surplus	4,263,858	4,292,647
Total liabilities and surplus	$ 4,310,922	4,344,467

	For the Year ended 2013	For the Year ended 2012
Loss and LAE incurred	$ -	$ -
Net investment income and realized gains	347	480
Other income	-	-
Income before income taxes	347	480
Income tax expense	-	-
Net income	$ 347	$ 480

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, 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	-	1,781,420	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)**

Restricted Assets (continued)

As of December 31, 2012, 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):

		Other Restricted Assets			
Domestic Estate in Liquidation	**Statutory Deposits**	**Security Fund Cash**	**Funds Held for Secured Claims**	**Other Assets**	**Total**
American Agents	$ -	$ 19,169	$ -	$ -	$ 19,169
American Consumer	-	-	-	41,170	41,170
American Fidelity	-	28,304	64,656	114,009	206,969
AMIC	35,562,267	-	25,216,513	688,613	61,467,393
Capital Mutual	-	247,589	56,413	-	304,002
Centennial	20,136,793	-	1,713,087	229,538	22,079,418
Contractors Casualty	-	-	152,867	-	152,867
Cosmopolitan	-	4,564	665,575	241,872	912,011
First Central	-	66,185	53,425	387,419	507,029
Frontier	19,313,206	-	1,871,992	-	21,185,198
Galaxy	-	-	131,050	-	131,050
Group Council	-	201,354	-	5,641	206,995
Home Mutual	-	-	1,387	-	1,387
Ideal	20,277	-	3,212,957	341,873	3,575,107
Inscorp	401,943	-	2,140,602	967,581	3,510,126
Midland	-	250	1,092,788	409,754	1,502,792
Nassau	-	10,796	-	-	10,796
NYMB	-	1,902,652	180,175	-	2,082,827
NY Surety	-	-	910,092	-	910,092
Realm	634,660	14,716	165,067	25,934	840,377
Union	80,496	-	5,601,750	352,142	6,034,388
UCIC	-	-	-	525,184	525,184
U.S. Capital	-	1,503	82,190	-	83,693
Washington Title	-	-	1,639,980	-	1,639,980
Whiting	-	-	-	111,424	111,424
Total:	$ 76,149,642	$ 2,497,082	$ 44,952,566	$ 4,442,154	$ 128,041,444

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, 2013 and 2012, are as follows and reported as an offset to allowed liabilities on the balance sheet:

	2013	2012
American Agents	$ 9,377,282	$ 36,778
American Consumer	905,176	-
American Fidelity	6,206,136	-
Autoglass	153,717	-
Bakers Mutual	9,366	-
Capital Mutual	2,320,696	119,486
Consolidated Mutual	381,353	6,404,494
Contractors Casualty	27,285	91,707
Cosmopolitan	16,400,857	1,642,639
First Central	1,686,322	2,468,877
Galaxy	7,636,669	1,152,223
HPNY	-	240,127
Home Mutual	4,811,117	-
Ideal	4,446,780	22,121,075
Inscorp	3,910,653	-
MDNY	-	2,024,261
Midland	73,352,028	84,893,877
NYMB	18,291,742	-
NY Surety	272,395	259,206
Titledge	458,821	-
Transtate	28,480,594	152,235
Union	888,402	19,410,114
UCIC	390,314	1,386,105
U.S. Capital	3,070,665	6,965,444
Total	$ 183,478,370	$ 149,368,648

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, Security Funds, Ancillary Estates, Conservations and Fraternal Societies. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Domestic Estates, Security Funds, Ancillary Estates, Conservations and Fraternal Societies.

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: **Investments**

The components of net investment income received for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Interest on Bonds	$ 12,826,980	$ 15,088,896
Interest on Short-Term Investments and Cash Equivalents	115,653	796,879
Reimbursement of Interest	(319,375)	-
Investment in Subsidiaries	2,432,080	-
Realized Gain/(Loss) on Sale of Investments	(1,083,708)	3,702,458
Dividends	120,881	87,031
Total Gross Investment Income	14,092,511	19,675,264
Net Amortization of Bond Premium and Discount	180,543	307,876
Net Investment Income Received	$ 14,273,054	$ 19,983,140

Note 3: Investments (continued)

As of December 31, 2013 and December 31, 2012, 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, 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	-	(925,294)	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	5	(14,101,263)	301,352,651
Realm	1,498,248	-	(150,808)	1,347,440
Transtate	9,991,808	-	(724,950)	9,266,855
Union	12,471,375	-	(1,103,200)	11,368,175
UCIC	14,565,017	41	(953,346)	13,611,710
Total	$ 641,142,846	$ 671,936	$ (33,694,835)	$ 608,119,947

	December 31, 2012			
Domestic Estates in Liquidation	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
AMIC	$ 52,322,159	$ 558,534	$ (98,468)	$ 52,782,225
Capital Mutual	5,000,000	16,750	-	5,016,750
Centennial	27,101,130	616,584	(65,454)	27,652,260
Colonial Cooperative	199,908	1,459	-	201,367
Cosmopolitan	38,479,572	110,994	(196,931)	38,393,635
First Central	61,069,608	77,164	(165,816)	60,980,956
Frontier	21,357,506	19,244	(67,145)	21,309,605
Galaxy	14,000,569	40,220	(240)	14,040,549
Home Mutual	8,000,000	22,840	-	8,022,840
Ideal	59,965,895	107,815	(422,192)	59,651,518
Inscorp	33,932,140	36,142	(283,480)	33,684,802
Midland	308,641,625	932,167	(502,952)	309,070,840
MIDPAC	2,494,496	7,180	(4,221)	2,497,455
Nassau	1,000,000	4,280	-	1,004,280
NYMB	7,073,358	-	(167,711)	6,905,647
Realm	1,843,038	1,590	(11,839)	1,832,789
Transtate	32,656,699	58,327	(172,712)	32,542,314
Union	18,925,925	68,628	(47,890)	18,946,663
UCIC	11,503,122	9,227	(125,252)	11,387,097
U.S. Capital	23,842	4,199	-	28,041
Total	$ 705,590,592	$ 2,693,344	$ (2,332,303)	$ 705,951,633

Note 3: Investments (continued)

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

	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	$ (7,400,517)	$ 401,091,625	$ (26,296,317)	$ 597,595,358	$ (33,696,834)
Total Fixed Income	196,609,719	(7,400,517)	401,091,625	(26,296,317)	597,595,358	(33,696,834)
Total	$ 196,609,719	$ (7,400,517)	$ 401,091,625	$ (26,296,317)	$ 597,595,358	$ (33,696,834)

	December 31, 2012					
	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	$ 304,205,403	$ (2,319,556)	$ 1,624,117	$ (12,746)	$ 305,829,520	$ (2,332,302)
Total Fixed Income	304,205,403	(2,319,556)	1,624,117	(12,746)	305,829,520	(2,332,302)
Total	$ 304,205,403	$ (2,319,556)	$ 1,624,117	$ (12,746)	$ 305,829,520	$ (2,332,302)

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, 2013 and 2012.

The amortized cost and fair market value of CDs and bonds held to maturity at December 31, 2013 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	2013 Fair Market Value	2013 Amortized Cost
Due within one year	$ 768	$ 756
Due after one year and before five years	201,881,383	205,638,040
Due after five years and before ten years	379,629,378	406,973,003
Due after ten years and before fifteen years	17,482,880	19,955,072
Due after fifteen years	9,125,538	8,575,970
Total Combined Domestic Estates	$ 608,119,947	$ 641,142,841

The proceeds received and gains (losses) on called or sold bonds at December 31, 2013 and 2012 are as follows:

	Proceeds Received		Gains (losses) on Called or Sold	
	2013	2012	2013	2012
American Agents	$ -	$ 6,275,184	$ -	$ 5,065
AMIC	6,330,172	42,247,605	(799,989)	827,075
Capital Mutual	5,000,000	5,047,447	-	966
Centennial	513,232	14,055,185	(38)	440,018
Cosmopolitan	40,113,445	43,891,169	(428,072)	(44,629)
First Central	13,634,463	44,598,017	(31,955)	21,312
Frontier	9,707,812	6,925,405	43,019	-
Galaxy	6,569,600	4,014,667	-	-
Home Mutual	3,052,200	3,011,000	-	-
Ideal	15,104,845	66,823,218	50,832	-
Inscorp	7,310,763	24,141,251	(72,210)	38,664
Midland	131,526,186	404,773,288	114,273	18,048
MIDPAC	1,010,250	12,154,710	-	14,271
Nassau	1,010,250	2,487,746	-	9,573
NYMB	7,087,500	15,625,577	(79,254)	10,034
Realm	-	2,507,813	-	-
Transtate	34,032,518	26,025,677	(676,586)	2,156,247
Union	6,537,272	38,503,925	20,242	32,898
UCIC	4,705,921	17,163,160	(26,007)	11,810
U.S. Capital	24,356	1,009,362	2,043	242
TOTALS	$ 293,273,785	$ 781,281,406	$ (1,883,702)	$ 3,541,594

Note 3: Investments (continued)

Mortgage-Backed Securities

In 2013 and 2012, Management identified 97 and 102 mortgage-backed securities, respectively, with amortized costs of approximately $9,063,742 and $12,875,890, respectively. They are carried at a fair market value of $9,661,351 and $13,831,312, respectively.

After reviewing these securities, Management has determined that, based on the information currently available to it, at December 31, 2013 four mortgage backed securities with an amortized cost of $1,253,792 and a fair market value of $1,292,574 had 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 the Combined Domestic Estates in Liquidation'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: Fair Value Measurement (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, 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)

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, 2012:

	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, 2012:				
Unrestricted Assets:	$ -	$ -	$ -	$ -
U.S Government	-	1,911,506	-	1,911,506
U.S Government Agencies	-	690,208,811	-	690,208,811
Mortgage Backed Securities	-	10,015,928	-	10,015,928
Collateral Mortgage Obligations	-	3,815,388	-	3,815,388
Limited Partnerships	-	-	963,639	963,639
Common Stocks - Unaffiliated	-	-	105,987	105,987
Investment in Subsidiaries	-	-	7,009,889	7,009,889
Real Estate	-	-	1,490,583	1,490,583
Buildings	-		4,812,870	4,812,870
Restricted Assets:	-	-	-	-
U.S. Government	-	25,210,288	-	25,210,288
U.S. Government Agencies	-	34,805,844	-	34,805,844
Mortgage Backed Securities	-	3,149,218	-	3,149,218
Collateral Mortgage Obligations	-	284,689	-	284,689
Total	$ -	$ 769,401,672	$ 14,382,968	$ 783,784,640

Note 4: Fair Value Measurement (continued)

The Combined Domestic Estates in Liquidation 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.

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.

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, 2013	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, 2013
Assets:									
Real estate	$ 1,490,583	$ -	$ -	$ (324,523)	$ -	$ -	$ (549,642)	$ -	$ 616,418
Buildings	4,812,870	-	-	(349,288)	-	-		-	4,463,582
Limited Partnerships	963,639	-	42,569	(13,082)	-	-	(110,951)	-	882,175
Common stocks	105,987	-	-	-	-	-	-	-	105,987
Investment in subsidiaries	7,009,889	-	(527,135)	-	-	-	-	-	6,482,754
	$ 14,382,968	$ -	$(484,566)	$ (686,893)	$ -	$ -	$ (660,593)	$ -	$12,550,916

There were no significant transfers into or transfers out of Level 1, 2, or 3. There were no changes in valuation techniques during 2013 and 2012.

Note 5: Investments in Partnerships

Frontier has ownership interests in equity partnerships and such interest is carried on the balance sheet in Other Invested Assets. Frontier carries these interests based on the underlying U.S. GAAP equity of the investee.

The Limited Partnerships provide Frontier with access to management services and Investments that Frontier does not possess directly. As of December 31, 2013 and 2012, Frontier’s aggregate investments in the Limited Partnerships were $882,175 and $963,639, respectively. As of December 31, 2013 and 2012, Frontier’s aggregate cost in the Limited Partnerships was $874,173 and $895,239 resulting in a change in unrealized losses of $13,082 for the period January 1, 2013 to December 31, 2013, as compared with unrealized losses of $214,054 for the period of November 16 to December 31, 2012 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 the period of January through December 31, 2013, Frontier received distributions from the Limited Partnerships in the amount of $110,951 compared to $64,030 for the period of November 16 through December 31, 2012; for the period January 1, 2013 to December 31, 2013, Frontier had gross realized gains of $42,569. For the period of November 16 to December 31, 2012, Frontier had gross unrealized gains of $27,882 and gross unrealized losses of $2,446,161 on such distributions.

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 and $5,396,454 as of December 31, 2013 and 2012, respectively. The building owned by Frontier in Rock Hill, New York is included as part of Invested Assets on the balance sheet and reported at estimated fair value.

In addition, Realm owns property in North Carolina with a value of $80,000 and $907,000 as of December 31, 2013 and 2012, respectively. The investments in real estate and buildings are carried at estimated fair market value.

Real Property Transactions

On September 11, 2013, the Liquidator sold the largest parcel of Realm real property located in Stanly County North Carolina for a sale price of $550,000.

Real property relating to the Nassau liquidation was acquired by the Liquidator in a judgment lien in May, 2013. The property was appraised at $715,000 in July 2012, and re-appraised in June 2013 at $730,000. On December 6, 2013, this property was sold for $760,000 less taxes and settlement expenses.

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.

Note 7: Reinsurance (continued)

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.

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, 2013 and 2012, 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.

Note 8: Related-Party Transactions (continued)

As of December 31, 2013 and 2012, the amounts remaining due to the NYLB are $1.3 million and $1.7 million, respectively, and are included in Class One – Administrative Claims. During 2013 and 2012, the Combined Domestic Estates in Liquidation paid $31.2 million and $22.9 million, respectively, of allocated expenses, detailed as follows:

	2013	2012
Salaries	$ 9,110,742	$ 8,812,360
Employee Relations & Welfare	12,990,614	4,967,785
Rent and Related Expenses	2,552,767	2,499,842
Professional Fees	4,223,283	3,804,985
General and Administrative	2,273,024	2,777,105
	$ 31,150,430	$ 22,862,077

Note 9: Expense Reimbursement

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, Security Funds, Ancillary Estates, Conservations and Fraternal Societies.

Note 10: Asbestos and Environmental Reserves

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. 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 of individual MPHs in the Ideal, Union and Midland estates, these reserves will be maintained as currently set, raised, lowered or eliminated as warranted on each MPH claim.

As of December 31, 2013 and 2012, the reserves for Union, Ideal and Midland and the corresponding reinsurance, if any, are as follows and reported as a Class II – Non-Allowed Liability:

	2013	2012
Union		
Gross Reserves		
Asbestos	$ 99	$ 5,950,171
Environmental	36	171
Products	99	250,225
Total Gross Reserves	234	6,200,567
Less Ceded Reserves	-	-
Net Reserves	$ 234	$ 6,200,567

	2013	2012
Ideal		
Gross Reserves	$	
Asbestos	63	$ 90
Environmental	63	2,678,103
Products	63	1,750,959
Total Gross Reserves	189	4,429,152
Less Ceded Reserves	-	-
Net Reserves	$ 189	$ 4,429,152

	2013	2012
Midland		
Gross Reserves		
Asbestos	$ 266,995,272	$ 629,216,764
Environmental	11,187,969	18,156,380
Products	32,868,568	51,026,239
Total Gross Reserves	311,051,809	698,399,383
Less Ceded Reserves	(131,359,990)	(341,682,117)
Net Reserves	$ 179,691,819	$ 356,717,266

The decline in reserves for Union and Ideal 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 2013 adjudications. The decrease in ceded reinsurance reserves for Midland was due primarily to commutations finalized in 2013. 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 and New York State income tax, but generally these Estates do not generate taxable income or tax liability due to offsets available from NOL carry forwards.

