ANNUAL AUDIT REPORT

of the

NEW YORK LIQUIDATION BUREAU

as of

December 31, 2016 and 2015

NEW YORK LIQUIDATION BUREAU

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

For the Years Ended December 31, 2016 and 2015 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, 2016 and 2015, and the related notes to the statements of cash receipts and disbursements – cash basis.

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau are free from material misstatement.

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

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 statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau referred to above present fairly, in all material respects, the cash receipts and disbursements for each of the years ended December 31, 2016 and 2015, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the accompanying statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau, which describes the basis of accounting. The statements of cash receipts and disbursements – cash basis of the Central Disbursement Account of the New York Liquidation Bureau are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information of and use of the Superintendent of 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 24, 2017

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

	2016	2015
Receipts:		
Reimbursement of Expenses	$ 50,742,830	$ 52,052,885
Reimbursement from Non-New York Liquidators	16,713,122	124,897,208
Release from Escrow	-	8,715,602
Deposit for Administrative Expenses	90,000	-
Investment Income Received	5,874	4,748
Other Receipts	203	10
Total Receipts	67,552,029	185,670,453
Disbursements:		
Early Access Distributions	16,713,122	124,897,208
Salaries	16,296,170	17,677,814
Employee Relations and Welfare	9,431,890	10,740,070
Professional Fees	6,696,949	3,725,832
Rent and Related Expenses	5,681,724	4,856,101
Loss Adjustment Expenses	4,523,712	4,977,617
Other Disbursements	2,418,925	2,532,703
Large Deductible Distribution	1,848,364	-
General and Administrative Expenses	1,147,978	1,751,510
Funds Released to Collateral	908,889	424,595
Deposit with Payroll Account	500,000	-
Asset Distribution	196,338	8,873,680
Claims Paid	47,300	1,225,105
Salvage and Subrogation	98,845	557,160
Escheatable Funds	19,859	38,600
Taxes Paid	6,394	24,890
Refunds to Domestic Estates	-	1,689,000
Total Disbursements	66,536,459	183,991,885
Net Receipts (Disbursements)	1,015,570	1,678,568
Cash – Beginning of Year	13,320,430	11,641,862
Cash – End of Year	$ 14,336,000	$ 13,320,430

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

NEW YORK LIQUIDATION BUREAU
Notes to Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account
For the Years Ended December 31, 2016 and 2015

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

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

For each Estate, the Superintendent is appointed Receiver by the Supreme Court of the State of New York ("Receivership Court"). Thereafter, the Receivership Court approves the actions of the Receiver and, by extension, the NYLB. Acting on behalf of the Receiver, the NYLB marshals the assets of the Estates, maximizes such assets and resolves the liabilities of the Estates in an effort either to rehabilitate the companies or liquidate them in order to distribute their assets to policyholders, creditors and shareholders. In addition, the NYLB performs claims-handling and certain payment functions relating to the Security Funds. The Security Funds are used to pay eligible claims remaining unpaid by reason of an insolvent insurer's inability to meet its obligations to policyholders.

B. Basis of Presentation

The Statements of Cash Receipts and Disbursements – Cash Basis of the Central Disbursement Account of the NYLB reflect the amounts deposited in and disbursements made from the central disbursement account ("CDA") for the years ended December 31, 2016 and 2015. The Statements of Cash Receipts and

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

B. Basis of Presentation (continued)

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

The CDA, managed by the NYLB, is comprised of pooled cash accounts that are funded solely by cash advances from the Estates and/or Security Funds. The NYLB uses the money in the CDA to pay, on behalf of the Estates and Security Funds, NYLB administrative expenses such as salaries, payroll taxes, rent and related expenses, office expenses and employee relations and welfare (*e.g.*, contributions to employee health insurance, pension plans and other fringe benefits) ("Employee Relations and Welfare"). Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds.

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

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

C. Cash

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

As of December 31, 2016 and 2015, 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.

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

D. Receipts

Reimbursement of 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 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").

At December 31, 2016 and 2015, respectively, the amounts reimbursed from Non-New York Liquidators are as follows:

	2016	2015
American Mutual Insurance Company of Boston	$ 255,558	$ 255,558
American Mutual Liability Insurance Company	1,448,162	1,448,162
Amwest Surety Insurance Company	-	990,470
Commercial Compensation Casualty Company	57,027	133,723
Frontier Pacific Insurance Company	-	868,748
Home Insurance Company in Liquidation	6,830,817	11,509,578
Integrity Insurance Company	-	1,146,324
Legion Insurance Company	1,103,626	-
Lumbermans Mutual Casualty Insurance Company	3,855,416	3,133,672
Reliance Insurance Company	3,032,707	91,856,849
Security Indemnity Insurance Company	-	2,203,403
Villanova Insurance Company	129,809	-
Western Employers	-	11,350,721
Total	$ 16,713,122	$ 124,897,208

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

D. Receipts (continued)

Release from Escrow

In connection with Northumberland General Insurance Company conservation, the receipt of $8,715,602 for the year ended December 31, 2015 represents assets that were on deposit with the NYLB, including interest, and simultaneously distributed, less expenses allocated by the NYLB, to the receiver for the conservation. See Asset Distribution, Note 1 paragraph E.

Deposit for Administrative Expenses

In 2016, the NYLB requested a $90,000 advance from the WC Fund for administrative expenses on behalf of Lumberman Underwriting Alliance.

Investment Income Received

Investment income received consists primarily of interest income received on the MMMA balances in the CDA for the years ended December 31, 2016 and 2015.

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.

E. Disbursements

Early Access Distributions ("EAD")

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 Loss Adjustment Expense ("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.

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.

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

E. Disbursements (continued)

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

	2016	2015
Pension Plan	$ 2,735,629	$ 3,017,812
Health Insurance	5,309,931	6,116,417
Employee Relations	1,386,330	1,605,841
Total	$ 9,431,890	$ 10,740,070

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/or Security Funds. However, if professional fees are incurred, which relate solely to a specific Estate, that Estate is charged directly for such fees.

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 2016 and 2015, the NYLB paid approximately $5.7 million and $4.9 million, respectively, in rent and related expenses for the Premises and the Warehouse, as well as offsite storage.

Loss Adjustment Expenses

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

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

E. Disbursements (continued)

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.

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/or Security Funds.

	2016	2015
Investment Expenses	$ 650,585	$ 593,312
Insurance	631,050	783,838
Travel and Travel Related Items	10,422	13,431
Real Estate Taxes	354,264	426,916
Books and Reference Material	85,400	94,673
Metropolitan Commuter Transportation Mobility Tax	52,091	57,051
Web/Internet Services	200,388	53,281
Association Dues and Membership Fees	136,048	129,797
Other	298,677	380,404
Total	$ 2,418,925	$ 2,532,703

Large Deductible Distribution

A large deductible program operates in the same manner as a guaranteed insurance plan, but with a deductible to the policyholder. For insolvent carriers, the State Guarantee Associations ("GA'") or Security Fund ("SF") makes all the payments as it would under a standard workers' compensation policy. The Receiver then bills the policyholder for values under the deductible and remits reimbursement to the appropriate State GA or SF for values under the deductible. Many of the deductibles are secured with either a letter of credit or some form of cash collateral and can be drawn on by the Receiver if the policyholder is unable to pay its deductible.

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

E. Disbursements (continued)

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.

Funds Released to Collateral
In 2016 and 2015, the NYLB refunded $908,889 and $424,595 to the owners of various collateral.

Deposit with Payroll Account
The NYLB funded the payroll account from the CDA to maintain a balance equivalent to three pay cycles, equal to $500,000 as of December 31, 2016.

Asset Distribution
Asset Distribution as of December 31, 2016 and 2015 totaled $196,338 and $8,873,680, respectively. In 2016 the assets were distributed to various Fraternal associations, which distributions terminated the liquidation proceeding. In 2015 the assets distributed were to Liquidator for Northumberland General Insurance Company in the amount of $8,714,885, which distribution terminated the conservation proceeding pending in New York and $158,795 for assets distributed related to Eagle Insurance Company, the parent company of Lion Insurance Company, which closed in 2015.

Claims Paid
During 2016, the NYLB made claim payments for Health Republic Insurance of New York from the CDA. During 2015, the NYLB made a claim payment for Executive Life Insurance Company of New York 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.

Escheatable Funds
In 2016 and 2015, the NYLB released previously escheated funds to policyholders of an estate that was closed in each year.

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

E. Disbursements (continued)

Taxes Paid

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

Refunds to Domestic Estates

The largest component of Refunds to Domestic Estates for 2015 was monies owed to certain Domestic Estates as a result of re-computation 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.

Note 2: Employee Retirement

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

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

New York State Deferred Compensation Plan – 457b

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

Note 3: Federal and State Taxes

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

Note 4: Commitments

Offices

In 2016 and 2015, the NYLB paid approximately $4.3 and $3.7 million respectively, in rent and related expenses for the Premises.

Note 4: Commitments (continued)

For 2016 and 2015, the NYLB paid approximately $1.1 million and $0.9 million, respectively, for Warehouse rent and related expenses. In addition, in 2016 and 2015, additional storage space was rented for $0.3 million each year. The estimated future minimum payments under the lease are as follows:

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

($ Millions)	110 William 2017	110 William 2018	110 William 2019	110 William 2020	110 William 2021-2026	Total
Rent	$ 3.9	$ 4.0	$ 4.0	$ 4.0	22.7	$ 38.6
Real Estate Tax	0.1	0.1	0.2	0.2	0.7	1.3
Electric	0.2	0.3	0.3	0.3	1.3	2.4
Operating Expenses	0.1	-	0.1	-	-	0.2
Total	$ 4.3	$ 4.4	$ 4.6	$ 4.5	24.7	$ 42.5

($ Millions)	2017	2018	Total
Rent and Related Expenses	$0.85	$0.80	$1.65

Note 5: Subsequent Events
Subsequent events have been reviewed through July 24, 2017 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 2017, the NYLB received the following EAD monies from Non-New York Liquidators:

The Home Insurance Company	$	97,787
Lumbermans Underwriting		202,079
Lumbermans Mutual Casualty Company		304,373
Nassau Creditor Trust		1,613,844
Reliance Insurance Company		441,180
Total	$	2,659,263

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2016 and 2015
With Independent Auditors' Report

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2016 and 2015
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INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying combined financial statements – modified cash basis of the Domestic Estates in Liquidation managed by the New York Liquidation Bureau, which comprise the combined statements of assets, liabilities and deficit of assets over liabilities – modified cash basis as of December 31, 2016 and 2015, 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the Combined Domestic Estates Financial Statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Combined Domestic Estates Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Domestic Estates Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Combined Domestic Estates Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Combined Domestic Estates Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

EISNERAMPER
ACCOUNTANTS & ADVISORS

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

Opinion

In our opinion, the Combined Domestic Estates Financial Statements referred to above present fairly, in all material respects, the combined financial position (modified cash basis) of the Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2016 and 2015, 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 accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

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

Emphasis of Matter

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

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 24, 2017

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

	2016	2015
Combined Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 27,289,110	$ 54,033,851
Invested Assets:		
Certificates of Deposit	140	-
Bonds, at fair market value	588,629,253	604,798,933
Common Stocks, Unaffiliated at fair market value	163,411	165,478
Investment in Subsidiaries	730,084	1,506,606
Limited Partnerships	368	87,168
Real Estate	536,418	536,418
Buildings	4,463,582	2,963,582
Total Invested Assets	594,523,256	610,058,185
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	621,812,366	664,092,036
Reinsurance Recoverables on Paid Losses and LAE	336,340,800	372,855,609
Less: Allowance for Uncollectible Reinsurance Recoverables	(293,820,141)	(318,397,335)
Net Reinsurance Recoverables on Paid Losses and LAE	42,520,659	54,458,274
Reinsurance Recoverables on Unpaid Losses and LAE	97,830,198	238,573,780
Less: Allowance for Uncollectible Reinsurance Recoverables	(74,059,672)	(232,562,380)
Net Reinsurance Recoverables on Unpaid Losses and LAE	23,770,526	6,011,400
Receivables from Others	5,697,993	5,697,993
Accrued Investment Income	1,921,687	2,025,173
Other Assets	3,871,388	4,290,548
Total Unrestricted Assets	699,594,619	736,575,424
Restricted Assets:		
Statutory Deposits in New York or Other States	26,300,024	65,469,611
Other Restricted Assets	34,160,118	36,275,309
Total Restricted Assets	60,460,142	101,744,920
Total Combined Assets	$ 760,054,761	$ 838,320,344

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,

	2016	2015
Combined Liabilities		
Secured Claims	$ 22,651,425	$ 24,623,578
Unsecured Claims:		
Class One - Administrative Claims	44,453,536	48,523,386
Class Two - Claims and Related Costs		
Allowed	2,561,372,441	2,498,003,437
Non-Allowed	632,176,112	768,993,964
Total Class Two - Claims and Related Costs	3,193,548,553	3,266,997,401
Class Three - Federal Government Claims	46,416,081	46,416,081
Class Four - Employee Claims	7,041	9,441
Class Five - State and Local Government Claims	28,802,895	28,490,646
Class Six - General Creditor Claims	700,937,484	734,257,403
Class Seven - Late Filed Claims	324,418,183	323,918,174
Class Eight - Section 1307 (Shareholder) Loans	160,474,321	160,474,321
Class Nine - Shareholder Claims	126,145,038	126,145,038
Total Combined Liabilities	4,647,854,557	4,759,855,469
Deficit of Combined Liabilities over Combined Assets	(3,887,799,796)	(3,921,535,125)
Total Combined Liabilities and Deficit of Combined Liabilities over Combined Assets	$ 760,054,761	$ 838,320,344

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,

	2016	2015
Combined Receipts:		
Net Investment Income Received	$ 4,868,260	$ 7,238,721
Reinsurance Recovered	26,548,213	47,555,584
Premiums Collected	10,504	55,148
Salvage and Subrogation Recoveries	639,157	8,206,454
Reimbursement from Central Disbursement Account	-	850,000
Release from Statutory Deposits	329,925	3,530,579
Litigation Awards	-	126,806
Large Deductible	-	(76,776)
Second Injury Claim Refunds	134,902	991,607
Transfer from Segregated Accounts	1,031,000	2,249,669
Miscellaneous	365,145	3,938,177
Total Combined Receipts	33,927,106	74,665,969
Combined Disbursements:		
Dividends	62,879,781	126,413,873
Release of Funds to Non-New York Liquidator	-	2,400,456
Transfer to Segregated Account	904,889	1,565,932
Loss/Returns Premiums	6,667	-
Loss Adjustment Expense	231,128	381,956
Reimbursement of Allocated Expenses:		
Salaries	6,586,755	7,525,908
Employee relations & Welfare	4,603,578	9,104,492
Rent and Related Expenses	3,061,384	2,883,632
Professional Fees	1,616,957	2,515,669
General and Administrative Expenses	416,095	1,370,687
Salvage and Subrogation Fees	118,596	1,608,997
Miscellaneous	1,894,792	2,446,857
Total Combined Disbursements	82,320,622	158,218,459
Net Combined Disbursements over Combined Receipts	(48,393,516)	(83,552,490)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	664,092,036	731,258,754
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	15,192,471
Closed Estates - Cash	(289,525)	(679,641)
Unrealized (Loss) Gain on Investments	6,403,371	1,872,942
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 621,812,366	$ 664,092,036

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, 2016 and 2015

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 the Department of Financial Services of the State of New York ("Superintendent") in her capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under New York Insurance Law ("Insurance Law") Article 74. The NYLB reports to the Superintendent in her capacity as Receiver rather than in her capacity as regulator and head of the Department of Financial Services ("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 Special Deputy Superintendent ("Special Deputy") and other Agents, (collectively, "Agents"), as are necessary to carry out her functions as Receiver. The Agents, along with division directors and senior managers of the NYLB, are collectively referred to herein as "Management." Management carries out, through the NYLB, the responsibilities of the Receiver with regard to the Estates. The NYLB manages the daily operations of all Estates. 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, 2016 and 2015 pertain to the financial statements for each domestic Estate in liquidation set forth below:

	2016	2015
Atlantic Mutual Insurance Company	X	X
Centennial Insurance Company	X	X
CIGNA Healthcare of New York, Inc.		X
Colonial Cooperative Insurance Company		X
Cosmopolitan Mutual Insurance Company	X	X
Drivers Insurance Company	X	X
Essence Healthcare of New York, Inc.		X
Eveready Insurance Company	X	X
First Central Insurance Company	X	X
Frontier Insurance Company	X	X
Group Council Mutual Insurance Company	X	X

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

	2016	2015
ICM Insurance Company	X	X
Ideal Mutual Insurance Company	X	X
The Insurance Corporation of New York	X	X
Long Island Insurance Company		X
Midland Insurance Company	X	X
Nassau Insurance Company		X
Professional Liability Insurance Company of America	X	X
Realm National Insurance Company	X	X
Transtate Insurance Company		X
UHAB Mutual Insurance Company		X
Union Indemnity Insurance Company of New York	X	X
United Community Insurance Company		X
Washington Title Insurance Company		X

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 following Domestic Estates in Liquidation were placed into liquidation in 2016:

American Medical and Life Insurance Company
Health Republic Insurance of New York Corp.