For the 2013 tax year, none of the Domestic Estates in Liquidation paid estimated federal income tax liabilities with their tax extensions filed in March 2014.

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 $8,790 in 2013, compared to $9,162 in 2012.

Effective March 1, 2009, the Combined Domestic Estates in Liquidation were subject to the Metropolitan Commuter Transportation ("MCT") mobility tax. In 2013, the total MCT mobility tax paid by the Combined Domestic Estates in Liquidation was $18,552 compared to $27,027 in 2012.

Note 11: Taxes (continued)

At December 31, 2012, 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 @ 12/31/11	Expired NOL and FINAL RETURN	Taxable Income (Loss) for 2012	Other Adjustments	Section Reduction of (NOL) Form 982	NOL Carry-forward @ 12/31/2012
American Agents	2020	$ (67,639,914)	$ -	(734,628)	$ -	$ -	$ (68,374,542)
American Consumer	2018	(12,881,966)	276,364	(187,059)	-	-	(12,792,661)
American Fidelity	2018	(35,643,828)	196,003	(236,199)	-	-	(35,684,024)
AMIC and subsidiaries	2020	(878,536,254)	-	(6,620,155)	-	-	(885,156,409)
Autoglass	2022	(366,750)	-	(25,276)	-	-	(392,026)
Capital Mutual	2021	(44,110,052)	-	(581,509)	-	403,504	(44,288,057)
Colonial Cooperative	2024	(20,817,559)	-	(840,207)	-	-	(21,657,766)
Colonial Indemnity	2027	(16,798,468)	-	(664,356)	-	-	(17,462,824)
Consolidated Mutual		(11,183,077)	11,359,357	(176,280)	-	-	-
Contractors Casualty	2019	(8,358,292)	-	(373,625)	-	463,695	(8,268,222)
Cosmopolitan	2019	(55,936,501)	1,976,741	(402,201)	-	-	(54,361,961)
First Central	2018	(150,285,915)	9,963,066	(373,897)	-	1,926,169	(138,770,577)
Frontier	2033	-	-	(64,324,098)	-	-	(64,324,098)
Galaxy	2018	(17,520,426)	3,506,200	(432,583)	-	-	(14,446,809)
Group Council	2024	(369,080,520)	-	(3,832,888)	-	11,283,125	(361,630,283)
Home Mutual	2018	(38,282,550)	4,122,952	(1,349,099)	-		(35,508,697)
Ideal	2018	(458,349,391)	-	(1,008,703)	-	2,727,448	(456,630,646)
LIIC	2028	(23,528,094)	-	(8,506,524)	-	-	(32,034,618)
MDNY		(56,585,070)	56,699,023	(113,953)	-	-	-
Midland	2024	(1,148,191,913)	-	(3,081,179)	-	70,623,566	(1,080,649,526)
MIDPAC	2018	(10,222,976)	-	(1,009,194)	-	-	(11,232,170)
Nassau	2018	(28,703,824)	-	(491,258)	-	-	(29,195,082)
NYMB	2018	(153,257,851)	20,995,716	(2,888,109)	-	1,979,506	(133,170,738)
NY Surety	2018	(14,718,035)	-	(266,151)	-	200,425	(14,783,761)
Realm	2024	(156,719,163)	-	(1,208,083)	-	-	(157,927,246)
Titledge	2030	(1,376,912)	-	(36,493)	-	97,629	(1,315,776)
Transtate	2024	(26,281,480)	-	2,401,873	-	-	(23,879,607)
Union	2018	(597,370,438)	-	(709,882)	-	9,099,297	(588,981,023)
U.S. Capital	2018	(43,638,291)	9,852,961	(424,382)	-	-	(34,209,712)
Washington Title	2026	(1,877,757)	-	(2,872,186)	-	-	(4,749,943)
Whiting	2019	(16,835,240)	1,125,331	(195,594)	-	-	(15,905,503)
Totals		(4,465,098,507)	115,950,762	(101,563,878)	-	102,927,316	(4,347,784,307)
Valuation Allowance		4,465,098,507	(115,950,762)	101,563,878	-	(102,927,316)	4,347,784,307
Operating Loss Carry Forward, Net of Valuation Allowance		$ -	$ -	$ -	$ -	$ -	$ -

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

As of December 31, 2012, the Combined Domestic Estates in Liquidation have accumulated NOLs of $4.3 billion. NOLs for 2013 will be updated upon completion of the 2013 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 $109 million and $142 million, as of December 31, 2013 and 2012, 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, 2013 and 2012, the Combined Domestic Estates in Liquidation share of the estimated liability was $44 million and $64 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, 2013 and 2012, using Topic 715 and reported its conclusions in reports dated February 2014 and February 2013, respectively (collectively, "Actuarial Reports"). Pursuant to the Actuarial Reports, discount rates of 4.00% and 4.50% were selected by Management and used to determine the initial accumulated post-retirement benefit obligation ("APBO") and discount rates of 4.75% and 4.00% were applied to determine the APBO as of December 31, 2013 and 2012, respectively. The post-retirement benefit liability is as follows:

		2013			2012
APBO (Initial Accrual) as of January 1, 2013:	$	142,407,376	APBO (Initial Accrual) as of January 1, 2012:	$	113,382,706
APBO as of December 31, 2013:	$	108,902,162	APBO as of December 31, 2012:	$	142,407,376
Net Periodic Benefit Cost for the fiscal year 2013:	$	8,601,993	Net Periodic Benefit Cost for the fiscal year 2012:	$	11,560,158

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, 2013 and 2012:

	Post-Retirement Benefits	
Reconciliation of benefit obligation	2013	2012
Obligation at beginning of year	$ 142,407,376	$ 113,382,706
Service cost including expenses	2,820,332	3,170,018
Interest cost	4,690,589	5,572,751
Plan amendments	-	-
Actuarial (gain) / loss	(38,229,534)	22,856,603
Acquisitions / (divestitures)	-	-
Benefit payments and expected expenses	(2,777,280)	(2,753,254)
Medicare Part D reimbursements	(9,321)	178,552
Curtailments	-	-
Special termination benefits	-	-
Settlements	-	-
Obligation at end of year	$ 108,902,162	$ 142,407,376
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	2,786,601	2,574,702
Benefit payments and actual expenses	(2,777,280)	(2,753,254)
Medicare Part D reimbursements	(9,321)	178,552
Settlements	-	-
Fair value of plan assets at end of year	-	-
Unfunded status at end of year	$ (108,902,162)	$ (142,407,376)

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	$ 108,902,162	$ 7,510,921
At trend + 1%	128,755,168	9,222,227
Dollar Impact	19,853,006	1,711,306
Percentage Impact	18.23%	22.78%
At Trend – 1%	93,043,438	6,190,172
Dollar Impact	(15,858,724)	(1,320,749)
Percentage Impact	(14.56%)	(17.58%)

Amounts recognized in unrestricted net assets consist of:

	Post-Retirement Benefits	
	2013	2012
Transition asset/obligations	$ -	$ -
Prior service credit/cost	-	-
Gain/(Loss)	(4,710,762)	(44,031,368)
	$(4,710,762)	$(44,031,368)

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:		
2014	$	3,305,455
2015		3,623,804
2016		3,944,644
2017		4,239,116
2018		4,507,158
Years 2019-2023		26,505,462

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, 2013 and 2012, were $13,174,978 and $6,092,179, respectively. The collateral balances as of December 31, 2013 and 2012, were $13,438,478 and $6,214,022, 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, the NYLB, 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, 2014, 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, 2013, is listed in the table below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2013, and billed and subsequently received in 2014.

	Domestic Estate in Liquidation	Collections of Reinsurance Recoverable on Paid Losses and LAE
(1)	Capital Mutual	$ 415,917
(2)	Colonial Cooperative	6,650
(3)	Cosmopolitan	226,712
(4)	First Central	358,723
(5)	Frontier	2,609
(6)	Galaxy	4,149
(7)	Home Mutual	358,453
(8)	Inscorp	131,690
(9)	Midland	51,542,560
(10)	NYMB	1,039,379
(11)	Realm	1,380,737
	Total	$55,467,579

Note 15: Subsequent Events (continued)

Dividends Distributed

The following Domestic Estates in Liquidation made dividend distributions subsequent to December 31, 2013:

Capital Mutual	$ 169,998
Cosmopolitan	709,159
Galaxy	696,698
First Central	247,905
Ideal	358,132
Inscorp	353,243
Midland	11,644,981
NYMB	61,581
Titledge	109,692
Transtate	172,548
Union	2,012,695
	$ 16,536,542

Bar Dates

The following is a list of estates that subsequent to December 31, 2013, obtained bar dates pertaining to the presentment of claims and the corresponding bar dates for each estate:

Realm National Insurance Company	January 31, 2014
ICM Insurance Company	May 16, 2014

Sale of Property

The NYLB signed a contract effective June 9, 2014 to sell the remaining two parcels of North Carolina land owned by Realm National Insurance Company.

Estate Closures

The following estates were closed subsequent to December 31, 2013:

Consolidated Mutual was closed on January 23, 2014
Carriers Casualty was closed on February 14, 2014

Estates Converted to Liquidation

Professional Liability Insurance Company of America was converted from a rehabilitation to a liquidation on February 10, 2014.

Estate Deconsolidation

On March 5, 2014, Centennial Insurance Company repurchased 100% of its shares of common stock from Atlantic Companies Holding Corporation, a wholly-owned subsidiary of Atlantic Mutual Insurance Company, under the terms of a repurchase agreement approved by a court order entered on April 3, 2014.

Note 15: Subsequent Events (continued)

Rock Hill Property Ownership Dispute

On February 24, 2014, the Liquidator petitioned the Frontier Supervising Court for a determination that Frontier is the beneficial owner of 100% of Frontier's former headquarters property located in Rock Hill, New York. The Liquidator initiated the petition in response to assertions by Frontier Insurance Group, Ltd. ("FIGL"), the successor-in-interest of Frontier's former parent, Frontier Insurance Group, Inc. ("FIGI"), that FIGL has an ownership interest in the property based primarily upon a schedule in FIGI's Chapter 11 bankruptcy case, which closed in 2007. FIGL responded to the petition by removing the case to the U.S. District Court for the Northern District of New York ("NDNY"), asserting counterclaims against the Liquidator in the removed case, and moving to reopen the bankruptcy case in the U.S. Bankruptcy Court for the Southern District of New York ("SDNY"). On May 23, 2014, the SDNY agreed to reopen the bankruptcy case, and on June 11, 2014, the NDNY transferred the removed case to the SDNY, but expressly declined to address Frontier's motions to remand and dismiss, which Frontier may renew in the reopened bankruptcy case in the SDNY.

Rock Hill Property Tax Grievance

Frontier's former headquarters are located at 195 Lake Louise Marie Road in the Town of Thompson, New York. As of a valuation date of July 1, 2012, the Town of Thompson appraised the property and determined the value to be $9 million for tax assessment purposes. The Liquidator commissioned an independent appraisal of the property that indicated that the Town's valuation significantly overstates the value of the property, which, as a consequence, significantly overstates the amount of property taxes and sewer rates that must be paid in respect of the property. The Liquidator has filed Complaints on Real Property Assessment before the Board of Assessment Review for the Town of Thompson for 2013 and 2014 alleging, among other things, that the Town's assessed value of the property exceeds the actual value of the property.

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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, 2013 and 2012, 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, 2014, 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 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 as of and for the years ended December 31, 2013 and 2012 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, 2014

Supplementary Schedules

Appendix A

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

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

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

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

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

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

Supplementary Schedules

Appendix B

December 31, 2012

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 THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	ATLANTIC MUTUAL	Elimination of IBNR	ATLANTIC MUTUAL (Adjusted)	AUTOGLASS
Unrestricted Assets:							
Cash and Cash Equivalents	$ 12,407,603	$ 1,279,922	$ 6,742,974	$ 9,877,940	$ -	$ 9,877,940	$ 196,856
Investments							
Certificates of Deposits	-	-	-	-		-	-
Bonds, at fair market value	-	-	-	52,782,224	-	52,782,224	-
Common Stocks, unaffiliated at fair market value	-	-	-	78,160	-	78,160	-
Total Investments	-	-	-	52,860,384		52,860,384	-
Total Cash and Cash Equivalents and Investments	12,407,603	1,279,922	6,742,974	62,738,324		62,738,324	196,856
Other Invested Assets:							
Limited Partnerships	-	-	-	-	-	-	-
Investments in Subsidiaries	-	-	-	4,292,647	-	4,292,647	-
Real Estate	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	12,407,603	1,279,922	6,742,974	67,030,971	-	67,030,971	196,856
Reinsurance Recoverables on Paid Losses and LAE	2,500	5,691,909	1,668,043	9,279,238	-	9,279,238	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(5,691,909)	(1,668,043)	(9,279,238)	-	(9,279,238)	-
Net Reinsurance Recoverables on Paid Losses and LAE	2,500	-	-	-			-
Reinsurance Recoverables on Unpaid Losses and LAE	61,606	520,334	263,628	24,148,939	(7,224,071)	16,924,868	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(520,334)	(263,628)	(24,148,939)	7,224,071	(16,924,868)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	61,606	-	-	-	-	-	-
Receivables from Others	1,205,000	65,000	80,000	386	-	386	-
Accrued Investment Income	-	-	-	685,684	-	685,684	-
Other Assets	-	-	-	2,646,883	-	2,646,883	-
Total Unrestricted Assets	13,676,709	1,344,922	6,822,974	70,363,924	-	70,363,924	196,856
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	-	35,562,267	-	35,562,267	-
Other Restricted Assets	19,169	41,170	206,969	25,905,126	-	25,905,126	-
Total Restricted Assets	19,169	41,170	206,969	61,467,393	-	61,467,393	-
Total Assets	$ 13,695,878	$ 1,386,092	$ 7,029,943	$ 131,831,317	$ -	$ 131,831,317	$ 196,856

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	**BAKERS MUTUAL**	**CAPITAL MUTUAL**	**CENTENNIAL**	**Elimination of IBNR**	**CENTENNIAL (Adjusted)**	**COLONIAL INDEMNITY**	**COLONIAL COOPERATIVE**
Unrestricted Assets:							
Cash and Cash Equivalents	$ 281,722	$ 3,293,956	$ 3,740,771	$ -	$ 3,740,771	$ 111,318	$ 136,381
Investments							
Certificates of Deposits	-	-	-		-	-	-
Bonds, at fair market value	-	5,016,750	27,652,264	-	27,652,264	-	201,367
Common Stocks, unaffiliated at fair market value	-	-	27,826	-	27,826	-	-
Total Investments	-	5,016,750	27,680,090		27,680,090	-	201,367
Total Cash and Cash Equivalents and Investments	281,722	8,310,706	31,420,861		31,420,861	111,318	337,748
Other Invested Assets:							
Limited Partnerships	-	-	-	-	-	-	-
Investments in Subsidiaries	-	-	2,717,242	-	2,717,242	-	-
Real Estate	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	281,722	8,310,706	34,138,103	-	34,138,103	111,318	337,748
Reinsurance Recoverables on Paid Losses and LAE	-	7,585,862	3,004,502	-	3,004,502	2,754,185	1,948,922
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(7,585,862)	(3,004,502)	-	(3,004,502)	(2,754,185)	(1,948,922)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-			-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	688,102	28,333,630	(4,267,721)	24,065,909	1,923,548	12,021,864
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(688,102)	(28,333,630)	4,267,721	(24,065,909)	(1,923,548)	(12,021,864)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	-
Receivables from Others	-	266,000	131	-	131	150,000	-
Accrued Investment Income	-	4,167	289,093	-	289,093	-	2,358
Other Assets	-	38,948	1,046,802	-	1,046,802	-	994,790
Total Unrestricted Assets	281,722	8,619,821	35,474,129	-	35,474,129	261,318	1,334,896
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	20,136,793	-	20,136,793	-	-
Other Restricted Assets	-	304,002	1,942,625	-	1,942,625	-	-
Total Restricted Assets	-	304,002	22,079,418	-	22,079,418	-	-
Total Assets	$ 281,722	$ 8,923,823	$ 57,553,547	$ -	$ 57,553,547	$ 261,318	$ 1,334,896

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)
Unrestricted Assets:							
Cash and Cash Equivalents	$ -	$ 512,669	$ 3,538,223	$ 2,898,275	$ 275,976	$ -	$ 275,976
Investments							
Certificates of Deposits	-	-	-	-	-	-	-
Bonds, at fair market value	-	-	38,393,634	60,980,956	21,309,606		21,309,606
Common Stocks, unaffiliated at fair market value	-	-	-	-	-	-	-
Total Investments	-	-	38,393,634	60,980,956	21,309,606		21,309,606
Total Cash and Cash Equivalents and Investments	-	512,669	41,931,857	63,879,231	21,585,582		21,585,582
Other Invested Assets:							
Limited Partnerships	-	-	-	-	963,639	-	963,639
Investments in Subsidiaries	-	-	-	-	-	-	-
Real Estate	-	-	-	-	583,583	-	583,583
Buildings	-	-	-	-	4,812,870	-	4,812,870
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	-	512,669	41,931,857	63,879,231	27,945,674	-	27,945,674
Reinsurance Recoverables on Paid Losses and LAE	1,411,497	615,568	4,916,579	53,573	23,588,113	-	23,588,113
Less: Allowance for Uncollectible Reinsurance Recoverables	(1,411,497)	(615,568)	(4,916,579)	-	(23,588,113)	-	(23,588,113)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	53,573	-		
Reinsurance Recoverables on Unpaid Losses and LAE	749,062	-	8,422,662	4,611,299	33,199,570	(11,367,670)	21,831,900
Less: Allowance for Uncollectible Reinsurance Recoverables	(749,062)	-	(8,422,662)	-	(24,199,570)	11,367,670	(12,831,900)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	4,611,299	9,000,000	-	9,000,000
Receivables from Others	-	60,000	159,609	989,000	-	-	-
Accrued Investment Income	-	-	201,703	235,303	101,311	-	101,311
Other Assets	-	-	964,741	34,330	353,400	-	353,400
Total Unrestricted Assets	-	572,669	43,257,910	69,802,736	37,400,385	-	37,400,385
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	-	-	19,313,206	-	19,313,206
Other Restricted Assets	-	152,867	912,010	507,029	1,871,992	-	1,871,992
Total Restricted Assets	-	152,867	912,010	507,029	21,185,198	-	21,185,198
Total Assets	$ -	$ 725,536	$ 44,169,920	$ 70,309,765	$ 58,585,583	$ -	$ 58,585,583

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	**GALAXY**	**GROUP COUNCIL**	**HEALTH PARTNERS**	**HOME MUTUAL**	**HORIZON**	**IDEAL MUTUAL**	**INSCORP**	**LONG ISLAND**
Unrestricted Assets:								
Cash and Cash Equivalents	$ 1,430,696	$ 2,328,710	$ -	$ 2,599,316	$ -	$ 1,992,239	$ 651,016	$ 1,212,077
Investments								
Certificates of Deposits	-	-	-	-	-	-	-	-
Bonds, at fair market value	14,040,549	-	-	8,022,840	-	59,651,517	33,684,802	-
Common Stocks, unaffiliated at fair market value	-	-	-	-	-	-	-	-
Total Investments	14,040,549	-	-	8,022,840	-	59,651,517	33,684,802	-
Total Cash and Cash Equivalents and Investments	15,471,245	2,328,710	-	10,622,156	-	61,643,756	34,335,818	1,212,077
Other Invested Assets:								
Limited Partnerships	-	-	-	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	15,471,245	2,328,710	-	10,622,156	-	61,643,756	34,335,818	1,212,077
Reinsurance Recoverables on Paid Losses and LAE	190,899	23,061,831	-	1,614,124	20,927,698	53,889,885	16,735,129	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(190,899)	(23,061,831)	-	(1,614,124)	(20,927,698)	(53,889,885)	(16,735,129)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	475,540	-	-	-	-	6,911,962	31,308,022	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(475,540)	-	-	-	-	(6,911,962)	(31,308,022)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-	-	-
Receivables from Others	212,000	1,967,000	-	127,000	-	660,000	447,565	-
Accrued Investment Income	96,864	-	-	49,407	-	264,995	127,346	-
Other Assets	-	-	-	288,460	-	-	142,496	82,067
Total Unrestricted Assets	15,780,109	4,295,710	-	11,087,023	-	62,568,751	35,053,225	1,294,144
Restricted Assets:								
Statutory Deposits in New York or Other States	-	-	-	-	-	20,277	401,943	-
Other Restricted Assets	131,050	206,995	-	1,387	-	3,554,830	3,108,183	-
Total Restricted Assets	131,050	206,995	-	1,387	-	3,575,107	3,510,126	-
Total Assets	$ 15,911,159	$ 4,502,705	$ -	$ 11,088,410	$ -	$ 66,143,858	$ 38,563,351	$ 1,294,144

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	MDNY	MIDLAND	MIDPAC	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL
Unrestricted Assets:							
Cash and Cash Equivalents	$ 89	$ 29,602,878	$ 555,312	$ 1,241,357	$ 16,575,557	$ 741,667	$ 2,507,376
Investments							
Certificates of Deposits	-	-	-	-	-	-	-
Bonds, at fair market value	-	309,070,841	2,497,456	1,004,280	6,905,648	-	1,832,789
Common Stocks, unaffiliated at fair market value	-	-	-	-	-	-	-
Total Investments	-	309,070,841	2,497,456	1,004,280	6,905,648	-	1,832,789
Total Cash and Cash Equivalents and Investments	89	338,673,719	3,052,768	2,245,637	23,481,205	741,667	4,340,165
Other Invested Assets:							
Limited Partnerships	-	-	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-	907,000
Buildings	-	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	89	338,673,719	3,052,768	2,245,637	23,481,205	741,667	5,247,165
Reinsurance Recoverables on Paid Losses and LAE	-	165,390,601	(2,174,288)	12,961,618	22,851,405	1,575,694	5,835,993
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(90,220,832)	2,174,288	(12,961,618)	(22,851,405)	(1,575,694)	(5,835,993)
Net Reinsurance Recoverables on Paid Losses and LAE	-	75,169,769	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	718,208,348	-	-	108,108	-	7,247,093
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(522,416,854)	-	-	(108,108)	-	(7,247,093)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	195,791,494	-	-	-	-	-
Receivables from Others	-	3,260,000	50,000	200,000	1,513,725	63,996	600,000
Accrued Investment Income	-	1,165,250	4,951	3,075	75,834	-	14,142
Other Assets	-	-		10,000	104,034	-	171,730
Total Unrestricted Assets	89	614,060,232	3,107,719	2,458,712	25,174,798	805,663	6,033,037
Restricted Assets:							
Statutory Deposits in New York or Other States	-	-	-	-	-	-	634,660
Other Restricted Assets	-	1,502,792	-	10,796	2,082,827	910,092	205,717
Total Restricted Assets	-	1,502,792	-	10,796	2,082,827	910,092	840,377
Total Assets	$ 89	$ 615,563,024	$ 3,107,719	$ 2,469,508	$ 27,257,625	$ 1,715,755	$ 6,873,414

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Assets	**TITLEDGE**	**TRANSTATE**	**UNION INDEMNITY**	**UNITED COMMUNITY**	**U. S. CAPITAL**	**WASHINGTON TITLE**	**WHITING NATIONAL**	**COMBINED ESTATE TOTALS**
Unrestricted Assets:								
Cash and Cash Equivalents	$ 643,560	$ 7,145,244	$ 6,773,013	$ 4,976,019	$ 4,001,073	$ 1,130,119	$ 1,022,501	$ 132,424,405
Investments								
Certificates of Deposits	-	-	-	-	-	270,109	-	270,109
Bonds, at fair market value	-	32,542,314	18,946,663	11,387,097	28,036	-	-	705,951,633
Common Stocks, unaffiliated at fair market value	-	-	-	1	-	-	-	105,987
Total Investments	-	32,542,314	18,946,663	11,387,098	28,036	270,109	-	706,327,729
Total Cash and Cash Equivalents and Investments	643,560	39,687,558	25,719,676	16,363,117	4,029,109	1,400,228	1,022,501	838,752,134
Other Invested Assets:								
Limited Partnerships	-	-	-	-	-	-	-	963,639
Investments in Subsidiaries	-	-	-	-	-	-	-	7,009,889
Real Estate	-	-	-	-	-	-	-	1,490,583
Buildings	-	-	-	-	-	-	-	4,812,870
Total Cash, Cash Equivalents, Investments and Other Invested Assets (Unrestricted)	643,560	39,687,558	25,719,676	16,363,117	4,029,109	1,400,228	1,022,501	853,029,115
Reinsurance Recoverables on Paid Losses and LAE	-	295,641	40,311,872	7,647,765	419,592	-	1,144,362	435,200,312
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(159)	(40,311,872)	(7,647,765)	(419,592)	-	(1,144,362)	(359,678,988)
Net Reinsurance Recoverables on Paid Losses and LAE	-	295,482	-	-	-	-	-	75,521,324
Reinsurance Recoverables on Unpaid Losses and LAE	-	11,467,007	1,117,885	1,888,745	269,335	-	10,833	871,097,660
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(11,000,000)	(1,117,885)	(1,888,745)	(269,335)	-	(10,833)	(661,166,254)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	467,007	-	-	-	-	-	209,931,406
Receivables from Others	-	315,000	470,000	500,000	167,000	-	82,002	13,610,414
Accrued Investment Income	-	166,680	111,852	66,794	138	-	-	3,666,947
Other Assets	-	-	-	-	-	146,639	-	7,025,320
Total Unrestricted Assets	643,560	40,931,727	26,301,528	16,929,911	4,196,247	1,546,867	1,104,503	1,162,784,526
Restricted Assets:								
Statutory Deposits in New York or Other States	-	-	80,496	-	-	-	-	76,149,642
Other Restricted Assets	-	-	5,953,892	525,184	83,693	1,639,980	111,425	51,891,802
Total Restricted Assets	-	-	6,034,388	525,184	83,693	1,639,980	111,425	128,041,444
Total Assets	$ 643,560	$ 40,931,727	$ 32,335,916	$ 17,455,095	$ 4,279,940	$ 3,186,847	$ 1,215,928	$1,290,825,970

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, 2012

Liabilities	**AMERICAN AGENTS**	**AMERICAN CONSUMER**	**AMERICAN FIDELITY**	**ATLANTIC MUTUAL**	**Elimination of IBNR**	**ATLANTIC MUTUAL (Adjusted)**	**AUTOGLASS**
Secured Claims	$ -	$ 34,217	$ 163,187	$ 5,833,923	$ -	$ 5,833,923	$ -
Unsecured Claims:							
Class I - Administrative Claims:	4,292,551	585,547	858,786	1,629,818	-	1,629,818	7,906
Class II - Claims and Related Costs:							
Allowed	51,471,801	15,535,052	37,537,717	(23,899,098)	-	(23,899,098)	-
Non Allowed	153,263	-	-	219,821,518	-	219,821,518	-
IBNR	-	-	-	25,286,155	(25,286,155)	-	-
Total Class II - Claims and Related Costs	51,625,064	15,535,052	37,537,717	221,208,575	(25,286,155)	195,922,420	-
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	2,075,465	-	2,075,465	3,910
Class VI - General Creditor Claims	682,397	5,353,253	9,463,626	7,461,560	-	7,461,560	67,629
Class VII - Late Filed Claims	335	67,852	6,324,613	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	159,398,946	-	159,398,946	167,709
Class IX - Share Holder Claims	-	-	-	-	-	-	-
Total Liabilities	56,907,225	21,620,763	54,440,166	437,026,692	(25,286,155)	411,740,537	247,154
Liquidator’s Surplus (Deficit)	(43,211,347)	(20,234,671)	(47,410,223)	(305,195,375)	25,286,155	(279,909,220)	(50,298)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ 13,695,878	$ 1,386,092	$ 7,029,943	$ 131,831,317	$ -	$ 131,831,317	$ 196,856

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, 2012

Liabilities	BAKERS MUTUAL	CAPITAL MUTUAL	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)	COLONIAL INDEMNITY	COLONIAL COOPERATIVE
Secured Claims	$ -	$ 56,413	$ 1,941,154	$ -	$ 1,941,154	$ -	$ 7,829
Unsecured Claims:							
Class I - Administrative Claims:	1,773	2,101,115	696,425	-	696,425	191,767	207,623
Class II - Claims and Related Costs:							
Allowed	-	37,107,456	(4,577,859)	-	(4,577,859)	1,626,495	1,524,748
Non Allowed	-	1,067,467	188,287,774	-	188,287,774	2,809,271	18,507,576
IBNR	-	-	5,854,677	(5,854,677)	-	-	-
Total Class II - Claims and Related Costs	-	38,174,923	189,564,592	(5,854,677)	183,709,915	4,435,766	20,032,324
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	79,501	-	79,501	54	50
Class VI - General Creditor Claims	-	3,987,972	3,120,957	-	3,120,957	625,360	1,123,471
Class VII - Late Filed Claims	6,341	-	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	1,075,375
Class IX - Share Holder Claims	-	-	-	-	-	-	-
Total Liabilities	8,114	44,376,282	202,242,227	(5,854,677)	196,387,550	5,252,947	22,446,672
Liquidator’s Surplus (Deficit)	273,608	(35,452,459)	(144,688,680)	5,854,677	(138,834,003)	(4,991,629)	(21,111,776)
Total Liabilities and Liquidator’s Surplus (Deficit)	$ 281,722	$ 8,923,823	$ 57,553,547	$ -	$ 57,553,547	$ 261,318	$ 1,334,896

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, 2012

Liabilities	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	Elimination of IBNR	FRONTIER (Adjusted)
Secured Claims	$ -	$ 152,867	$ 935,027	$ 86,056	$ 1,871,992	$ -	$ 1,871,992
Unsecured Claims:							
Class I - Administrative Claims:	(98,405)	555,904	1,370,056	4,548,760	3,129,586	-	3,129,586
Class II - Claims and Related Costs:							
Allowed	7,055,022	5,712,555	54,918,678	130,247,477	-	-	-
Non Allowed	-	225	13,384,247	8,042,613	152,344,325	-	152,344,325
IBNR	-	-	-	-	22,391,188	(22,391,188)	-
Total Class II - Claims and Related Costs	7,055,022	5,712,780	68,302,925	138,290,090	174,735,513	(22,391,188)	152,344,325
Class III - Federal Government Claims	-	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-	-
Class V - State and Local Government Claims	3,053	7,941	7,476	874,434	8,232,485	-	8,232,485
Class VI - General Creditor Claims	3,317,898	858,986	18,604,233	1,763,389	43,067,581	-	43,067,581
Class VII - Late Filed Claims	15,120,795	-	9,973,857	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	60,000	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	1	-	-	-
Total Liabilities	25,398,363	7,348,478	99,193,574	145,562,730	231,037,157	(22,391,188)	208,645,969
Liquidator's Surplus (Deficit)	(25,398,363)	(6,622,942)	(55,023,654)	(75,252,965)	(172,451,574)	22,391,188	(150,060,386)
Total Liabilities and Liquidator's Surplus (Deficit)	$ -	$ 725,536	$ 44,169,920	$ 70,309,765	$ 58,585,583	$ -	$ 58,585,583