The liquidation proceedings of the following estates were terminated during the period ended December 31, 2016, however, activity and residual liabilities for all four Domestic Estates in Liquidation is included through the date of termination.

Colonial Cooperative Insurance
Long Island Insurance Company
Nassau Insurance Company
United Community Insurance Company

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

The liquidation proceedings of the following estates were terminated during the period ended December 31, 2015, however, activity and residual liabilities for all six Domestic Estates in Liquidation is included through the date of termination.

CIGNA Healthcare of New York, Inc.
Essence Healthcare of New York, Inc.
Lion Insurance Company
Transtate Insurance Company
UHAB Mutual Insurance Company
Washington Title Insurance Company

The financial statements for the following estates are not included in the Combined Estates Financial Statements for the years ended December 31, 2016 and 2015: (i) 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; (ii) Health Republic Insurance of New York, Corp. was placed into liquidation on May 11, 2016; (iii) fraternal associations; (iv) ancillary estates; and (v) conservations.

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

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

used to pay eligible claims remaining unpaid by reason of an insolvent insurer's inability to meet its obligations to policyholders.

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

The PMV Fund, pursuant to Insurance Law Section 7604, is obligated "to pay allowed claims of injured parties and policyholders under insurance policies or surety bonds" that fall within the coverage contemplated by Vehicle and Traffic Law Section 370. The PMV Fund generally covers vehicles which travel over state roads and are for hire or are used to transport the sick or injured. Allowed claims are paid up to the policy limit but in no event greater than the statutory cap of $1 million.

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.

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

Guaranty Funds

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

Profiles of Combined Domestic Estates In Liquidation

(1) Atlantic Mutual Insurance Company

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

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

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

A bar date of December 15, 2013, was established for the submission of all claims against AMIC or its insureds, and January 16, 2015, was established as the last day to submit evidence in support of such claims.

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

A bar date of December 15, 2013, was established for the submission of all claims against Centennial or its insureds, and January 6, 2015, was established as the last day to submit evidence in support of such claims.

(3) CIGNA Healthcare of New York, Inc.

CIGNA Healthcare of New York, Inc. ("CHNY") was incorporated in the State of New York as a health maintenance organization ("HMO") on or about April 24, 1985 and was issued a certificate of authority on or about July 30, 1986. CHNY was certified to operate as an HMO under the provision of Article 44 of the New York Public Health Law.

CHNY was placed into liquidation on January 30, 2015 and the Superintendent was appointed liquidator.

A bar date of August 31, 2015, was established for the submission of all claims against CHNY or its insureds.

The liquidation proceedings were closed by court order entered December 21, 2015.

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

(4) Colonial Cooperative Insurance Company

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

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 liquidation and the Superintendent was appointed liquidator.

A bar date of March 1, 2013, was established for the submission of all claims against CCIC or its insureds.

The liquidation proceeding was closed by Court Order entered December 13, 2016.

(5) 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).

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.

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

A bar date of September 30, 2002, was established for the submission of all claims against Cosmopolitan or its insureds.

(6) <u>Drivers Insurance Company</u>
Drivers Insurance Company ("Drivers") was incorporated in the State of New York on or about January 26, 1995, as Spirit Insurance Company and commenced business on May 6, 1996. On December 6, 1999, the company's name was changed to Drivers Insurance Company Inc.

Drivers is a wholly-owned subsidiary of Hereford Holding Company Inc. Drivers was licensed to transact business of insurance in accordance with paragraphs (13) Personal Injury Liability, (14) Property Damage Liability, and (19) Motor Vehicle and Aircraft Physical Damage of New York Law Section 1113(a) ("Insurance Law").

Drivers was placed into liquidation on May 15, 2015 and the Superintendent was appointed liquidator.

(7) <u>Essence Healthcare of New York, Inc.</u>
Essence Healthcare of New York, Inc. ("EHNY"). EHNY was a health maintenance organization ("HMO") originally incorporated in the State of New York on February 27, 2009. The New York Department of Health issued EHNY a conditional certificate of authority on or about May 15, 2009. EHNY was licensed to operate as an HMO under the provisions of Article 44 of the New York Public Health Law.

EHNY was placed into liquidation on February 24, 2015 and the Superintendent was appointed liquidator.

A bar date of July 24, 2015, was established for the submission of all claims against EHNY or its insureds.

The liquidation proceedings were closed by court order entered December 14, 2015.

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

(8) Eveready Insurance Company

Eveready Insurance Company ("Eveready") was incorporated in the State of New York on or about August 8, 1963. Eveready 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.

Eveready was placed into liquidation on January 29, 2015 and the Superintendent was appointed liquidator.

(9) 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.

A bar date of April 30, 2013, was established for the submission of all claims against First Central or its insureds.

(10) 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.

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

(10) Frontier Insurance Company (continued)

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.

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.

In rehabilitation, March 12, 2010 was established as the last date for the submission of specified information relating to a claim under a Terramar Insurance Company policy and any bond, including surety bonds, issued by Frontier; and January 11, 2010 was established as the date after which no event of default, accident or occurrence will give rise to a claim under a Frontier bond.

In liquidation, a bar date of December 31, 2013 was established for the submission of all claims against Frontier or its insured, and December 31, 2014 was established as the last date for the submission of evidence in support of such claims.

(11) 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.

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

(11) Group Council Mutual Insurance Company (continued)

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.

A bar date of August 31, 2013, was established for the submission of all claims against Group Council or its insureds.

(12) 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.

A bar date of May 16, 2014, was established for the submission of all claims against ICM or its insureds, and July 15, 2015 was established as the last day for submission of evidence in support of these claims.

(13) Ideal Mutual Insurance Company

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

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

(13) Ideal Mutual Insurance Company (continued)

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

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

A bar date of December 31, 2003, was established for the submission of all claims against Ideal or its insureds.

(14) 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 29, 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.

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

(14) The Insurance Corporation of New York (continued)

A bar date of December 31, 2012, was established for the submission of all claims against Inscorp or its insureds.

(15) 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.

A bar date of September 30, 2013, was established for the submission of all claims against LIIC or its insureds.

The liquidation proceeding was closed by court order entered on December 23, 2016.

(16) 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.

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

On July 1, 2011, the Receivership Court entered an order ("Bar Date Order"), which established January 31, 2012, as the last date on which the holder of a claim against Midland, except Guaranty Funds, may submit to the Liquidator an amendment to a previously filed (or deemed filed) proof of claim, including a policyholder protection proof of claim, and established January 31, 2013, as the last date on which the holder of a claim against Midland, except Guaranty Funds, may submit to the Liquidator proof in support of allowance of a previously filed (or deemed filed) claim against Midland. On April 30, 2015, an order was entered establishing December 31, 2015, as the date by which all undetermined POC ("Proof of Claim") Claimants, as defined, may submit to the Liquidator a Claim Amendment, as defined in the Bar Date Order, that was capable of having been submitted by the January 31, 2012 deadline established in the Bar Date Order, and any proof in support of the allowance of the claim of an Undetermined POC Claimant that was capable of having been submitted by the January 31, 2013, deadline established in the Bar Date Order.

(17) Nassau Insurance Company

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

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

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

A bar date of August 31, 2013, was established for the submission of all claims against Nassau or its insureds.

On July 31, 2015, the court approved the terms and conditions of the Creditors Trust Agreement which will provide for an expeditious distribution of Trust Assets to the Trust Beneficiaries.

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

(17) Nassau Insurance Company (continued)

The liquidation proceeding was closed by court order entered on March 8, 2016.