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, 2012

Liabilities	GALAXY	GROUP COUNCIL	HEALTH PARTNERS	HOME MUTUAL	HORIZON	IDEAL MUTUAL	INSCORP	LONG ISLAND
Secured Claims	$ 131,050	$ 5,641	$ -	$ 1,387	$ -	$ 3,444,041	$ 1,259,292	$ -
Unsecured Claims:								
Class I - Administrative Claims:	2,514,559	2,417,902	-	2,961,160	29,260	9,933,861	1,771,509	521,701
Class II - Claims and Related Costs:								
Allowed	45,498,564	225,417,466	1,362,998	31,847,011	64,771,874	245,549,981	5,827,941	5,516,532
Non Allowed	1,442,424	43,121,866	-	729,456	-	33,320,322	34,232,301	24,532,942
IBNR	-	-	-	-	-	-	-	-
Total Class II - Claims and Related Costs	46,940,988	268,539,332	1,362,998	32,576,467	64,771,874	278,870,303	40,060,242	30,049,474
Class III - Federal Government Claims	-	-	-	-	-	-	-	-
Class IV - Employee Claims	-	4,425	-	-	-	-	-	-
Class V - State and Local Government Claims	2,720	22,828	29,935	126,590	-	280,887	1,516,694	28,642
Class VI - General Creditor Claims	501,255	56,202,748	-	2,391,813	628,562	101,235,816	115,307,582	882,913
Class VII - Late Filed Claims	-	-	-	-	23,758,815	70,962,026	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	-	-
Class IX - Share Holder Claims	-	-	-	-	-	-	107,467,599	-
Total Liabilities	50,090,572	327,192,876	1,392,933	38,057,417	89,188,511	464,726,934	267,382,918	31,482,730
Liquidator's Surplus (Deficit)	(34,179,413)	(322,690,171)	(1,392,933)	(26,969,007)	(89,188,511)	(398,583,076)	(228,819,567)	(30,188,586)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 15,911,159	$ 4,502,705	$ -	$ 11,088,410	$ -	$ 66,143,858	$ 38,563,351	$ 1,294,144

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, 2012

Liabilities	MDNY	MIDLAND	MIDPAC	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL
Secured Claims	$ -	$ 1,460,023	$ -	$ -	$ 180,175	$ 969,166	$ 326,933
Unsecured Claims:							
Class I - Administrative Claims:	-	19,422,106	630,885	127,189	4,070,860	577,686	4,028,338
Class II - Claims and Related Costs:							
Allowed	12,086,973	710,486,238	-	38,512,801	123,919,506	8,600,820	49,698,880
Non Allowed	-	858,721,390	-	84,477	1,858,970	-	44,569,720
IBNR	-	-	-	-	-	-	-
Total Class II - Claims and Related Costs	12,086,973	1,569,207,628	-	38,597,278	125,778,476	8,600,820	94,268,600
Class III - Federal Government Claims	-	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-	2,616
Class V - State and Local Government Claims	102,072	8,317,575	-	77,966	482,493	17,725	61,013
Class VI - General Creditor Claims	29,110,131	187,038,604	-	683,278	3,516,246	449,334	18,195,973
Class VII - Late Filed Claims	-	169,550,882	-	3,943,046	-	-	401
Class VIII - Section 1307 (Shareholder) Loans	4,061,259	-	-	-	-	-	-
Class IX - Share Holder Claims	13,580,000	-	-	-	-	-	-
Total Liabilities	58,940,435	1,954,996,818	630,885	43,428,757	134,028,250	10,614,731	116,883,874
Liquidator's Surplus (Deficit)	(58,940,346)	(1,339,433,794)	2,476,834	(40,959,249)	(106,770,625)	(8,898,976)	(110,010,460)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 89	$ 615,563,024	$ 3,107,719	$ 2,469,508	$ 27,257,625	$ 1,715,755	$ 6,873,414

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, 2012

Liabilities	**TITLEDGE**	**TRANSTATE**	**UNION INDEMNITY**	**UNITED COMMUNITY**	**U. S. CAPITAL**	**WASHINGTON TITLE**	**WHITING NATIONAL**	**COMBINED ESTATE TOTALS**
Secured Claims	$ -	$ -	$ 6,177,757	$ 658,622	$ 112,392	$ 1,717,763	$ 1,042	$ 27,527,949
Unsecured Claims:								
Class I - Administrative Claims:	21,805	1,519,777	4,779,370	1,428,086	1,314,217	268,931	475,579	78,893,993
Class II - Claims and Related Costs:								
Allowed	-	60,801,360	167,825,598	127,952,624	24,788,284	-	19,088,275	2,283,813,770
Non Allowed	424,327	1,161,554	16,266,632	10,526,481	133,225	4,200,127	-	1,679,744,493
IBNR	-	-	-	-	-	-	-	-
Total Class II - Claims and Related Costs	424,327	61,962,914	184,092,230	138,479,105	24,921,509	4,200,127	19,088,275	3,963,558,263
Class III - Federal Government Claims	-	-	137,245	-	-	-	-	46,395,689
Class IV - Employee Claims	-	-	-	-	-	-	-	10,164
Class V - State and Local Government Claims	11,906	-	71,337	-	109,175	12,151	-	23,052,330
Class VI - General Creditor Claims	-	931,512	160,979,918	2,490,020	3,257,795	585,640	8,372,978	792,260,430
Class VII - Late Filed Claims	-	-	69,492,805	-	-	-	51,242	369,253,010
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	-	164,763,289
Class IX - Share Holder Claims	750,000	-	-	18,666,845	-	-	-	140,464,445
Total Liabilities	1,208,038	64,414,203	425,730,662	161,722,678	29,715,088	6,784,612	27,989,116	5,606,179,562
Liquidator's Surplus (Deficit)	(564,478)	(23,482,476)	(393,394,746)	(144,267,583)	(25,435,148)	(3,597,765)	(26,773,188)	(4,315,353,592)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 643,560	$ 40,931,727	$ 32,335,916	$ 17,455,095	$ 4,279,940	$ 3,186,847	$ 1,215,928	$1,290,825,970

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, 2012

	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	ATLANTIC MUTUAL	AUTOGLASS	BAKERS MUTUAL
Receipts:						
Net Investment Income Received	$ 103,063	$ 4,032	$ 17,710	$ 2,632,343	$ 169	$ -
Reinsurance Recovered	61,291	-	4,211	369,449	-	-
Premiums Collected	-	-	-	16,885	-	-
Salvage and Subrogation	217	-	-	1,036,127	-	-
Refund from Central Disbursement Account	-	-	-	-	-	-
Claim Refunds	-	-	-	599,891	-	-
Large Deductible	-	-	-	57,706	-	-
Second Injury Claim Refunds	-	-	-	557,933	-	-
Release from Ancillary Special Deposits	-	-	50,254	472,542	-	-
Transfer from Segregated Accounts	-	-	-	89,765	-	-
Litigation Awards	-	-	-	-	-	-
Escrow Account	-	-	-	-	-	-
Miscellaneous	3,268	-	17,742	681,899	-	281,722
Total Receipts	167,839	4,032	89,917	6,514,540	169	281,722
Disbursements:						
Dividends	36,778	-	-	-	-	-
Claims Paid	-	-	-	3,075	-	-
Transfer to Segregated Accounts	-	-	-	1,462,691	-	-
Loss Adjustment Expense	-	-	-	335,124	-	-
Salvage and Subrogation Fees	30	-	-	175,057	-	-
Reimbursement of Allocated Expenses:						
Salaries	102,164	37,024	52,718	1,501,401	13,915	-
Employee Relations & Welfare	51,568	17,546	26,518	726,170	-	-
Rent and Related Expenses	31,508	5,107	8,314	434,442	-	-
Professional Fees	14,968	14,419	14,357	107,950	-	-
General and Administrative Expenses	17,021	4,550	6,223	1,548,473	350	-
Other Expense	6,322	2,574	4,689	166,999	1,266	-
Total Disbursements	260,359	81,220	112,819	6,461,382	15,531	-
Net Increase (Decrease) of Receipts Over Disbursements	(92,520)	(77,188)	(22,902)	53,158	(15,362)	281,722
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	12,532,296	1,357,110	6,763,847	-	-	-
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	68,162,294	212,218	-
Reclassification to Invested Assets	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	(32,173)	-	2,029	(1,184,481)	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 12,407,603	$ 1,279,922	$ 6,742,974	$ 67,030,971	$ 196,856	$ 281,722

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, 2012

	CAPITAL MUTUAL	CENTENNIAL	COLONIAL INDEMNITY	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY
Receipts:						
Net Investment Income Received	$ 88,478	$ 1,223,333	$ 494	$ 8,625	$ 123,729	$ 1,771
Reinsurance Recovered	122,970	38,545	-	175	-	80,884
Premiums Collected	-	122	-	-	-	-
Salvage and Subrogation	-	1,461,399	-	-	-	-
Refund from Central Disbursement Account	-	-	-	-	35,000	-
Claim Refunds	-	388,285	-	-	-	-
Large Deductible	-	63,992	-	-	-	-
Second Injury Claim Refunds	-	83,163	-	-	-	-
Release from Ancillary Special Deposits	-	1,796,799	-	-	-	-
Transfer from Segregated Accounts	-	12,500	-	-	-	-
Litigation Awards	-	-	-	-	-	-
Escrow Account	-	-	-	-	-	-
Miscellaneous	15	117,455	-	30,525	-	-
Total Receipts	211,463	5,185,593	494	39,325	158,729	82,655
Disbursements:						
Dividends	119,486	-	-	-	6,404,494	91,707
Claims Paid	-	2,123	-	-	-	-
Transfer to Segregated Accounts	-	305,367	-	-	-	-
Loss Adjustment Expense	-	122,563	-	656	-	-
Salvage and Subrogation Fees	-	231,348	-	1,165	-	-
Reimbursement of Allocated Expenses:						
Salaries	172,746	749,604	51,038	199,954	70,661	57,631
Employee Relations & Welfare	81,910	362,774	-	282	580,269	28,303
Rent and Related Expenses	43,939	185,827	24,989	3,894	28,140	13,557
Professional Fees	15,301	34,116	15,092	15,935	14,031	14,419
General and Administrative Expenses	16,821	488,275	1,732	4,928	5,558	8,355
Other Expense	9,395	72,171	521	1,378	123,501	3,461
Total Disbursements	459,598	2,554,168	93,372	228,192	7,226,654	217,433
Net Increase (Decrease) of Receipts Over Disbursements	(248,135)	2,631,425	(92,878)	(188,867)	(7,067,925)	(134,778)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	8,548,330	-	204,196	532,835	7,067,925	647,447
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	33,593,857	-	-	-	-
Reclassification to Invested Assets	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	10,511	(2,087,179)	-	(6,220)	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 8,310,706	$ 34,138,103	$ 111,318	$ 337,748	$ -	$ 512,669

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, 2012

	COSMOPOLITAN MUTUAL	FIRST CENTRAL	FRONTIER	GALAXY	GROUP COUNCIL	HEALTH PARTNERS
Receipts:						
Net Investment Income Received	$ 781,546	$ 1,284,985	$ 147,241	$ 160,410	$ 5,462	$ 7,053
Reinsurance Recovered	186,410	1,075,033	217,510	630,017	343	-
Premiums Collected	-	-	20,739	-	-	-
Salvage and Subrogation	-	-	37,023	-	-	-
Refund from Central Disbursement Account	-	-	-	-	-	50,000
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Litigation Awards	-	-	-	-	-	-
Escrow Account	-	-	-	-	-	-
Miscellaneous	-	-	73,473	-	-	-
Total Receipts	967,956	2,360,018	495,986	790,427	5,805	57,053
Disbursements:						
Dividends	1,642,639	2,468,877	-	1,152,223	-	240,127
Claims Paid	-	-	10,344	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	-	-	8,134	-	-	-
Salvage and Subrogation Fees	-	-	1,625	-	-	-
Reimbursement of Allocated Expenses:						
Salaries	128,701	125,556	319,377	54,680	70,603	7,755
Employee Relations & Welfare	67,576	58,561	69,713	28,176	31,086	68,144
Rent and Related Expenses	49,464	42,714	58,219	17,769	26,921	2,466
Professional Fees	17,634	15,054	1,108	14,599	14,741	326
General and Administrative Expenses	15,218	17,363	31,615	10,549	7,560	793
Other Expense	8,790	8,537	34,428	6,875	3,431	37,453
Total Disbursements	1,930,022	2,736,662	534,563	1,284,871	154,342	357,064
Net Increase (Decrease) of Receipts Over Disbursements	(962,066)	(376,644)	(38,577)	(494,444)	(148,537)	(300,011)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	43,028,988	64,424,077	-	15,944,567	2,477,247	300,562
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	28,060,863	-	-	-
Reclassification to Invested Assets	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	(135,065)	(168,202)	(76,612)	21,122	-	(551)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 41,931,857	$ 63,879,231	$ 27,945,674	$ 15,471,245	$ 2,328,710	$ -

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, 2012

	HOME MUTUAL	HORIZON	IDEAL MUTUAL	INSCORP	LONG ISLAND	MDNY	MIDLAND
Receipts:							
Net Investment Income Received	$ 111,950	$ -	$ 1,241,573	$ 484,203	$ 3,206	$ 6,900	$ 6,795,334
Reinsurance Recovered	49,089	-	514,670	131,003	-	-	30,805,449
Premiums Collected	-	-	-	-	1,474	-	-
Salvage and Subrogation	-	-	2,370	88,307	154,904	-	-
Refund from Central Disbursement Account	-	-	-	-	-	150,000	-
Claim Refunds	-	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	140,367	-	-	-
Litigation Awards	-	-	-	443	-	-	-
Escrow Account	-	-	-	-	-	-	-
Miscellaneous	-	-	5	347,538	2,481	780	14,082
Total Receipts	161,039	-	1,758,618	1,191,861	162,065	157,680	37,614,865
Disbursements:							
Dividends	-	-	22,121,075	-	-	2,024,262	84,893,877
Claims Paid	-	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	6,573	-	-	431
Loss Adjustment Expense	-	-	-	17,750	460	-	133
Salvage and Subrogation Fees	-	-	-	-	12,763	-	-
Reimbursement of Allocated Expenses:							
Salaries	101,740	-	675,804	639,844	107,583	38,171	1,846,237
Employee Relations & Welfare	56,988	-	322,101	306,490	-	383,351	910,196
Rent and Related Expenses	51,136	-	245,879	154,661	6,666	11,072	451,292
Professional Fees	14,725	-	115,266	148,989	14,143	8,246	2,300,577
General and Administrative Expenses	10,334	-	76,735	52,281	60,489	2,290	204,392
Other Expense	9,566	-	34,082	61,072	1,474	55,937	93,706
Total Disbursements	244,489	-	23,590,942	1,387,660	203,578	2,523,329	90,700,841
Net Increase (Decrease) of Receipts Over Disbursements	(83,450)	-	(21,832,324)	(195,799)	(41,513)	(2,365,649)	(53,085,976)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	10,685,618	-	83,861,703	34,819,302	1,253,590	2,369,410	391,995,199
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-	-
Reclassification to Invested Assets	-	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	19,988	-	(385,623)	(287,685)	-	(3,672)	(235,504)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 10,622,156	$ -	$ 61,643,756	$ 34,335,818	$ 1,212,077	$ 89	$ 338,673,719