(18) Professional Liability Insurance Company of America

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

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

A bar date of June 30, 2017, was established for the submission of all claims against PLICA and its insureds, including claims reportable under any extended reporting period endorsements of policies issued by PLICA.

(19) 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

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

(19) Realm National Insurance Company (continued)

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.

A bar date of January 31, 2014, was established for the submission of all claims against Realm or its insureds.

(20) 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.

A bar date of December 31, 2009, was established for the submission of all claims against Transtate or its insureds.

The liquidation proceeding was closed by court order entered January 2, 2015.

(21) UHAB Mutual Insurance Company

UHAB Mutual Insurance Company ("UHAB") was incorporated under the laws of New York on or about October 12, 2004 and was licensed to transact the business of insurance in accordance with paragraphs (4)-(10), and (19)-(20) of the New York Insurance Law Section 1113(a) ("Insurance Law").

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

(21) UHAB Mutual Insurance Company (continued)

UHAB was placed into liquidation on December 15, 2014 and the Superintendent was appointed liquidator.

The liquidation proceeding was closed by court order entered November 2, 2015.

(22) Union Indemnity Insurance Company of New York

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

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

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

A bar date of July 19, 2010, was established for the submission of all claims against Union or its insureds.

(23) 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.

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

(23) United Community Insurance Company (continued)

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.

A bar date of November 15, 2004, was established for the submission of all claims against UCIC or its insureds.

The liquidation proceeding was closed by court order entered February 25, 2016.

(24) Washington Title Insurance Company

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

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

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

A bar date of September 30, 2013, was established for the submission of all claims against Washington Title or its insureds.

The liquidation proceeding was closed by court order entered December 18, 2015.

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) other administrative expenses defined as Class One – Administrative Expenses and presented on a US GAAP equity basis; and (vii) unrealized gains and losses on investments.

The Combined Domestic Estates Financial Statements do not include direct incurred but not reported ("IBNR") reserves and investments in subsidiaries are not consolidated and presented on a US GAAP equity basis.

The following Supplementary Schedules are attached hereto as:

- Appendix A: December 31, 2016 and 2015: 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 2016 and 2015 Supplementary Schedules both include cash transactions; the accruals noted above, case reserves and paid liabilities to the Security and Guaranty Funds.

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.

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

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-2 (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, 2016 and 2015, 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.

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 Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis. 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.

Note 2: Summary of Significant Accounting Policies (continued)
Invested Assets (continued)

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

Limited partnerships represent non-controlling 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 and buildings 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 wholly owned subsidiaries carried at fair market value based on underlying audited equity, with unrealized gain or loss shown in the Combined Statements of Cash Receipts and

Disbursements and Changes in Cash, Cash Equivalents, and Invested Assets (Unrestricted) – Modified Cash Basis.

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

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.

Note 2: **Summary of Significant Accounting Policies (continued)**
Invested Assets (continued)

For each reporting period (annual and interim periods), 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.

Reinsurance

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

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

Receivables from Others

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

Note 2: Summary of Significant Accounting Policies (continued)
Receivables from Others (continued)

As of December 31, 2016 and 2015, the Receivables from Others are as follows:

	2016	2015
Receivable From Affiliates	$ 197,993	$ 197,993
Cash on Deposit with CDA	5,500,000	5,500,000
Total	$ 5,697,993	$ 5,697,993

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

Other Assets

As of December 31, 2016, Other Assets held by certain Domestic Estates in Liquidation were $3,871,388 compared to $4,290,548 at December 31, 2015.

Investment in Subsidiaries

AMIC includes directly wholly-owned insurance subsidiaries, Atlantic Mutual International Limited ("AMIL"). AMIL is an insurance company domiciled in the United Kingdom. AMIC owned 100% of Atlantic Companies Holding Company ("ACHC") which was dissolved in February, 2016. ACHC in turn owned 100% of AMIL prior to it being dissolved. Subsequent to ACHC being dissolved 100% of the shares of AMIC were transferred to AMIC.

Centennial owns 100% of ALICOT, 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. On September 22, 2015, ALICOT was placed into liquidation by the State of Texas upon request of the Texas Commissioner of Insurance. The Bureau released $2,400,456 to the Texas Commissioner of Insurance and in the 2015 Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) - Modified Cash Basis under Disbursements described as "Release of Funds to Non-New York Liquidator."

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

By virtue of the Deconsolidation Agreement entered April 2014, Centennial repurchased all of its capital stock from ACHC terminating the parent subsidiary relationship. This also terminated the need to file consolidated tax returns for the

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

group. Thus, AMIC and Centennial file separate tax returns on a go forward basis inclusive of their respective subsidiaries.

As of December 31, 2016 and 2015, the Combined Domestic Estates in Liquidation had Investments in Subsidiaries with a cost of $730,084 and an estimated fair value as follows:

	2016	2015
AMIC's investments in subsidiaries	$ 730,084	$ 1,506,606
Total Investments in Subsidiaries	$ 730,084	$ 1,506,606

AMIC's Investment in Subsidiaries

AMIC's investment in its non-consolidated wholly-owned subsidiaries at December 31, 2016 and December 31, 2015 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 12/31/16	Underlying US GAAP Equity as of 12/31/15
ACHC	$ -	$ 624,782
AMIL	730,084	881,824
Total AMIC's investments in subsidiaries	$ 730,084	$ 1,506,606

In 2016 and 2015, ACHC (dissolved in February 2016) is presented using the underlying net assets on a US GAAP basis and AMIL is presented using the underlying net assets on a US GAAP basis, after foreign exchange translation adjustments.

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

The components of AMIL at December 31, 2016 and 2015 are as follows:

	As of 12/31/2016		As of 12/31/2015	
Assets:				
Cash and investments	$	2,819,724	$	3,380,484
Other assets		6,284		7,523
Total assets	$	2,826,008	$	3,388,007
Liabilities:				
Other liabilities		2,095,924		2,506,183
Total liabilities	$	2,095,924	$	2,506,183
Surplus		1,151,744		1,158,263
Loss on currency conversion		(421,660)		(276,439)
Total surplus		730,084		881,824
Total liabilities and surplus	$	2,826,008	$	3,388,007

Net Loss for the year ended:	2016		2015	
Administrative expenses incurred	$	(198,720)	$	(165,466)
Net investment income and realized gains		46,980		(18,926)
Underwriting Loss		-		-
Loss before income taxes		(151,740)		(184,392)
Income tax expense		-		-
Net loss	$	(151,740)	$	(184,392)

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

The components of ACHC at December 31, 2016 and 2015, including AMIL, are as follows:

	As of 12/31/2016	As of 12/31/2015
Assets:		
Cash and investments	$ -	$ 1,553,670
Other assets	-	-
Total assets	$ -	$ 1,553,670
Liabilities:		
Loss and LAE	$ -	$ -
Other liabilities	-	47,064
Total liabilities	-	47,064
Surplus	-	4,265,056
Change in unrealized (loss) gain in subsidiary	-	(2,758,450)
Total surplus	-	1,506,606
Total liabilities and surplus	$ -	$ 1,553,670

Net Income for the year ended:	2016	2015
Loss and LAE incurred	$ -	$ -
Net investment income and realized gains	-	716
Other income	-	-
Income before income taxes	-	716
Income tax expense	-	-
Net income	$ -	$ 716

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.

Note 2: Summary of Significant Accounting Policies (continued)
Restricted Assets (continued)
Statutory Deposits in New York or Other States (continued)

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, 2016, 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
AMIC	$ 8,010,459	-	16,793,903	688,613	25,492,975
Centennial	4,134,946	-	1,407,713	229,538	5,772,197
Cosmopolitan	-	4,563	665,835	275,079	945,477
Frontier	12,469,321	-	1,714,632	-	14,183,953
ICM	-	-	97,352	-	97,352
Ideal	-	-	2,569,799	361,397	2,931,196
Inscorp	229,888	-	601,378	967,581	1,798,847
Midland	-	250	1,093,230	431,009	1,524,489
Nassau	-	-	-	1,308	1,308
PLICA	1,250,410	-	-	-	1,250,410
Realm	205,000	14,717	-	25,934	245,651
Union	-	-	5,634,655	541,734	6,176,389
UCIC	-	-	-	39,898	39,898
Total	$ 26,300,024	19,530	30,578,497	3,562,091	60,460,142

Note 2: Summary of Significant Accounting Policies (continued)
Restricted Assets (continued)

As of December 31, 2015, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below (estates without restricted assets are excluded):

Domestic Estate in Liquidation	Statutory Deposits	Other Restricted Assets: Security Fund Cash	Other Restricted Assets: Funds Held for Secured Claims	Other Restricted Assets: Other Assets	Total
AMIC	$ 30,746,509	$ -	$ 16,932,354	$ 688,613	$ 48,367,476
Centennial	15,573,892	-	1,701,007	229,538	17,504,437
Consolidated	-	-	-	-	-
Cosmopolitan	-	4,564	665,772	258,647	928,983
First Central	-	-	-	-	-
Frontier	17,475,389	-	1,716,117	-	19,191,506
Group Council	-	-	-	-	-
ICM	-	-	97,271	361,775	459,046
Ideal	-	-	3,213,874	361,363	3,575,237
Inscorp	229,732	-	1,150,902	967,581	2,348,215
Midland	-	250	1,093,116	617,289	1,710,655
Nassau	-	-	-	-	-
PLICA	1,239,089	-	-	-	1,239,089
Realm	205,000	14,717	-	25,934	245,651
Union	-	-	5,634,088	540,537	6,174,625
UCIC	-	-	-	-	-
Washington Title	-	-	-	-	-
Total	$ 65,469,611	$ 19,531	$ 32,204,501	$ 4,051,277	$ 101,744,920

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.

Note 2: Summary of Significant Accounting Policies (continued)

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, 2016 and 2015, are as follows, and reported as an offset to Class Two – Allowed liabilities on the balance sheets:

	2016	2015
Atlantic Mutual	$ 4,236,431	$ 5,758,227
Centennial	-	1,448,122
CHNY	-	9,021,296
Colonial Cooperative	2,821,155	5,701,937
Cosmopolitan	12,296,444	8,121,158
Essence	-	2,992,670
First Central	6,081,776	25,842,902
ICM	-	1,530,674
Ideal	874,857	5,212,040
Inscorp	3,123,961	10,241,327
Long Island	490,188	-
Midland	25,721,581	6,837,500
Nassau	-	2,058,901
PLICA	2,041,195	-
Realm	5,126,622	10,189,603
Transtate	65,574	-
Union	-	15,086
UCIC	-	28,591,701
UHAB	-	1,944,359
Washington Title	-	906,370
Total	$ 62,879,784	$ 126,413,873

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

(ii) Non-Allowed Claims

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

1. Established Reserves

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

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

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

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

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

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

Unsecured Claims (continued)

(ii) Non-Allowed Claims (continued)

2. Reserves for Amounts Claimed

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

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

Distribution of Assets

The Receiver recommends and seeks court approval regarding distributions from any Domestic Estate in Liquidation. Distributions are made in a manner that assures the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of non-adjudicated claims. The priority of distribution of assets is in accordance with Insurance Law Section 7434 as set forth below. Every claim in each class is paid in full or adequate funds are retained for such payment before the members of the next class receive any payment. No sub-classes are established within any class. No equitable remedy may be used to avoid the order of the classification of claims as set forth in Insurance Law Section 7434.

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

Note 2: Summary of Significant Accounting Policies (continued)
Distribution of Assets (continued)

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

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

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

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

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

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

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

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

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

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

Note 2: **Summary of Significant Accounting Policies (continued)**
Distribution of Assets (continued)

Provided below is a detailed description of the creditor classes.

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

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

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

Allocation of Expenses
The NYLB allocates general and administrative expenses, such as salaries, payroll taxes, rent and related expenses, office expenses and employee relations and welfare (*e.g.*, contributions to employee health insurance, pension plans and other fringe benefits), among the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations.

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

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

Reclassification

Certain reclassifications have been made to the prior year's financial statement amounts to conform to the current year's presentation.

Note 3: **Investments**

The components of net investment income received for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Interest on Bonds	$ 9,650,856	$ 8,938,949
Interest on Short-Term Investments and Cash Equivalents	16,941	87,087
Realized Gain/(Loss) on Sale of Investments	(42,256)	(481,466)
Dividends	-	30
Unrealized loss on Partnerships	(335,447)	-
Dissolution of affiliate	(2,990,717)	-
Total Gross Investment Income	6,299,377	8,544,600
Net Amortization of Bond Premium and Discount	(1,431,117)	(1,305,879)
Net Investment Income Received	$ 4,868,260	$ 7,238,721

Note 3: Investments (continued)

As of December 31, 2016 and December 31, 2015, 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):

Domestic Estates in Liquidation	December 31, 2016 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
AMIC	$ 70,632,604	150,535	(366,627)	70,416,512
Centennial	31,722,213	120,978	(250,356)	31,592,835
Drivers	1,222,481	123	(2,239)	1,220,365
Frontier	28,341,185	5,954	(129,707)	28,217,432
Eveready	314,936	21,512	-	336,448
Group Council	1,557,013	-	(5,318)	1,551,695
Ideal	48,887,624	13,091	(90,141)	48,810,574
Inscorp	19,269,781	7,767	(6,226)	19,271,322
Midland	355,430,618	169,145	(1,295,908)	354,303,855
PLICA	14,736,859	3,880	(58,777)	14,681,962
Realm	2,020,226	-	(300)	2,019,926
Union	16,261,753	7,521	(62,947)	16,206,327
Total	$ 590,397,293	$ 500,506	$ (2,268,546)	$ 588,629,253

Domestic Estates in Liquidation	December 31, 2015 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
AMIC	$ 72,693,790	$ 161,856	$ (564,044)	$ 72,291,602
Centennial	31,246,835	146,477	(303,789)	31,089,523
Cosmopolitan	16,040,083	-	(72,257)	15,967,826
Drivers	1,254,518	528	(3,057)	1,251,989
Eveready	363,654	-	-	363,654
Frontier	28,111,941	1,337	(244,234)	27,869,044
Group Council	1,553,068	-	(1,817)	1,551,251
Ideal	46,849,078	-	(386,429)	46,462,649
Inscorp	21,057,630	207	(67,360)	20,990,477
Midland	348,570,080	4,981	(2,027,993)	346,547,068
PLICA	16,544,059	758	(101,004)	16,443,813
Realm	7,959,576	-	(3,787)	7,955,789
Union	16,132,987	-	(118,739)	16,014,248
Total	$ 608,377,299	316,144	(3,894,510)	604,798,933

Note 3: Investments (continued)

The NYLB's bonds in a continuous unrealized loss position are as follows:

	December 31, 2016					
	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	$ 418,756,349	$ (2,041,607)	$ 13,075,943	$ (226,939)	$ 431,832,292	$ (2,268,546
Total Fixed Income	418,756,349	(2,041,607)	13,075,943	(226,939)	431,832,292	(2,268,546
Total	$ 418,756,349	$ (2,041,607)	$ 13,075,943	$ (226,939)	$ 431,832,292	$ (2,268,546

	December 31, 2015					
	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	$ 60,196,282	$ (92,318)	$ 529,540,630	$ (3,802,192)	$ 589,736,912	$ (3,894,510
Total Fixed Income	60,196,282	(92,318)	529,540,630	(3,802,192)	589,736,912	(3,894,510
Total	$ 60,196,282	$ (92,318)	$ 529,540,630	$ (3,802,192)	$ 589,736,912	$ (3,894,510

The NYLB's portfolio of 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, 2016 and 2015.

The amortized cost and fair market value of bonds held to maturity at December 31, 2016 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)**

	2016	
Combined Estates in Liquidation	**Fair Market Value**	**Amortized Cost**
Due within one year	$ 125,263,145	$ 125,273,440
Due after one year and before five years	435,780,899	437,268,519
Due after five years and before ten years	13,249,756	13,611,663
Due after ten years and before fifteen years	11,902,754	12,028,530
Due after fifteen years	2,432,699	2,215,141
Total Combined Domestic Estates	$ 588,629,253	$ 590,397,293

Proceeds received from sales and maturities of bonds and gross gains (losses) at December 31, 2016 and 2015 are as follows:

	Proceeds Received		Net gains (losses) on Called or Sold	
	2016	**2015**	**2016**	**2015**
AMIC	$ 53,770,059	$ 42,833,127	$38,429	$ 13,959
Centennial	21,125,326	15,254,462	22,597	6,646
Cosmopolitan	24,253,950	11,704,038	1,746	(146,609)
Drivers	1,212,035	1,418,116	174	(7,679)
CHNY	-	8,912,303	-	(482)
Frontier	29,791,807	7,323,753	9,708	(1,098)
Group Council	1,542,000	-	-	-
Ideal	30,731,185	5,603,344	3,312	48
Inscorp	13,987,535	6,143,490	1,372	(44,806)
Midland	223,372,239	72,900,034	79,855	75
PLICA	7,041,895	7,868,196	7,593	4,278
Realm	15,981,038	-	366	-
Union	4,911,119	1,500,000	(10)	-
UCIC	-	28,838,541	-	(191,852)
TOTALS	$ 427,720,188	$ 210,299,404	$165,142	$ (367,520)

Note 3: Investments (continued)
Mortgage-Backed Securities

In 2016 and 2015, Management identified 40 and 38 mortgage-backed securities, respectively, with amortized costs of approximately \$43,993,314 and \$26,919,949, respectively. They are carried at a fair market value of \$43,802,012 and \$27,005,271, respectively.