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, 2012

	MIDPAC	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL	TITLEDGE
Receipts:						
Net Investment Income Received	$ 241,546	$ 39,030	$ 364,379	$ 2,619	$ 25,742	$ 2,020
Reinsurance Recovered	-	-	582,647	5,000	1,085,661	-
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	-	-	-	23,045	27,000	-
Refund from Central Disbursement Account	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	1,066	-
Transfer from Segregated Accounts	-	-	-	59,074	-	-
Litigation Awards	-	-	-	-	-	-
Escrow Account	-	-	-	-	-	-
Miscellaneous	-	-	-	-	314,119	-
Total Receipts	241,546	39,030	947,026	89,738	1,453,588	2,020
Disbursements:						
Dividends	-	-	-	259,206	-	-
Claims Paid	5,800,000	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Loss Adjustment Expense	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	-	30,000	-	-
Reimbursement of Allocated Expenses:						
Salaries	64,871	50,480	240,242	61,267	225,503	15,071
Employee Relations & Welfare	32,147	24,565	122,005	30,247	120,540	-
Rent and Related Expenses	11,185	32,206	79,071	20,909	85,504	-
Professional Fees	14,392	251,970	15,563	14,454	27,315	15,520
General and Administrative Expenses	8,012	3,150	28,508	12,925	20,098	-
Other Expense	4,931	3,490	16,267	3,700	26,856	65
Total Disbursements	5,935,538	365,861	501,656	432,708	505,816	30,656
Net Increase (Decrease) of Receipts Over Disbursements	(5,693,992)	(326,831)	445,370	(342,970)	947,772	(28,636)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	8,753,972	2,581,603	23,242,889	1,084,637	3,417,083	672,196
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Reclassification to Invested Assets	-	-	-	-	1,397,000	-
Unrealized Gain / (Loss) on Investments	(7,212)	(9,135)	(207,054)	-	(514,690)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 3,052,768	$ 2,245,637	$ 23,481,205	$ 741,667	$ 5,247,165	$ 643,560

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, 2012

	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WASHINGTON TITLE	WHITING NATIONAL	COMBINED ESTATE TOTALS
Receipts:							
Net Investment Income Received	$ 2,886,664	$ 737,746	$ 412,473	$ 31,467	$ 2,532	$ 3,312	$ 19,983,140
Reinsurance Recovered	149,808	345,996	-	-	-	-	36,456,161
Premiums Collected	-	-	-	-	83,177	-	122,397
Salvage and Subrogation	-	10,696	-	-	-	-	2,841,088
Refund from Central Disbursement Account	-	-	-	-	-	-	235,000
Claim Refunds	-	-	-	-	-	-	988,176
Large Deductible	-	-	-	-	-	-	121,698
Second Injury Claim Refunds	-	-	-	-	-	-	641,096
Release from Ancillary Special Deposits	-	-	-	-	-	-	2,320,661
Transfer from Segregated Accounts	-	-	-	-	-	-	301,706
Litigation Awards	-	-	-	-	-	-	443
Escrow Account	-	-	-	-	719,950	-	719,950
Miscellaneous	-	111	3,534	572	9,427	-	1,898,748
Total Receipts	3,036,472	1,094,549	416,007	32,039	815,086	3,312	66,630,264
Disbursements:							
Dividends	152,235	19,410,112	1,386,105	6,965,445	-	-	149,368,648
Claims Paid	-	-	-	-	-	-	5,815,542
Transfer to Segregated Accounts	-	-	-	-	719,950	-	2,495,012
Loss Adjustment Expense	-	2,094	-	-	22,632	-	509,546
Salvage and Subrogation Fees	-	-	-	-	1,442	-	453,430
Reimbursement of Allocated Expenses:							
Salaries	50,284	182,642	142,328	67,800	539,566	47,399	8,812,360
Employee Relations & Welfare	25,542	90,851	67,598	32,667	221,204	22,698	4,967,786
Rent and Related Expenses	22,435	75,445	131,745	48,010	82,665	12,693	2,499,844
Professional Fees	14,484	201,573	40,929	16,834	251,602	14,354	3,804,986
General and Administrative Expenses	8,498	25,632	14,508	26,685	32,712	4,468	2,777,101
Other Expense	7,070	13,092	7,956	6,219	94,871	3,058	935,203
Total Disbursements	280,548	20,001,441	1,791,169	7,163,660	1,966,644	104,670	182,439,458
Net Increase (Decrease) of Receipts Over Disbursements	2,755,924	(18,906,892)	(1,375,162)	(7,131,621)	(1,151,558)	(101,358)	(115,809,194)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	39,012,791	44,692,477	17,899,997	11,164,473	-	1,123,859	842,460,226
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	2,551,786	-	132,581,018
Reclassification to Invested Assets	-	-	-	-	-	-	1,397,000
Unrealized Gain / (Loss) on Investments	(2,081,157)	(65,909)	(161,718)	(3,743)	-	-	(7,599,935)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 39,687,558	$ 25,719,676	$ 16,363,117	$ 4,029,109	$ 1,400,228	$ 1,022,501	$ 853,029,115

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, 2013 and For 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, 2013 and For the Period from August 8, 2013 through December 31, 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 Executive Life Insurance Company of New York in Liquidation

Report on the Financial Statements – Modified Cash Basis

We have audited the accompanying statement of assets, liabilities and deficit of assets over liabilities – modified cash basis of the Executive Life Insurance Company of New York in Liquidation (the "Company"), managed by the New York Liquidation Bureau as of December 31, 2013, and the related statement of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

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

Basis of Accounting

We draw attention to Note 2 of the Financial Statements which describes the basis of accounting. The Financial Statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to 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, 2014

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION
Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis
As of December 31, 2013

		2013
Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$	4,585,567
Invested Assets:		
Bonds, at fair market value		13,971,188
Common stock, at fair market value		12
Total Invested Assets		13,971,200
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)		**18,556,767**
Receivable from Revolving Fund		650,000
Accrued Investment Income		126,511
Total Unrestricted Assets		**19,333,278**
Restricted Assets:		
Statutory Deposits in Other States		592,505
Segregated Contingency Fund		10,175,899
Other Restricted Assets		154,103
Total Restricted Assets		**10,922,507**
Total Assets	**$**	**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
Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis
As of December 31, 2013

		2013
Liabilities		
Secured Liabilities:		
Segregated Contingency Fund	$	10,175,899
Abandoned Property		124,095
Other Secured Claims		30,008
Total Secured Liabilities		10,330,002
Unsecured Liabilities:		
Class One - Administrative Expenses		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
Claimovers – Non-Allowed		43,726,109
Annuity Contracts-Due and Unpaid		170,106
Less: Distributions		(64,429)
Total Class Four - Claims Under Insurance Policies – Non-Allowed		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
Class Seven - Surplus, Capital or Contribution Notes		-
Class Eight - Policyholder and Shareholder Claims		-
Total Liabilities		1,019,523,915
Deficit of Assets over Liabilities		(989,268,130)
Total Liabilities and Deficit of Assets over Liabilities	$	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
Statement of Cash Receipts and Disbursements and Change in Cash, Cash Equivalents and Invested Assets (Unrestricted)
For the Period From August 8, 2013 through December 31, 2013

	2013
Receipts:	
Net Investment Income Received	$ 329,103
Reimbursement of Expenses	455,803
Total Receipts	784,906
Disbursements:	
Rehabilitation Expenses	468,728
Salaries	202,792
Employee Relations and Welfare	110,721
Professional Fees	86,525
Rent and Rent Items	37,009
Abandoned Property	34,886
Miscellaneous	30,987
Annuity Benefits	23,057
General and Administrative Expenses	12,559
Total Disbursements:	**1,007,264**
Net Decrease of Receipts Over Disbursements	(222,358)
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), August 8, 2013	**20,992,421**
Unrealized Loss on Investments (Including Restricted)	(2,213,296)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	**$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).

Note 1: Organization and Nature of Operation

Introduction

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.

The Plan of Liquidation and Restructuring

On September 1, 2011, the Receivership Court entered an Order to Show Cause ("OTSC") to convert the ELNY rehabilitation to 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 $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 $48 million of voluntary contributions came from life insurance companies for enhanced benefits to policyholders that may not be covered by

Note 1: Organization and Nature of Operation (continued)

a state guaranty association or whose state guaranty association coverage is below $250,000. In addition to these enhancements, members of the life insurance industry established a $100 million Hardship Fund for policyholders expected to receive a reduction in their benefit payments. The Hardship Fund is not a formal component of the Agreement of Restructuring.

On April 16, 2012, the Receivership Court approved the 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: Summary of Significant Accounting Policies

Basis of Presentation (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.

Unrestricted Assets

Cash and Cash Equivalents

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

The NYLB maintains the cash balances of ELNY in investments and at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). These institutions currently have short term ratings of P-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, 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 $4,099,577 as of December 31, 2013.

Invested Assets

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

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

<u>Basis of Presentation</u> (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.

<u>Revolving Fund</u>

A revolving fund of $650,000 at December 31, 2013, is held by the NYLB to cover expenses owed to the NYLB by ELNY.

<u>Accrued Investment Income</u>

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.

<u>Statutory Deposits in Other States</u>

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: <u>Summary of Significant Accounting Policies</u>

<u>Basis of Presentation</u> (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.

<u>Segregated Contingency Fund</u>

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, 2013, these bonds had accrued interest receivable of $175,899 consisting of $56,802 of accrued interest and $119,007 of interest received. *See* Secured Liabilities below for an explanation of the Segregated Contingency Fund. At December 31, 2013 these bonds were valued at $11,812,040 with the unrealized loss of $(949,540) presented in bonds.

<u>Other Restricted Assets</u>

Other Restricted Assets consist 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.

<u>Secured Liabilities</u>

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

<u>Segregated Contingency Fund</u>

The Segregated Contingency Fund of $10,000,000 has been identified 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 New York Insurance Law §7435 and (iii) payments by ELNY of any damages, losses, judgments or settlements payable ahead of policyholders or PGAs pursuant to New York Insurance Law §7435. Interest payable of $175,899 has been recorded for the period of August 8 through December 31, 2013.

<u>Abandoned Property</u>

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

<u>Other Secured Claims</u>

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

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

Administrative Expenses

As of December 31, 2013, $429,093, represent expenses incurred but not paid and are recorded in the Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as general expenses due and accrued in Class One – Administrative Expenses.

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, 2013, $961,076,562 represents the remaining unfunded 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, 2013; 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 for the period August 8, 2013 to December 31, 2013, it would have amounted to $18,135,383.

Claim-Overs

Generally, holders of ELNY SPDAs received MetLife SPDAs in exchange for their ELNY contracts. Because the MetLife SPDAs had substantially higher surrender charges than the exchanged ELNY SPDAs, former ELNY SPDA holders who surrendered their MetLife SPDAs before the applicable surrender charges decreased to zero were allowed a claim against the ELNY estate for the amount of the surrender charge incurred. These claims are called claim-overs.

Interest accrues on the claim-overs at 4% per annum. As of December 31, 2013, ELNY reported $43,726,088 as a liability in the Statement of Assets, Liabilities, and Deficit of

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

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 August 8, 2013 to December 31, 2013, it would have amounted to $694,826.

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, 2013, ELNY reported $31,054 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, 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.

Rehabilitation Expenses

During the period of August 8, 2013 through December 31, 2013, ELNY was allocated direct expenses of $468,728 that related to brokerage, management, legal and annuity processing expenses that were accrued at liquidation conversion date.

Abandoned Property

Two payments were made as re-issues of stale dated checks.

Annuity Payments

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

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

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 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.

3. 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.

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

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:

(i) <u>Class One – Administrative Claims</u>
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.

(ii) <u>Class Two – Employee Services</u>
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.

(iii) <u>Class Three –Expenses 90 Days and Prior</u>
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.

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

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

(v) 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.

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

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

(viii) 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.

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 Restructuring Agreement upon a transfer of the GABC Liabilities, 100% of the net proceeds (after deducting from the total transfer proceeds (i) all

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

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, unconditionally and irrevocably waive 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 New York 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 New York Insurance Law and are allowed by the Receivership Court, then such claims shall be paid fully and in absolute priority before any distribution is made under the sentence "First", above. The Receiver shall distribute all allocated portions of the Net Proceeds Transfer on a lump-sum basis or otherwise as required by applicable law. All expenses incurred by the Receiver in the allocation and distribution of the Net Proceeds Transfer will be paid from and reduce the distributable amount of the Net Proceeds Transfer.

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, 2013 was $429,093 which includes $363,250 of unpaid allocated expenses and $65,843 of expenses directly associated with and billed to ELNY and was recorded as Class One – Administrative Claims.

Note 3: Investments

Bonds

At December 31, 2013, 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	$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, 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.

	Amortized Value	Fair Market Value
Less than one year	$ -	$ -
One to five years	-	-
Five to ten years	-	-
Ten years or greater	16,184,484	13,971,188
Total	$ 16,184,484	$ 13,971,188

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, 2013, ELNY did not have to write down any investments.

Note 3: Investments (continued)

Net Unrealized Capital Losses

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

	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

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, 2013, ELNY 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, 2013.
(3) ELNY has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

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

	2013
Interest on Bonds	$ 353,548
Interest on Short-Term Investments and Cash Equivalents	35
Total Gross Investment Income	353,548
Net Amortization of Bond Premium and Discount	(24,480)
Net Investment Income Received	$ 329,103

Note 4: Fair Value Measurement

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

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

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

Note 4: Fair Value Measurement (continued)

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, 2013:

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.

Note 4: Fair Value Measurement (continued)

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 5: Related-Party Transactions

For the period from August 8, 2013 through December 31, 2013, NYLB personnel performed certain administrative and investment functions, such as accounting, data processing, human resources and treasury management, for ELNY.

ELNY paid or accrued expenses for such functions pursuant to the NYLB's policy of charging the intercompany accounts of each respective Estate for expenses paid by the NYLB on behalf of such estate.

As of December 31, 2013, the amounts remaining due to the NYLB were $363,250 and are included in Class One – Administrative Claims. For the period from August 8, 2013 through December 31, 2013, ELNY paid $449,606 of allocated expenses to the NYLB, detailed as follows:

	2013
Salaries	$ 202,792
Employee Relations & Welfare	110,721
Rent and Related Expenses	37,009
Professional Fees	86,525
General and Administrative	12,559
	$ 449,606

Note 6: **Taxes**

At December 31, 2012, ELNY had the following unused operating loss carry forwards available to offset future taxable income, which carry forwards begin to expire in 2012:

Arising from Tax Year:	Net Operating Losses	Year of Expiry
1997	$11,408,371	2012
1998	49,182,515	2013
1999	63,117,721	2014
2000	3,726,080	2015
2001	51,450,147	2016
2002	58,369,798	2017
2003	*72,600,417	2018
2004	69,529,977	2019
2005	67,886,433	2020
2006	40,430,763	2021
2007	5,705,055	2022
2008	40,249,109	2023
2009	80,985,088	2024
2010	78,466,769	2025
2011	78,821,197	2026
2012	80,364,097	2027
Total	$852,293,537	

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

NOLs for 2013 will be updated upon completion of the 2013 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 tax is generally calculated at the minimum because the estate is in liquidation and does not generate premium income.

Note 7: **Legal Matters, Commitments and Contingencies**

After inquiry and review of the records of ELNY, the NYLB, 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. At December 31, 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 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 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. The appeal is now fully briefed and the parties are awaiting an oral argument date from the court.

Note 8: Subsequent Events

Subsequent events have been reviewed through July 7, 2014, the date which ELNY's audited Financial Statements were available to be issued, and as of that date, there were no material subsequent events.

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2013 and 2012
With Independent Auditors' Report

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2013 and 2012
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, 2013 and 2012 (the "Statutory Basis Schedules") and the related notes to the schedules of cash and cash equivalents.

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, this includes determining that the statutory basis of accounting is an acceptable basis for the preparation of the Statutory Basis Schedules 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 Statutory Basis Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' 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, 2013 and 2012, 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, 2014

LION INSURANCE COMPANY IN REHABILITATION
Schedules of Cash and Cash Equivalents - Statutory Basis
As of December 31, 2013 and 2012

	2013	2012
Cash and Cash Equivalents - Statutory Basis		
Cash and cash equivalents	$ 607,721	$ 673,865
Total Cash and Cash Equivalents - Statutory Basis	**$ 607,721**	**$ 673,865**

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).