After reviewing these securities, Management has determined that, based on the information currently available to it, at December 31, 2016, there were no mortgage-backed securities with indirect subprime exposure.

Note 4: Fair Value Measurement

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

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

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

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

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

Note 4: 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.

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, 2016 and 2015

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, 2016:

	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, 2016:				
Unrestricted Assets:				
U.S. Government	$ -	$171,085,972	$-	$171,085,972
U.S. Government Agencies	-	139,894,591	-	139,894,591
Mortgage Backed Securities	-	43,802,012	-	43,802,012
Corporate Bonds	-	233,844,462	-	233,844,462
Limited Partnerships	-	-	368	368
Common Stocks - Unaffiliated	-	-	163,411	163,411
Investment in Subsidiaries	-	-	730,084	730,084
Real Estate	-	-	536,418	536,418
Buildings	-	-	4,463,582	4,463,582
Restricted Assets:	-	-	-	-
U.S. Government	-	1,296,632	-	1,296,632
U.S. Government Agencies	-	-	-	-
Mortgage Backed Securities	-	-	-	-
Corporate Bonds	-	-	-	-
Total	$ -	$589,923,669	$5,893,863	$595,817,532

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, 2015:

	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, 2015:				
Unrestricted Assets:				
U.S. Government	$ -	$ 97,309,509	$ -	$ 97,309,509
U.S. Government Agencies	-	317,499,034	-	317,499,034
Mortgage Backed Securities	-	27,005,271	-	27,005,271
Corporate Bonds	-	162,985,119	-	162,985,119
Limited Partnerships	-	-	87,168	87,168
	-	-	165,478	165,478
Investment in Subsidiaries	-	-	1,506,606	1,506,606
Real Estate	-	-	536,418	536,418
Buildings	-	-	2,963,582	2,963,582
Restricted Assets:				
U.S. Government	-	1,351,895	-	1,351,895
U.S. Government Agencies	-	10,036,037	-	10,036,037
Mortgage Backed Securities	-	-	-	-
Corporate Bonds	-	1,000,637	-	1,000,637
Total	$ -	$ 617,187,502	$ 5,259,252	$ 622,446,754

Management used the following methods and assumptions in estimating the fair market value of financial instruments in the Combined Domestic Estates Financial Statements and notes thereto:

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

Note 4: Fair Value Measurement (continued)

For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

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

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

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

Securities classified as Level 1 included primarily corporate bonds and common stocks where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to the Domestic Estates in Liquidation by independent pricing services. There were no securities classified as Level 1 at 2016 and 2015.

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, 2016	Transfers at time of Liquidation	Realized gains/ (losses)	Unrealized gains/ (losses)	Issuances	Transfer to Non-New York Liquidator	Sales, Maturities, Settlements	Transfer In or Out of Level 3	Ending Balance December 31, 2016
Assets:									
Real estate	$ 536,418	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 536,418
Buildings	2,963,582	-	-	1,500,000	-	-	-	-	4,463,582
Limited Partnerships	87,168	-	(47,950)	-	-	-	(38,850)	-	368
Common stocks	165,478	-	(9,964)	9,828	-	-	(1,931)	-	163,411
Investment in subsidiaries	1,506,606	-	-	(104,474)	-	-	(672,048)		730,084
	$ 5,259,252	$ -	$ (57,914)	$ 1,405,354	$ -	$ -	$ (712,829)	$ -	$ 5,893,863

There were no significant transfers into or transfers out of Level 1 or 2. There were no changes in valuation techniques during 2016 and 2015.

Note 5: Investments in Partnerships

Limited Partnerships provided Frontier with access to management services and investments that Frontier did not possess directly. Frontier's non-controlling ownership interests in equity partnerships and such interest is carried on the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities in Other Invested Assets. Frontier carries these interests based on the underlying US GAAP equity of the investee.

As of December 31, 2016 and 2015, Frontier's aggregate investments in Limited Partnerships were $368 and $87,168, respectively and the aggregate cost in the Limited Partnerships was $368 in 2016 and $205,070 in 2015. In 2016, the unrealized loss was $0 as compared to unrealized losses of $117,902 for 2015 resulting in a change in unrealized losses of $117,902 between 2016 and 2015.

For 2016, Frontier received distributions from the Limited Partnerships in the amount of $37,792 compared to $36,479 for 2015. For the year ending 2016 and 2015, Frontier's gross realized losses was $49,008 and $-0-, respectively.

Note 6: Real Estate and Building

Invested Assets includes a building and real estate. Building is the building owned by Frontier in Rock Hill, New York which has an estimated fair value of $4,463,582 and $2,963,582 as of December 31, 2016 and 2015, respectively.

Real Estate includes the land that the Frontier building is on and is reported at an estimated fair value of $536,418 as of December 31, 2016 and 2015.

Real Property Transactions

The Liquidator acquired real property relating to the Nassau liquidation by stipulation executed in July 2014, and receipt of the deed to such property in October 2014. On July 31, 2015, the court approved the terms and conditions of the Creditors Trust Agreement which will provide for an expeditious distribution of Trust Assets to the Trust Beneficiaries which will enable the Liquidator to apply to the Liquidation Court to close the liquidation proceeding. The liquidation proceeding was closed by court on March 8, 2016.The property was appraised at $1,420,000 in July 2014 and was placed in the Nassau Creditor Trust on July 31, 2015.

Note 7: Reinsurance

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

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

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.

Note 7: Reinsurance (continued)

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 final distribution.

Letters of Credit ("LOC")

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; (iii) to fund the settlement of a commutation agreement or (iv) to collateralize a large deductible program.

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, 2016 and 2015, NYLB personnel performed certain administrative and investment functions, such as accounting, data processing, human resources and treasury management, for the Combined Domestic Estates in Liquidation.

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

As of December 31, 2016 and 2015, the amounts remaining due to the NYLB are approximately $0.9 million and $1.5 million, respectively, and are included in Class One - Administrative Claims. During 2016 and 2015, the Combined Domestic Estates in Liquidation paid approximately $16.2 million and $23.2 million, respectively, of allocated expenses, detailed as follows:

	2016	2015
Salaries	$ 6,586,755	$ 7,525,908
Employee Relations & Welfare	4,603,578	9,104,492
Rent and Related Expenses	3,061,384	2,883,632
Professional Fees	1,616,957	2,515,669
General and Administrative	416,095	1,176,611
	$ 16,284,769	$ 23,206,312

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 in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations and rehabilitation estates.

Note 10: Asbestos and Environmental Reserves

Major Policyholders are 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 having assorted asbestos, environmental and product claims against one of the Domestic Estates in Liquidation, Midland. Two other estates, Atlantic and Centennial, also have exposure to asbestos and environmental claims. In establishing the liability for unpaid claims and claim adjustment expenses related to asbestos, environmental and product claims on these estates, Management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and Management can reasonably estimate the estate's liability. Estimates of liabilities are reviewed and updated continually and as needed based on developed case law, claim history, and experience.

The Combined Domestic Estates Financial Statements do not include IBNR reserves, including expected future development on claims already reported. Management anticipates that, as more detailed information and documentation is received and reviewed regarding the claims in Midland, Atlantic and Centennial estates, these reserves will be maintained as currently set, raised, lowered or eliminated as warranted on each claim.