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

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, 2013 and 2012 in accordance with Prescribed Practices. The Prescribed Practices used to prepare the Schedules of Cash and Cash

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

A. <u>Accounting Practices</u> (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:

<u>Cash and Cash Equivalents</u>

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.

<u>Investments</u>

Pursuant to the Prescribed Practices, investments in bonds are reported at amortized cost or fair market value based on their NAIC rating. Pursuant to US GAAP, such fixed-maturity investments would be designated at purchase as held-to-maturity, trading or available-for-sale. Held-to-maturity investments under US GAAP would be reported at amortized cost. Trading investments under US GAAP would be reported at fair market value, with unrealized gains and losses reported in the statement of operations. Available-for-sale investments under US GAAP would be reported at fair market value, with unrealized gains and losses reported as a separate component of shareholders' equity in the category of other comprehensive income.

If it is determined that a decline in the fair market value is other-than-temporary, the cost basis of the security is written down to fair market value.

Pursuant to the Prescribed Practices, cumulative and current year changes in unrealized gains and losses are included in unassigned surplus, net of deferred taxes. For US GAAP purposes, unrealized gains or losses are recognized in surplus or income, depending on whether management plans to hold or actively trade the related securities.

<u>Fair Value Measurements</u>

Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820") clarifies the definition of fair value, establishes a framework for measuring fair value in US GAAP, and expands required disclosures about the use of fair value measurements in US GAAP financial statements. Fair value information is relevant to users of financial statements and is required as an objective means of measurement. The NAIC has

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

issued guidelines similar to ASC 820 through Statement of Statutory Accounting Principle ("SSAP") No. 100, *Fair Value Measurements* ("SSAP No. 100") effective for periods ending December 31, 2010. Management has considered ASC 820 and SSAP No. 100 and has determined that the impact is immaterial.

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.

Short-term Investments

Short-term investments, excluding cash equivalents, consist of investments with original maturities of one year or less at the time of acquisition and are typically stated at amortized cost.

Investment income due and accrued includes revenues that are earned but not yet received. Amounts greater than 90 days past due are recognized as non-admitted assets.

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.

Note 4: <u>Concentration of Credit Risk</u> (continued)

Lion maintains cash balances at a financial institution that is insured by the FDIC, which as of December 31, 2013, insured accounts up to $250,000. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to Lion. As of December 31, 2013, Lion's cash balance in excess of FDIC limits was approximately $253,860 as compared with $256,307 in 2012. Cash accounts are held with Wilmington Trust which is rated A1(S&P)/NR(Moody's)/F1(Fitch).

Note 5: <u>Subsequent Events</u>

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*. Subsequent events have been reviewed through July 7, 2014, the date on which these audited schedules were available to be issued, and as of that date, there were no material subsequent events.

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION

(A Wholly-Owned Subsidiary of PLICA Holding Company)

Statutory Basis Financial Statements

December 31, 2013 and 2012
With Independent Auditors' Report

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION

(A Wholly-Owned Subsidiary of PLICA Holding Company)

Statutory Basis Financial Statements

December 31, 2013 and 2012
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 Professional Liability Insurance Company of America in Rehabilitation

Report on the Statutory Basis Financial Statements

We have audited the accompanying statutory basis financial statements of the Professional Liability Insurance Company of America in Rehabilitation (the "Company"), which comprise the statutory basis balance sheets as of December 31, 2013 and 2012, and the related statutory basis statements of income, changes in capital and deficit, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements 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 statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory basis 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 statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory basis 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 statutory basis 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 statutory basis 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 statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 2.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Basis of Accounting

We draw attention to Note 2 of the statutory basis financial statements, which describes the basis of accounting. The statutory basis financial statements were prepared in accordance with the financial reporting provisions of 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. Our opinion is not modified with respect to that matter.

Restriction on Use

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

Emphasis of Matter

The accompanying statutory basis financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the statutory basis financial statements, the Company has been in rehabilitation since 2010 and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. The statutory basis financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 12, on February 10, 2014, the Receivership Court entered an order converting the Company rehabilitation proceeding to a liquation proceeding.

As discussed in Note 5 to the statutory basis financial statements, the reserve for unpaid losses and loss adjustment expenses reflects management's re-estimation of the incurred but not reported liability. The Company's reserves for unpaid loss and loss adjustment expenses have the following risk factors that subject this liability to significant variability: the lack of information regarding the credible loss experience, especially related to the issued tail policies and the inconsistency in setting adequate case reserves over time.

As discussed in Note 9 to the statutory basis financial statements, the results of a number of related litigation matters could have a material effect on the results of operations, liquidity or financial position of the Company.

Our opinion is not modified with respect to these matters.

EisnerAmper LLP

New York, New York
July 7, 2014

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Balance Sheets
As of December 31, 2013 and 2012

	2013	2012
Admitted assets		
Cash and invested assets		
Bonds, at amortized cost (fair market value $4,146,044 and $5,471,599, respectively)	$ 4,069,076	$ 5,230,073
Common stocks at fair market value (cost $808,714 and $1,714,154, respectively)	813,785	1,758,515
Cash and cash equivalents	12,047,350	8,546,156
Total cash and invested assets	**16,930,211**	**15,534,744**
Agents balances and uncollected premiums	586,088	586,088
Less: Allowance for agents' balances and uncollected premiums	(586,088)	(586,088)
Net agents balances and uncollected premiums	-	-
Reinsurance recoverables on paid losses and loss adjustment expenses	2,593,027	5,486,199
Accrued investment income	23,633	30,031
Federal income tax recoverable	1,174,245	1,052,216
Total admitted assets	**$ 20,721,116**	**$ 22,103,190**
Liabilities		
Reserve for unpaid losses and loss adjustment expenses	$ 11,372,000	$ 17,100,000
Retrospective ceded premiums payable	3,596,115	2,445,110
Ceded reinsurance premiums payable	1,617,031	1,617,031
Accrued expenses and other liabilities	4,941,663	5,102,366
Total liabilities	**21,526,809**	**26,264,507**
Capital and Deficit		
Common stock, $260.87 stated value, 25,000 shares authorized, 15,000 shares issued and outstanding at 2013 and 2012	3,913,044	3,913,044
Paid-in and contributed capital	460,465	460,465
Unassigned deficit	(5,179,202)	(8,534,826)
Total capital and deficit	**(805,693)**	**(4,161,317)**
Total liabilities and capital and deficit	**$ 20,721,116**	**$ 22,103,190**

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Income
For the Years Ended December 31, 2013 and 2012

	2013	2012
Net premiums ceded	$ (661,248)	$ (789,288)
Losses and loss adjustment expenses (ceded) incurred	(2,467,596)	(4,980,829)
Other underwriting expenses incurred	968,780	4,677,122
	(1,498,816)	(303,707)
Underwriting gain (loss)	837,568	(485,581)
Investment income gain		
Net investment income earned	187,623	566,160
Net realized capital gains (losses)	721,687	(92,159)
Net investment gain	909,310	474,001
Other income, litigation award	1,500,000	-
Gain (loss) before federal income tax	3,246,878	(11,580)
Federal income tax benefit	(148,036)	-
Net income (loss)	$ 3,394,914	$ (11,580)

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Changes in Capital and Deficit
For the Years Ended December 31, 2013 and 2012

2013	Common Stock	Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Deficit
Balances at December 31, 2012	$ 3,913,044	$ 460,465	$ (8,534,826)	$ (4,161,317)
Net income	-	-	3,394,914	3,394,914
Change in non-admitted assets	-	-	1,185,620	1,185,620
Change in unrealized capital gains	-	-	(39,290)	(39,290)
Change in net deferred tax assets	-	-	(1,185,620)	(1,185,620)
Balances at December 31, 2013	$ 3,913,044	$ 460,465	$ (5,179,202)	$ (805,693)

2012	Common Stock	Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Deficit
Balances at December 31, 2011	$ 3,913,044	$ 460,465	$ (8,711,616)	$ (4,338,107)
Net loss	-	-	(11,580)	(11,580)
Change in non-admitted assets exclusive of change in net deferred tax assets	-	-	(1,192,000)	(1,192,000)
Change in unrealized capital gains	-	-	188,370	188,370
Change in net deferred tax assets (unaudited) (Note 8)	-	-	1,192,000	1,192,000
Balances at December 31, 2012	$ 3,913,044	$ 460,465	$ (8,534,826)	$ (4,161,317)

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Ceded premiums	$ 489,758	$ (2,375,953)
Losses and loss adjustment expenses paid	(6,183,592)	(6,434,729)
Underwriting expenses paid	(1,136,123)	(1,547,368)
Cash used in underwriting	(6,829,957)	(10,358,050)
Investment income (net of investment expenses)	155,533	309,483
Litigation award	1,500,000	-
Reinsurance collected on paid losses	5,816,359	734,925
Miscellaneous income	26,007	-
Net cash provided by (used in) operating activities	**667,942**	**(9,313,642)**
Cash flows from investing activities:		
Proceeds from investments sold, matured or repaid:		
Bonds	1,206,488	2,756,061
Stocks	2,067,432	354,741
Total proceeds from investments sold, matured or repaid	3,273,920	3,110,802
Cost of investments acquired:		
Stocks	440,668	-
Total cost of investments acquired	440,668	-
Net cash provided by investing activities	**2,833,252**	**3,110,802**
Net increase (decrease) in cash and cash equivalents	**3,501,194**	**(6,202,840)**
Cash and cash equivalents		
Beginning of year	**8,546,156**	**14,748,996**
End of year	**$ 12,047,350**	**$ 8,546,156**

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

Note 1: Organization and Nature of Operations

Professional Liability Insurance Company of America ("PLICA") is a stock insurance company that was incorporated in the State of New York on March 6, 1958, as Provident Insurance Company ("Provident"). On that date, Provident Fire Insurance Company, which was incorporated under the laws of the State of New Hampshire on April 25, 1924, merged into Provident. On December 31, 1965, the United States Branch of Royal Exchange Assurance Ltd., London, England, was domesticated and merged into Provident, which was renamed the Royal Exchange Assurance of America, Inc. On March 14, 1989, Sun Alliance USA Inc. acquired the Royal Exchange Assurance of America, Inc. from Royal Exchange Assurance Ltd. On February 15, 1990, the Royal Exchange Assurance of America, Inc. was renamed Fortress Insurance Company of America. On August 31, 1993, Fortress Insurance Company of America was acquired by AAOMS National Insurance Company, Risk Retention Group. On December 19, 1997, Fortress Insurance Company of America was sold as a shell to Medical Liability Mutual Insurance Company ("MLMIC"). On April 16, 1998, Fortress Insurance Company of America adopted the current name Professional Liability Insurance Company of America.

In March 1999, MLMIC sold a 20% interest in PLICA to Connecticut Medical Insurance Company ("CMIC"), a Connecticut domestic medical malpractice insurer. On May 31, 2001, CMIC divested its interest in PLICA, with MLMIC regaining a 100% interest in PLICA. On May 28, 2004, PLICA was acquired by the RBT Trust II (the "RBT Trust II"), an irrevocable trust organized under the laws of Missouri, pursuant to a Stock Purchase Agreement dated March 5, 2004 by and between the RBT Trust II and MLMIC.

While PLICA was licensed to write business in 30 states and the District of Columbia, substantially all of PLICA's premiums originated from the following four states: Illinois, Missouri, Connecticut and Texas. PLICA did not write any business in New York, its domiciliary state. In Texas, PLICA operates under the name Medical Liability Insurance Company of America.

The New York State Insurance Department ("Insurance Department") conducted an examination of the condition and affairs of PLICA as of December 31, 2008 and issued a Report on Examination, dated August 13, 2009. The Report on Examination found, among other things, that PLICA's minimum required surplus was impaired in the amount of $800,958 and that further transaction of business by PLICA would be hazardous to its policyholders, creditors and the general public. The Report on Examination also alleged violations of Article 15 of the New York Insurance Law and other New York laws. In March 2010, an Illinois court issued an order appointing a statutory conservator ("Conservator") for PLICA, and authorizing the Conservator to take possession and conserve the property and all other assets of PLICA. Commissioners of insurance in other

Note 1: Organization and Nature of Operations (continued)

states also issued determinations that PLICA's continued conduct of the business of insurance in their states would be hazardous to policyholders and creditors in their states. Based on the foregoing, the former Superintendent of Insurance of the State of New York petitioned the Supreme Court of the State of New York, County of New York ("Receivership Court") under Article 74 of the New York Insurance Law ("Insurance Law") for an order placing PLICA into rehabilitation.

On April 30, 2010, the Receivership Court issued an order ("Rehabilitation Order") placing PLICA into rehabilitation and appointing the then-Superintendent of Insurance of the State of New York and his successors in office as rehabilitator of PLICA. The Superintendent of Financial Services of the State of New York ("Superintendent") succeeded the Superintendent of Insurance as Rehabilitator of PLICA.

The Rehabilitation Order directed, among other things, that the Rehabilitator take possession of PLICA's property, conduct PLICA'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 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"), which has succeeded the Insurance Department. 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 collectively referred to herein as "Management."

PLICA has been in rehabilitation since 2010 and has a net capital deficiency. Although PLICA had net income of $3,394,914 for the year ending December 31, 2013, it still has a total equity balance of $(805,693) as of December 31, 2013. This raises substantial doubt about PLICA's ability to continue as a going concern. The Statutory Basis Financial Statements (as defined below) do not include any adjustments that may be necessary if PLICA is unable to continue as a going concern.

Note 1: Organization and Nature of Operations (continued)

On November 14, 2012, the Superintendent filed a petition to convert the PLICA rehabilitation proceeding to a liquidation proceeding. *See* Note 11, Subsequent Events.

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 has 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 the 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 PLICA. The outcome of applying the Prescribed Practices to PLICA would not be significantly different from the outcome of applying the APP Manual to PLICA.

Management elected to prepare, in accordance with the Prescribed Practices, PLICA's Statutory Basis Balance Sheet as of December 31, 2013 and 2012, Statutory Basis Statements of Operations, Statements of Changes in Capital and Deficit and Statements of Cash Flows, all for the years ended December 31, 2013 and 2012 (collectively, "Statutory Basis Financial Statements").

The Prescribed Practices used to prepare the Statutory Basis Financial Statements 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:

Investments

Pursuant to the Prescribed Practices, investments in bonds are reported at amortized cost or fair market value based on their NAIC rating. Pursuant to US GAAP, such fixed-maturity investments would be designated at purchase as held-to-maturity, trading or available-for-sale. Held-to-maturity investments under US GAAP would be reported at amortized cost. Trading investments under US GAAP would be reported at fair market value, with unrealized gains and losses reported in the Statements of Operations. Available-for-sale investments under US GAAP would be reported at fair market value, with unrealized gains and losses reported as a separate component of shareholders' equity in the category of other comprehensive income.

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Pursuant to the Prescribed Practices, cumulative and current year changes in unrealized gains and losses are included in unassigned surplus, net of deferred taxes. For US GAAP purposes, unrealized gains or losses are recognized in surplus or income, depending on whether Management plans to hold or actively trade the related securities.

Pursuant to the Prescribed Practices, asset-backed securities (*e.g.*, mortgage-backed securities) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities, using either the retrospective or prospective methods. If it is determined that a decline in fair market value is other-than-temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. Under US GAAP, all asset-backed securities, other than high-credit quality securities are adjusted using the prospective method when there is a change in estimated future cash flows. If high credit quality securities are adjusted, the retrospective method is used. If it is determined that a decline in fair market value is other-than-temporary, the cost basis of the security is written down to the discounted fair market value.