As of December 31, 2016 and 2015, the reserves for Midland, Atlantic, Centennial and the corresponding reinsurance, if any, are as follows and reported as a Class II – Non-Allowed Liability:

Note 10: Asbestos and Environmental Reserves (continued)

	2016	2015
Midland		
Gross Reserves		
Asbestos	$ 15,123,066	$ 73,705,672
Environmental	905,598	1,501,089
Products	616,298	8,001,026
Total Gross Reserves	16,644,962	83,207,787
Less Ceded Reserves	(4,176,541)	(19,162,433)
Net Reserves	$ 12,468,421	$ 64,045,354

	2016	2015
Atlantic		
Gross Reserves		
Asbestos	$ 1,178,420	$ 1,298,673
Environmental	553	331,076
Product	17,492	17,492
Total Gross Reserves	1,196,465	1,647,241
Less Ceded Reserves	-	-
Net Reserves	$ 1,196,465	$ 1,647,241

	2016	2015
Centennial		
Gross Reserves		
Asbestos	$ 221	$ 1,400,347
Environmental	260,640	966,855
Product	46	55
Total Gross Reserves	260,907	2,367,257
Less Ceded Reserves	-	-
Net Reserves	$ 260,907	$ 2,367,257

The decline in Midland reserves relates to the 2016 adjudications of the MPH claims. The decrease in ceded reinsurance reserves for Midland was due primarily to commutations finalized in 2016 together with direct claims being paid and the direct outstanding reserves being reduced accordingly. The decrease in Centennial reserves reflects the payment of claims during the year and the reduction of claim reserves.

Note 10: Asbestos and Environmental Reserves (continued)

The changes in MPH reserves are reported in Class 2 – Claims and Related Costs Non-Allowed.

Note 11: Taxes

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

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 $5,902 in 2016, compared to $7,868 in 2015.

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, 2016 and 2015

Note 11: Taxes (continued)

At December 31, 2016, 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	NOL Carry-forward @ 12/31/15	New Estate Carryover	Expired NOL and FINAL RETURN	Taxable Income (Loss) for 2016	Section Reduction of (NOL) Form 982	NOL Carry-forward @ 12/31/2016
Atlantic Mutual	2020	$ (655,765,054)	$ -	$ -	$ (2,611,193)	$ -	$(658,376,247)
Centennial	2020	(316,175,104)	-	-	(20,444,558)	-	(336,619,662)
CHNY	2035	-	-	-	-	-	-
Colonial Cooperative	2024	(17,960,766)	-	18,080,665	(119,899)	-	-
Cosmopolitan	2019	(40,087,131)	-	-	(256,195)	11,451,392	(28,891,934)
Drivers	2034	(7,004,802)	-	-	(206,508)	-	(7,211,310)
Essences Healthcare	2035	-	-	-	-	-	-
Eveready	2034	(25,887,466)	-	-	(8,104,000)	-	(33,991,466)
First Central	2018	(136,426,334)	-	-	(246,075)	-	(136,672,409)
Frontier	2033	(129,080,228)	-	-	(1,885,606)	14,942,688	(116,023,146)
Group Council	2024	(349,871,180)	-	-	(102,876)	2,388,119	(347,585,937)
ICM	2032	(74,149,971)	-	-	(769,344)	-	(74,919,315)
Ideal	2018	(472,783,595)	-	-	(581,233)	42,665,716	(430,699,112)
Lion	2025	-	-	-	-	-	-
LIIC	2028	(31,126,023)	-	31,627,703	(501,680)	-	-
Midland	2024	(1,109,836,954)	-	-	(48,960,601)	-	(1,158,797,555)
Nassau	2018	-	-	-	-	-	-
PLICA	2033	(16,213,307)	-	-	(231,964)	7,258,943	(9,186,328)
Realm	2024	(151,446,842)	-	-	(410,812)	3,987,784	(147,869,870)
UHAB	2035	-	-	-	-	-	-
Union	2018	(587,002,879)	-	-	-	-	(587,002,879)
Washington Title	2026	-	-	-	-	-	-
Totals		$ (4,120,817,636)	$ -	$ 49,708,368	$(85,432,544)	$ 82,694,642	$(4,073,847,170)
Valuation Allowance		$ 4,120,817,636	$ -	$(49,708,368)	$ 85,432,544	$(82,694,642)	$ 4,073,847,170
Operating Loss Carry Forward, Net of Valuation Allowance		$ -	$ -	$ -	$ -	$ -	$ -

As of December 31, 2016, the Combined Domestic Estates in Liquidation have accumulated NOLs of approximately $4.1 billion. 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: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans

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 \$104 million and \$107 million, as of December 31, 2016 and 2015, 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, 2016 and 2015, the Combined Domestic Estates in Liquidation share of the estimated liability was approximately \$40 million and \$42 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.

An independent actuarial firm conducted a valuation of the post-retirement plan for the years ended December 31, 2016 and 2015, using Topic 715 and reported its conclusions in reports dated February 2016 and February 2015, respectively (collectively, "Actuarial Reports"). Pursuant to the Actuarial Reports, discount rates of 4.00% and 4.25% were selected by Management and used to determine the initial accumulated post-retirement benefit obligation ("APBO") and discount rates of 4.00% and 4.25% were applied to determine the APBO as of December 31, 2016 and 2015, respectively.

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

The post-retirement benefit liability is as follows:

	2016		2015
APBO (Initial Accrual) as of January 1, 2016:	$ 41,813,385	APBO (Initial Accrual) as of January 1, 2015:	$ 46,858,824
APBO as of December 31, 2016:	$ 40,288,445	APBO as of December 31, 2015:	$ 41,683,861
Net Periodic Benefit Cost for the fiscal year 2016:	$ 2,218,965	Net Periodic Benefit Cost for the fiscal year 2015:	$ 2,511,418

The following presentation was extracted from the Actuarial Reports for the years ended December 31, 2016 and 2015:

Reconciliation of benefit obligation	Post-Retirement Benefits **2016**	**2015**
Obligation at beginning of year	$ 41,813,385	$ 46,858,824
Service cost including expenses	645,988	850,265
Interest cost	1,572,976	1,661,153
Actuarial gain	(2,531,174)	(6,557,968)
Benefit payments and expected expenses	(1,212,731)	(1,128,413)
Obligation at end of year	$ 40,288,445	$ 41,683,861
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	$	$ -
Employer contributions	1,212,731	1,128,413
Benefit payments and actual expenses	(1,212,731)	(1,128,413)
Fair value of plan assets at end of year	-	-
Unfunded status at end of year	$ (40,288,445)	$ (41,683,861)

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	$ 40,288,445	$ 2,970,729
At trend + 1%	47,725,261	3,586,942
Dollar Impact	7,436,816	616,213
Percentage Impact	18.46%	20.74%
At Trend – 1%	34,397,970	2,491,336
Dollar Impact	(5,890,475)	(478,795)
Percentage Impact	(14.62%)	(16.12%)

Amounts recognized in unrestricted net assets consist of:

	Post-Retirement Benefits	
	2016	**2015**
Transition asset/obligations	$ -	$ -
Prior service credit/cost	-	-
Gain/(Loss)	3,864,584	1,646,249
	$ 3,864,584	$ 1,646,249

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 Ending:		2016
2017	$	3,152,839
2018	$	3,425,753
2019	$	3,749,077
2020	$	3,964,851
2021	$	4,192,227
Years 2022-2026	$	23,816,800

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.

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: Legal Matters, Commitments and Contingencies

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

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

Note 14: Subsequent Events

Subsequent events have been reviewed through July 24, 2017, 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, 2016, is listed in the table below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2016, and billed and subsequently received in 2017.