Non-Admitted Assets

Pursuant to the Prescribed Practices, certain assets designated as “non-admitted,” such as investments in excess of statutory limitations and those not in compliance with statutory requirements (*i.e.*, deferred federal income tax assets, overdue agents’ balances in the course of collection, non-operating system software, furniture and equipment, receivables from transactions with related parties without timely settlement in accordance with a written agreement, prepaid expenses and other assets not specifically identified as an admitted asset), are excluded from the Statutory Basis Financial Statements and are charged directly to unassigned surplus. These assets would be recognized under US GAAP with a related valuation allowance, if any.

Federal Income Taxes

The Prescribed Practices, which do not adhere to Financial Accounting Standards Board (“FASB”) Topic 740, *Income Taxes* (“Topic 740”), require neither recognition and measurement of a tax position taken or expected to be taken, nor certain other related disclosures. By contrast, under US GAAP, accounting and disclosure for uncertainty in income taxes recognized in Topic 740, *Accounting for Income Taxes* would be required.

Reinsurance

Pursuant to the Prescribed Practices, estimated reinsurance recoverables arising from ceding transactions and amounts paid to reinsurers related to unexpired portions of reinsurance contracts are netted against related gross liabilities. Whereas for US GAAP purposes such estimated reinsurance recoverables are reported as separate assets.

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Policy Acquisition Costs

Pursuant to the Prescribed Practices, policy acquisition costs such as commissions, premium taxes, and other items, are charged to current operations as they are incurred. Under US GAAP, these costs are deferred to the extent recoverable and reported in the Statements of Operations on a pro-rata basis over the periods covered by the policies.

Statements of Cash Flows

Under US GAAP, the statement of cash flows reconciles to the change in cash and cash equivalents that are financial instruments with an original maturity period of three months or less. Pursuant to the Prescribed Practices, this caption reconciles the changes in cash, cash equivalents and short-term investments with original maturities of one year or less.

Variable Interest Entities

Pursuant to FASB, Topic 810, *Consolidation* ("Topic 810") statutory basis accounting does not require certain disclosures or the consolidation of certain variable interest entities. Under US GAAP, such disclosures would be required and variable interest entities would be consolidated.

Other Comprehensive Income (Loss)

The statutory basis financial statements do not include a statement of comprehensive income. Cumulative unrealized gains and losses are included in unassigned surplus. The current year change in unrealized gains and losses is shown on the statement of changes in surplus. For US GAAP purposes, unrealized gains or losses are either recognized in surplus or income dependent on management plans to hold or actively trade the related securities.

B. Use of Estimates in the Preparation of the Statutory Basis Financial Statements

The preparation of these Statutory Basis Financial Statements required Management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. It also required disclosure of contingent assets and liabilities at the date of the Statutory Basis 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.

C. Accounting Policies

Management used the following methods and assumptions in the preparation of the Statutory Basis Financial Statements.

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Cash and Invested Assets

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.

Short-term investments, excluding cash equivalents, consist of investments with original maturities of one year or less at the time of acquisition and are typically stated at amortized cost.

Bonds not backed by loans are principally stated at amortized cost using the interest method.

As prescribed by the NAIC Securities Valuation Office ("SVO"), preferred stocks are stated at cost, amortized cost or fair market value, if fair market value is lower than cost or amortized cost. The related net unrealized capital gains (losses) are reported in unassigned deficit.

As prescribed by the SVO, common stocks are stated at fair market value and the net unrealized capital gains (losses) are reported in unassigned surplus/deficit, except that investments in insurance subsidiaries and affiliates are carried on a statutory basis.

PLICA utilizes the specific identification method for calculating gains or losses on the sale of debt securities and other investments.

Investment income due and accrued includes revenues that are earned but not yet received. Amounts greater than 90 days past due are recognized as non-admitted assets.

Realized capital gains and losses are determined using the "first in, first out" method and recognized on the trade date. Investments that have declined in fair market value below cost, and for which the decline is judged to be other-than-temporary, are written down to fair market value and reported as realized losses.

Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest.

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Cash and Invested Assets (continued)

Loan-backed securities are stated at amortized cost using the interest method, including anticipated prepayments, with the effective yield recalculated to reflect the actual payments received and the anticipated future payments. Prepayment assumptions are obtained from external pricing services (*e.g.*, Bloomberg, Hub-Data or brokers) or internal estimates and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities except principal-only and interest-only securities, which are valued using the prospective method.

PLICA is not party to derivative instruments.

Other-Than-Temporary Impairments on Investments

When a decline in fair market value is deemed to be other-than-temporary, it is included in net realized investment losses, and the cost basis of that investment is reduced accordingly.

Reserves for Unpaid Losses and Loss Adjustment Expenses

Reserves for unpaid losses and loss adjustment expenses ("LAE") include an amount determined from individual case estimates and loss reports and an amount, based on past experience, on an undiscounted basis. LAE are the expenses associated with adjusting and litigating a claim (*e.g.*, expert witness and investigation costs), excluding the payment for the loss itself. PLICA's reserves for unpaid loss and LAE are stated net of reinsurance recoverables. Management has reviewed and agreed to report the incurred but not reported ("IBNR") reserves as calculated by an independent actuary. Such liabilities are based on assumptions and estimates and, while Management believes the amount to be adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing resulting liabilities are continually reviewed and adjustments are reflected in the period determined.

Non-Admitted Assets

As of December 31, 2013 and 2012, the agents' balances in the course of collection totaled $586,088 and were recorded as non-admitted assets.

Income Taxes

Pursuant to the Prescribed Practices, deferred tax assets and liabilities are reported on the Statutory Basis Financial Statements in order to recognize the future tax consequences

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

that may occur as a result of the differences between those amounts of existing assets and liabilities stated in the Statutory Basis Financial Statements and the amounts stated on a tax basis. Deferred tax assets and liabilities are measured using rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Such temporary differences relate primarily to net operating losses.

Reinsurance

Premium revenues are recorded net of ceded reinsurance premiums. Unpaid losses and loss expenses are recorded net of reinsurance recoverable on unpaid losses. PLICA is liable in the event a reinsurer is unable to meet the obligations assumed under the reinsurance agreements.

Retrospective ceded premiums payable are recorded based upon the loss experience under the related agreement and recognized by PLICA in the period in which the loss event giving rise to the payable occurred and is recorded in the Statutory Basis Balance Sheet with the corresponding ceded premium adjustment recorded as a reduction to premiums earned in the Statutory Basis of Operations.

Provision for reinsurance provides a minimum reserve for uncollectible reinsurance, which is recorded as a liability in the Statutory Basis Balance Sheet, and the change between years is recorded as a gain or loss directly to unassigned deficit.

Allocation of Expenses

Certain employees of the NYLB work on PLICA matters in addition to matters pertaining to other Estates. Based on the amount of time spent by each such NYLB employee on PLICA matters, general and administrative expenses (*e.g.*, salaries, payroll taxes, rent, and office expenses) are charged to PLICA on a monthly basis. PLICA then reimburses the NYLB each month's charges. The amounts payable to the NYLB as of December 31, 2013 and 2012 were $81,958 and $178,207, respectively and presented in accrued expenses and other liabilities.

Fair Value Measurements

FASB issued Topic 820, *Fair Value Measurement and Disclosure* ("Topic 820") which clarifies the definition of fair value, establishes a framework for measuring fair value in US GAAP, and expands required disclosures about fair value measurements in US GAAP financial statements. Fair value information is relevant to users of financial statements and is required as an objective means of measuring fair value. The NAIC has issued guidance similar to Topic 820 through Statement of Statutory Accounting Principle ("SSAP") No. 100, *Fair Value Measurements* ("SSAP No. 100").

Note 3: Investments

Bonds

At December 31, 2013, the amortized cost/carrying value, gross unrealized gains and losses and estimated fair market values of investments in bonds are summarized as follows:

	Amortized Cost/Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
U.S. Government securities	$ 3,760,128	$ 48,940	$ -	$ 3,809,068
Industrial and miscellaneous	308,948	28,028	-	336,976
Total Bonds	$ 4,069,076	$ 76,968	$ -	$ 4,146,044

At December 31, 2012, the amortized cost/carrying value, gross unrealized gains and losses and estimated fair market values of investments in bonds are summarized as follows:

	Amortized Cost/Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
U.S. Government securities	$ 4,537,306	$ 124,234	$ -	$ 4,661,540
Industrial and miscellaneous	692,767	117,292	-	810,059
Total Bonds	$ 5,230,073	$ 241,526	$ -	$ 5,471,599

At December 31, 2013 and 2012, securities on deposit with fair market values of $1,728,718 and $2,543,956, respectively were on deposit with various state insurance departments to satisfy regulatory requirements.

The amortized cost and fair market value of debt securities at December 31, 2013 and 2012, by date of contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Note 3: Investments (continued)

	2013		2012	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Maturity				
Within one year	$ 2,761,658	$ 2,786,798	$ 779,960	$ 786,796
1-5 years	998,469	1,022,270	3,757,346	3,874,743
Due after 15 years	308,949	336,976	692,767	810,060
Grand Total	$ 4,069,076	$ 4,146,044	$ 5,230,073	$ 5,471,599

In 2013, PLICA had maturities of investments in debt securities in the amount of $780,000 but did not receive any proceeds from sales. In 2013, PLICA received proceeds from principal paydowns of $426,489. In 2012, PLICA did not receive any proceeds from sales or maturities. In 2012, PLICA received proceeds from principal pay downs of $2,756,061.

Common Stocks

The cost, gross unrealized gains and losses, carrying values, and fair market values of common stocks are summarized as follows:

	December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Common Stocks	$ 808,714	$ 34,239	$ (29,168)	$ 813,785

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Common Stocks	$ 1,714,154	$ 192,484	$ (148,123)	$ 1,758,515

In 2013 and 2012, PLICA received proceeds from the sales of common stocks in the amount of $2,067,432 and $354,741 inclusive of a stock conversion of $425,386 and $6,700, respectively. In 2013 and 2012, gross gains of $722,177 and gross losses $51,959, respectively, were realized on those sales.

Note 3: Investments (continued)

Unrealized losses

At December 31, 2013 and 2012, PLICA held fixed maturity and equity securities, where the estimated fair value had declined and remained below amortized cost by the amount indicated in the tables below.

	December 31, 2013					
	For Less than 12 Months		For Greater than 12 Months		Total	
	Aggregate Fair Market Value	Aggregate Unrealized Losses	Aggregate Fair Market Value	Aggregate Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed maturities	$ -	$ -	$ -	$ -	$ -	$ -
Common stocks	-	-	154,165	(29,168)	154,165	(29,168)
Total	$ -	$ -	$ 154,165	$ (29,168)	$ 154,165	$ (29,168)

	December 31, 2012					
	For Less than 12 Months		For Greater than 12 Months		Total	
	Aggregate Fair Market Value	Aggregate Unrealized Losses	Aggregate Fair Market Value	Aggregate Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed maturities	$ -	$ -	$ -	$ -	$ -	$ -
Common stocks	6,575	(125)	877,491	(147,998)	884,066	(148,123)
Total	$ 6,575	$ (125)	$ 877,491	$ (147,998)	$ 884,066	$ (148,123)

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 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 ("OTTI") exists, a decrease in surplus is incurred and the cost basis of the impaired asset is adjusted to its fair market value.

Note 3: Investments (continued)

Unrealized losses

At December 31, 2013 and 2012, Management did not write down the cost of any debt investments to fair market value. If there was a write down it would be included in "realized losses" in the Statutory Basis Statements of Operations.

At December 31, 2013 and 2012, Management did write down the cost of certain equity investments to fair market value in the amounts of $490 and $40,200, respectively. The writedowns were included in the "net realized capital losses" in the Statutory Basis Statements of Operations.

Net Investment Income Earned

Net investment income earned consisted of the following for the year ended December 31:

	2013	2012
Bonds	$161,938	$523,429
Common stocks	31,545	46,849
Cash and cash equivalents	780	1,382
Gross investment income	194,263	571,660
Investment expenses	(6,640)	(5,500)
Net investment income earned	$187,623	$566,160

Net realized capital gains (losses)

Set forth below are the net realized capital gains (losses) recognized by PLICA in 2013 and 2012.

	2013		
	Net realized gain (loss) on sale	OTTI	Net realized capital gain (loss)
Bonds	$ -	$ -	$ -
Common stocks	722,177	(490)	721,687
	$ 722,177	$ (490)	$ 721,687

Note 3: Investments (continued)

Net realized capital gains (losses) (continued)

	2012		
	Net realized gain (loss) on sale	OTTI	Net realized capital gain (loss)
Bonds	$ -	$ -	$ -
Common stocks	(51,959)	(40,200)	(92,159)
	$ (51,959)	$ (40,200)	$ (92,159)

Subprime Exposures

Management has reviewed PLICA's portfolio as of December 31, 2013 and 2012, and has determined that:

(1) PLICA has no direct subprime exposure through investments in subprime mortgage loans.

(2) PLICA had four securities with an estimated fair market value of $336,976 at December 31, 2013 with indirect subprime exposure as mortgage backed securities.

(3) PLICA has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

Note 4: Fair Market Value of Cash and Invested Assets

Cash and Cash Equivalents, Short-term Investments and Other Invested Assets

The carrying amounts reported in the Statutory Basis Balance Sheet for cash and cash equivalents, short-term investments and other invested assets are a reasonable estimate of fair market value.

Investment securities

Management uses 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 fair market values of PLICA's invested assets are disclosed in Note 4 hereof.

PLICA has no derivative financial instruments as defined by SSAP No. 86, *Accounting for Derivative Instruments and Hedging Activities*.

Mortgage Loans

As of December 31, 2013 and 2012, PLICA no longer held any outstanding mortgages.

Note 4: Fair Market Value of Cash and Invested Assets

Fair Value Measurements

Certain investment related line items in the Statutory Basis Balance Sheet are consistently carried at fair market value. Others are periodically measured at fair market value, such as when impaired, or, for certain bonds and preferred stocks, when carried at the lower of cost or fair market value.

The fair market value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties other than in a forced or liquidation sale. The fair market value of a liability is the amount at which that liability could be released or otherwise resolved in a current transaction between willing parties other than in a forced transaction.

Fair market values are based on quoted market prices when available. When market prices are not available, fair market value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, Management estimates fair market value using methods, models and assumptions that Management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which become increasingly significant with complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

SSAP No. 100 requires that financial statements, prepared pursuant to the Prescribed Practices, classify financial assets and liabilities at fair value by using the fair value hierarchy.

SSAP No.100 establishes a fair value hierarchy that prioritizes the use of inputs in valuation techniques into the following three levels:

Level One: observable prices in active markets for identical assets and liabilities;

Level Two: observable inputs other than quoted prices in active markets for identical assets and liabilities;

Level Three: unobservable inputs.

Note 4: Fair Market Value of Cash and Invested Assets (continued)

Fair Value Measurements (continued)

An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The following table provides information as of December 31, 2013 about PLICA's financial assets and liabilities measured and disclosed at fair value.

	Level 1	Level 2	Level 3	Total
Assets at fair value				
US Government Bonds	$ -	$ 3,809,068	$ -	$ 3,809,068
Collateral Mortgage Obligations	-	336,976	-	336,976
Common and Preferred Stocks	-	813,785	-	813,785
Grand Total	$ -	$ 4,959,829	$ -	$ 4,959,829

The following table provides information as of December 31, 2012 about PLICA's financial assets and liabilities measured and discussed at fair value.

	Level 1	Level 2	Level 3	Total
Assets at fair value				
US Government Bonds	$ -	$ 4,661,539	$ -	$ 4,661,539
Collateral Mortgage Obligations	-	810,060	-	810,060
Common and Preferred Stocks	-	1,758,515	-	1,758,515
Grand Total	$ -	$ 7,230,114	$ -	$ 7,230,114

Level 1 assets include actively-traded exchange-listed common stocks. Unadjusted quoted prices for these securities are provided to PLICA by independent pricing services. 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 a market using matrix pricing. Quoted prices for these securities are provided to PLICA by independent pricing services.

Note 5: Reserves for Unpaid Losses and LAE

PLICA's reserves for unpaid losses and LAE as of December 31, 2013 and 2012, include: (a) estimates for claims reported; (b) estimates for claims incurred but not reported; (c) development of claims paid and/or reported; and (d) deductions for anticipated reinsurance recoverables related to (a), (b) and (c) above.

Note 5: Reserves for Unpaid Losses and LAE (continued)

The following table provides a reconciliation of reserves for unpaid losses and LAE, net of reinsurance recoverables in the amounts of $5,111,000 and $6,500,000, respectively, as of December 31, 2013 and 2012.

	2013	2012
Loss and LAE Reserves at beginning of year (Unaudited)	$ 17,100,000	$ 23,000,000
Incurred Loss and LAE related to:		
Current year	-	-
Prior years	(2,467,596)	(4,980,829)
Total Incurred	(2,467,596)	(4,980,829)
Paid Loss and LAE related to:		
Current Year	-	-
Prior Years	3,260,406	919,171
Total Paid	3,260,406	919,171
	$ 11,372,000	$ 17,100,000

The provision for incurred losses and LAE of prior years decreased in 2013 primarily as a result of the reduction of the IBNR reserves due to the payment of claims in 2013.

PLICA's lack of historical losses, particularly for the liability associated with the issued free lifetime tail policies, subjects the reserve for unpaid loss and LAE to uncertainty. The lack of information regarding credible loss experience, especially related to the issued tail policies and the inconsistency in setting adequate case reserves over time, subject PLICA's reserves for unpaid loss and LAE to significant variability.

Note 6: Reinsurance

In the normal course of business, PLICA reinsures a portion of its insurance risks in order to limit its exposure to losses in excess of specified amounts. To the extent that any reinsuring companies are unable to meet obligations under reinsurance agreements, PLICA would be liable for the reinsured risk. PLICA evaluates the financial condition of its reinsurers in order to minimize its exposure to significant loss from reinsurer insolvencies. The reinsurance agreements provide coverage on an excess of loss basis summarized below. Reinsurance recoverables relate to amounts due to PLICA arising under reinsurance agreements originating prior to PLICA's rehabilitation.

PLICA has an Excess of Loss Reinsurance Agreement for its medical professional liability business through multiple carriers. Under this agreement, PLICA is insured for claims in excess of $200,000 per claim retention up to $1,000,000 for contract years July 1, 2004 through June 30, 2007 and $250,000 per claim retention up to $1,000,000 for contract years starting July 1, 2007 through December 31, 2009. PLICA has no medical professional liability policies that exceed $1,000,000. The provisional premiums related

Note 6: Reinsurance (continued)

to this Excess of Loss Reinsurance Agreement are subject to subsequent adjustments based upon the loss experience during the contract periods.

For the years ended December 31, 2013 and 2012, PLICA recorded net ceded premium adjustment of $661,248 and $766,629, respectively, which was reported through net premiums written in the Statutory Basis Statements of Operations. Additionally, as of December 31, 2013 and 2012, $3,596,115 and $2,445,110, respectively, remained unpaid and was recorded on the Statutory Basis Balance Sheets as retrospective ceded premiums payable.

The effect of reinsurance on premiums written and earned in 2013 and 2012 is as follows:

	2013 (Ceded) Earned	2013 Premiums Written	2012 (Ceded) Earned	2012 Premiums Written
Direct Business	$ -	$ -	$ (22,659)	$ (22,659)
Ceded	(661,248)	-	(766,629)	-
Net Premiums	$ (661,248)	$ -	$ (789,288)	$ (22,659)

There were no unearned premiums as of December 31, 2013 and 2012. Therefore, there was no effect of reinsurance on unearned premiums.

There were no unsecured reinsurance recoverables on paid losses and loss adjustment expenses as of December 31, 2013 and 2012.

Note 7: Federal Income Taxes

PLICA incurred no provision for income tax (benefit) on earnings for the years ended December 31, 2013 and 2012.

At December 31, 2013 and 2012, PLICA established a valuation allowance in accordance with SSAP No. 101, to offset all of its gross deferred tax assets (“DTAs”) as Management does not expect PLICA to report future taxable income sufficient to offset its cumulative timing differences between the statutory and tax basis of assets and liabilities, nor utilize its net loss operating carryforwards.

Note 7: Federal Income Taxes (continued)

At December 31, 2013 and 2012, PLICA carried a valuation allowance for $5,036,846 and $6,222,466 respectively due to Management's expectation that the full future utilization and reversal of the gross deferred tax asset arising from the prior year's realized capital losses was not expected to occur. At that date, PLICA non-admitted its DTAs and DTLs as those amounts were not expected to be realized. PLICA has not implemented any tax planning strategies.

Note 7: Federal Income Taxes (continued)

The components of the net DTA recognized in PLICA's Statutory Basis Balance Sheets at December 31, 2013 and 2012 are as follows:

	2013			2012		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Gross deferred tax assets	$ 4,332,844	$ 704,002	$5,036,846	$5,210,092	$1,012,374	$6,222,466
Statutory valuation allowance adjustments	(4,332,844)	(704,002)	(5,036,846)	(5,210,092)	(1,012,374)	(6,222,466)
Adjusted gross deferred tax assets	-	-	-	-	-	-
Deferred tax assets nonadmitted	-	-	-	-	-	-
Subtotal net admitted deferred tax asset	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Net admitted deferred tax asset	$ -	$ -	$ -	$ -	$ -	$ -

	2013			2012		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Admission calculation components SSAP No. 101 (paragraph 11):						
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	-	-	-	-	-	-
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a above) after application of the threshold limitation (the lesser of b.i and b.ii below).	-	-	-	-	-	-
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	-	-	-	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	-	-	-	-	-	-
c.Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a and b above) offset by deferred tax liabilities.	-	-	-	-	-	-
Deferred tax assets admitted as the result of application of SSAP No.101. Total (a+b+c)	$ -	$ -	$ -	$ -	$ -	$ -

Note 7: Federal Income Taxes (continued)

The components of the change in the net DTA recognized in PLICA's Statutory Basis Balance Sheets between December 31, 2013 and 2012 are as follows:

	Change		
	Ordinary	**Capital**	**Total**
Gross deferred tax assets	$ (877,248)	$ (308,372)	$ (1,185,620)
Statutory valuation allowance adjustments	877,248	308,372	1,185,620
Adjusted gross deferred tax assets	-	-	-
Deferred tax assets nonadmitted	-	-	-
Subtotal net admitted deferred tax asset	-	-	-
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset	$ -	$ -	$ -
Admission calculation components SSAP No. 101 (paragraph 11):			
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	-	-	-
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a. above) after application of the threshold limitation (the lesser of b.i. and b.ii.below).	-	-	-
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	-	-	-
c.Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by deferred tax liabilities.	-	-	-
Deferred tax assets admitted as the result of application of SSAP No.101. Total (a+b+c)	$ -	$ -	$ -

	2013	2012
Ratio percentage used to determine recovery period and threshold limitation amount	0.0%	0.0%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ -	$ -

Note 7: Federal Income Taxes (continued)

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the years ended December 31, 2013 and 2012 as follows:

	2013	2012
Deferred tax assets:		
Ordinary:		
Discounting of unpaid losses and LAE	$ 260,309	$ 513,118
Additional minimum pension liability		
Net operating loss carryforward	4,072,535	4,696,974
Subtotal deferred tax assets - ordinary	4,332,844	5,210,092
Capital:		
Unrealized losses (gains)	(28,713)	27,069
Net capital loss carryforward	732,715	985,305
Subtotal deferred tax assets - capital	704,002	1,012,374
Total deferred tax assets	5,036,846	6,222,466
Valuation allowance (as a result of SSAP No. 101)	(5,036,846)	(6,222,466)
Admitted ordinary deferred tax assets	$ -	$ -
Deferred tax liabilities:		
Subtotal deferred tax liabilities - ordinary	$ -	$ -
Capital:		
Unrealized gain	-	-
Subtotal deferred tax liabilities – capital	-	-
Total deferred tax liabilities	$ -	$ -
Net admitted deferred tax assets	$ -	$ -

Note 7: Federal Income Taxes (continued)

The change in net deferred income taxes is comprised of the following:

	December 31, 2013	December 31, 2012	Increase (Decrease)
Total deferred tax assets	$ -	$ -	$ -
Total deferred tax liabilities	-	-	-
Net deferred tax assets	$ -	$ -	$ -
Tax effect of unrealized gain			
Change in net deferred income tax			$ -

The significant items causing a difference between the statutory federal income tax rate and PLICA's effective income tax rate are as follows:

	December 31, 2013	Effective Tax Rate
Provision at statutory rate	$ 1,136,408	35.00%
Dividends received deduction	(7,728)	(.23)%
Net realized capital loss carryforward	(252,591)	(7.78)%
Tax basis Loss & LAE reserves discounting	(251,650)	(7.75)%
2013 Net Operating Loss Carryforward	1,128,711	34.75%
Exclusion for debt forgiveness - IRC Sec. 108	(1,753,150)	(53.99)%
Prior year over accrual for income tax - 2010	(148,036)	(4.56)%
Total income tax benefit	$ (148,036)	(4.56)%
Federal and foreign income taxes benefit	$ (148,036)	(4.56)%
Change in net deferred income tax	-	-
Total statutory income taxes	$ (148,036)	(4.56)%

Note 7: Federal Income Taxes (continued)

	December 31, 2012	Effective Tax Rate
Expense benefit computed at statutory rate	$ 4,053	35.00%
Dividend received deduction	11,478	99.12%
Net realized capital loss carryforward only	(32,255)	(278.54)%
Tax basis loss & LAE reserves discounting	221,775	1,915.16%
2012 Net operating loss carryforward only	(206,479)	(1,783.07)%
Other	1,428	12.33%
Total income tax benefit	$ -	-
Federal and foreign income taxes benefit	$ -	-
Change in net deferred income tax (Unaudited)	-	-
Total statutory income taxes (Unaudited)	$ -	-

Management determined that there were no additional DTAs that could be admitted through tax planning. PLICA has no unrecognized deferred tax liabilities as of December 31, 2013 and 2012.

At December 31, 2013, PLICA had $11,635,814 of net operating loss carryforwards and $2,093,470 of capital loss carryforwards available to offset against future taxable income. A summary of net operating and capital loss carryforwards by expiration date is set forth below:

Net Operating Losses

Originating Year	Expiration Year	Loss Carryforward
2011	2031	$ 7,829,985
2012	2032	580,939
2013	2033	3,224,890
		$ 11,635,814

Note 7: Federal Income Taxes (continued)

Net Capital Losses

Originating Year	Expiration Year	Loss Carryforward
2010	2015	$ 225,043
2011	2016	1,776,269
2012	2017	92,158
		$ 2,093,470

PLICA did not incur federal income tax expense for the years ended December 31, 2013 or 2012 that is available for recoupment in the event of future net losses. Additionally, PLICA did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

Note 8: Capital and Deficit, Dividend Restrictions and Statutory Requirements

Pursuant to Insurance Law Section 4105, all dividends on capital stock must be distributed exclusively out of earned surplus. Dividends that exceed the lesser of: (i) 10% of PLICA's most recent year-end policyholders' surplus, (ii) the net income earned for the year, or (iii) 100% of adjusted net investment income for such period, cannot be declared or distributed without prior approval of the Superintendent. For the years ended December 31, 2013 and 2012, PLICA did not declare or pay any dividends on common stock.

As of December 31, 2013 and 2012, PLICA's unassigned deficit was $5,179,202 and $8,534,826, respectively, and is represented or reduced by each item below:

	2013	2012
Net income (loss)	$ 3,394,914	$ (11,580)
Unrealized capital (loss) gains	(39,290)	188,370
Change in DTA	(1,185,620)	1,192,000
Change in nonadmitted assets	1,185,620	(1,192,000)

Note 9: Commitments and Contingencies

On November 10, 2010, the United States Attorney of the Eastern District of Missouri filed a Second Superseding Indictment ("Indictment") alleging a fraudulent scheme to misappropriate the proceeds of the sale of prearranged funeral services ("Funeral Scheme"). The Indictment alleged that PLICA was purchased using the proceeds of the Funeral Scheme and sought forfeiture of all PLICA shares of stock, assets and any surplus, along with all assets of the RBT Trust II. James Douglas Cassity, Brent Cassity, Howard Wittner and certain other defendants in the criminal action pleaded guilty in July 2013, and were sentenced to prison terms. It does not appear that forfeiture against PLICA will be sought.

By complaint dated August 6, 2009, the Texas Special Deputy Receiver for National Prearranged Services, Inc., Lincoln Memorial Life Insurance Company and Memorial Service Life Insurance Company, the guaranty associations of seven states and the National Organization of Life and Health Insurance Guaranty Associations, representing the guaranty associations of 28 additional states ("Plaintiffs") commenced a Racketeer Influenced and Corrupt Organizations Act ("RICO") action in the United States District Court for the Eastern District of Missouri in connection with the Funeral Scheme. The RICO Plaintiffs allege that the proceeds of the scheme were utilized to purchase PLICA, and that PLICA is therefore an asset of the Plaintiffs. The RICO action is ongoing.

In the opinion of Management, the ultimate disposition of surplus assets of PLICA, if any, could be affected by the RICO action.

Note 10: Concentration of Credit Risk

Financial instruments that have the potential to subject PLICA 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.

PLICA maintains cash balances at financial institutions that are insured by the 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 F-1+ (Fitch) for Bank of New York Mellon. As of the date hereof, the FDIC insures accounts up to $250,000 at these institutions. Management monitors balances of cash in excess of insured limits and believes, based on the information currently available to it, that such balances do not represent a material credit risk to PLICA. As of December 31, 2013 and 2012, when FDIC insured limits were $250,000, cash balances in excess of these limits were

Note 10: Concentration of Credit Risk (continued)

approximately $4.7 million and $3.0 million, respectively. As of December 31, 2013 and 2012, money market funds not insured by the FDIC were approximately $5.3 and $3.5 million, respectively.

Note 11: Litigation Award

On April 29, 2013, the Rehabilitator filed an action in New York Supreme Court alleging that various former directors and officers of PLICA breached their fiduciary duties to the company. In August 2013, the parties agreed to the final terms of the settlement in which PLICA agreed to dismiss the litigation in exchange for a settlement payment of $1,500,000. The settlement was approved by the Receivership Court on December 3, 2013, received on December 10, 2013, and the case was dismissed on December 17, 2013.

Note 12: Subsequent Events

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*. Subsequent events were reviewed through July 7, 2014, the date on which these audited Statutory Basis Financial Statements were available to be issued. Management is aware of the following subsequent events that may have a material impact on the financial addition or results of operations of PLICA:

Reinsurance Collected

The amounts of reinsurance collected from letter of credit draw downs subsequent to December 31, 2013 are listed below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2013 and subsequently collected in 2014.

Reinsurer		Collection of Reinsurance Recoverable
Ace Tempest Re	$	28,241
Alterra Bda Ltd (fka Max Bermuda)		81,444
Catlin Ins. Co		6,679
Montpelier Reins Ltd.		19,952
Partner Re fka Paris Re		142
S.J.O. Catlin Syndicate		28
Transatlantic Re		26,602
Grand Total	$	163,088

Petitions and Litigation

On February 10, 2014, the Receivership Court entered an order converting the PLICA rehabilitation proceeding to a liquidation proceeding.