Domestic Estate in Liquidation	Collections of Reinsurance Recoverable on Paid Losses and LAE
(1) Cosmopolitan	$ 875,000
(2) AMIC	1,931,628
(3) Frontier	1,412,205
(4) Realm	33,000
(5) Inscorp	444,083
(6) Midland	2,971,237
(7) Centennial	677,907
Total	$ 8,345,060

Note 14: Subsequent Events (continued)

Dividends Distributed

The following Domestic Estates in Liquidation made dividend distributions subsequent to December 31, 2016:

Colonial Cooperative	$	2,079,792
Midland		1,500,000
Inscorp		606,273
Ideal		55,057
Cosmopolitan		9,274
Union		3,051
Total	$	4,253,447

New Liquidation

The following estate came into liquidation subsequent to December 31, 2016:
American Medical and Life Insurance Company
Fiduciary Insurance Company of America

Estate Closures

The following estates were closed subsequent to December 31, 2016:

EisnerAmper LLP
750 Third Avenue
New York, NY 10017-2703
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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, 2016 and 2015, 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 24, 2017, which expressed an unmodified opinion on those Combined Domestic Estates Financial Statements. Our audits were performed for the purpose of forming an opinion on the Combined Domestic Estates Financial Statements as a whole. The supplementary combining schedules of the Combined Domestic Estates in Liquidation's assets, liabilities and (deficit) surplus of assets over liabilities, and cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis as of and for the years ended December 31, 2016 and 2015 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 24, 2017

Supplementary Schedules

Appendix A

December 31, 2016 and 2015

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, 2016 AND 2015

Assets

	ATLANTIC MUTUAL		CENTENNIAL		COLONIAL COOPERATIVE	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 1,907,304	$ 1,654,243	$ 2,856,396	$ 989,480	$ -	$ 3,189,198
Investments						
Certificate of Deposit	-	-	140	-	-	-
Bonds, at fair market value	70,418,280	72,291,602	31,593,284	31,089,523	-	-
Common Stocks, Unaffiliated at fair market value	120,508	113,261	42,903	40,323	-	-
Total Investments	70,538,788	72,404,863	31,636,327	31,129,846	-	-
Total Cash, Cash Equivalents and Investments	72,446,092	74,059,106	34,492,723	32,119,326	-	3,189,198
Other Invested Assets:						
Investment in Subsidiaries	730,084	1,506,606	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	73,176,176	75,565,712	34,492,723	32,119,326	-	3,189,198
Reinsurance Recoverables on Paid Losses and LAE	13,583,381	9,052,057	4,390,164	3,554,528	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(10,414,516)	(9,052,057)	(3,483,256)	(3,554,528)	-	-
Net Reinsurance Recoverables on Paid Losses and LAE	3,168,865	-	906,908	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	25,224,029	20,098,280	29,663,014	19,959,696	-	216,936
Less: Allowance for Uncollectible Reinsurance Recoverables	(17,946,819)	(20,098,280)	(21,017,968)	(19,959,696)	-	(216,936)
Net Reinsurance Recoverables on Unpaid Losses and LAE	7,277,210	-	8,645,046	-	-	-
Receivables from Others	613	613	206	206	-	-
Accrued Investment Income	299,011	285,433	124,704	124,118	-	-
Other Assets	1,455,632	1,313,194	593,890	615,053	-	994,790
Total Unrestricted Assets	85,377,507	77,164,952	44,763,477	32,858,703	-	4,183,988
Restricted Assets:						
Statutory Deposits in New York or Other States	8,010,459	30,746,509	4,134,947	15,573,892	-	-
Other Restricted Assets	17,482,517	17,620,967	1,637,251	1,930,545	-	-
Total Restricted Assets	25,492,976	48,367,476	5,772,198	17,504,437	-	-
Total Assets	$ 110,870,483	$ 125,532,428	$ 50,535,675	$ 50,363,140	$ -	$ 4,183,988

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	COSMOPOLITAN MUTUAL		DRIVERS		EVEREADY	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 5,146,478	$ 1,001,778	$ 13,396	$ 150,694	$ 333,765	$ 112,839
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	-	15,967,826	1,220,365	1,251,989	336,448	363,654
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	4,306
Total Investments	-	15,967,826	1,220,365	1,251,989	336,448	367,960
Total Cash, Cash Equivalents and Investments	5,146,478	16,969,604	1,233,761	1,402,683	670,213	480,799
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	5,146,478	16,969,604	1,233,761	1,402,683	670,213	480,799
Reinsurance Recoverables on Paid Losses and LAE	122,094	375,781	-	-	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(375,781)	-	-	-	-
Net Reinsurance Recoverables on Paid Losses and LAE	122,094	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	1,155,665	7,032,175	-	-	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(404,760)	(7,032,175)	-	-	-	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	750,905	-	-	-	-	-
Receivables from Others	159,609	159,609	-	-	-	-
Accrued Investment Income	-	45,146	3,952	5,643	1,917	1,917
Other Assets	964,741	964,741	-	-	-	-
Total Unrestricted Assets	7,143,827	18,139,100	1,237,713	1,408,326	672,130	482,716
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	-	-
Other Restricted Assets	945,477	928,983	-	-	-	-
Total Restricted Assets	945,477	928,983	-	-	-	-
Total Assets	$ 8,089,304	$ 19,068,083	$ 1,237,713	$ 1,408,326	$ 672,130	$ 482,716

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	FIRST CENTRAL		FRONTIER		GROUP COUNCIL	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 830,011	$ 7,174,550	$ 470,267	$ 2,230,487	$ 122,504	$ 231,642
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	-	-	28,217,433	27,869,044	1,551,695	1,551,251
Common Stocks, Unaffiliated at fair market value	-	-	-	7,588	-	-
Total Investments	-	-	28,217,433	27,876,632	1,551,695	1,551,251
Total Cash, Cash Equivalents and Investments	830,011	7,174,550	28,687,700	30,107,119	1,674,199	1,782,893
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	368	87,168	-	-
Real Estate	-	-	536,418	536,418	-	-
Buildings	-	-	4,463,582	2,963,582	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	830,011	7,174,550	33,688,068	33,694,287	1,674,199	1,782,893
Reinsurance Recoverables on Paid Losses and LAE	6,131,727	6,131,727	12,017,918	11,189,810	23,008,616	23,061,831
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(10,214,030)	(11,189,810)	(23,008,616)	(23,061,831)
Net Reinsurance Recoverables on Paid Losses and LAE	6,131,727	6,131,727	1,803,888	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	9,580,358	9,580,358	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(7,221,795)	(9,580,358)	-	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	2,358,563	-	-	-
Receivables from Others	-	-	-	-	100,000	100,000
Accrued Investment Income	-	-	87,931	111,166	814	8,101
Other Assets	1	1	232,168	233,944	-	-
Total Unrestricted Assets	6,961,739	13,306,278	38,170,618	34,039,397	1,775,013	1,890,994
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	12,469,322	17,475,389	-	-
Other Restricted Assets	-	-	1,714,633	1,716,117	-	-
Total Restricted Assets	-	-	14,183,955	19,191,506	-	-
Total Assets	$ 6,961,739	$ 13,306,278	$ 52,354,573	$ 53,230,903	$ 1,775,013	$ 1,890,994

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	ICM		IDEAL MUTUAL		INSCORP	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 1,417,541	$ 1,928,287	$ 585,129	$ 3,043,393	$ 2,806,046	$ 1,720,077
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	-	-	48,810,574	46,462,649	19,271,321	20,990,476
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	-	-	48,810,574	46,462,649	19,271,321	20,990,476
Total Cash, Cash Equivalents and Investments	1,417,541	1,928,287	49,395,703	49,506,042	22,077,367	22,710,553
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	1,417,541	1,928,287	49,395,703	49,506,042	22,077,367	22,710,553
Reinsurance Recoverables on Paid Losses and LAE	146,944	328,840	55,861,678	62,749,226	30,823,799	16,391,887
Less: Allowance for Uncollectible Reinsurance Recoverables	(146,944)	(328,840)	(49,797,300)	(62,749,226)	(23,439,470)	(16,391,887)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	6,064,378	-	7,384,329	-
Reinsurance Recoverables on Unpaid Losses and LAE	815,232	754,360	6,315,668	5,613,692	1,703,686	26,238,208
Less: Allowance for Uncollectible Reinsurance Recoverables	(815,232)	(754,360)	(4,824,354)	(5,613,692)	(1,290,064)	(26,238,208)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	1,491,314	-	413,622	-
Receivables from Others	-	-	660,000	660,000	447,565	447,565
Accrued Investment Income	-	-	115,900	150,026	67,343	76,964
Other Assets	-	-	-	-	464,000	-
Total Unrestricted Assets	1,417,541	1,928,287	57,727,295	50,316,068	30,854,226	23,235,082
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	229,887	229,732
Other Restricted Assets	97,352	459,046	2,931,196	3,575,237	1,568,959	2,118,483
Total Restricted Assets	97,352	459,046	2,931,196	3,575,237	1,798,846	2,348,215
Total Assets	$ 1,514,893	$ 2,387,333	$ 60,658,491	$ 53,891,305	$ 32,653,072	$ 25,583,297

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	LONG ISLAND		MIDLAND		NASSAU	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 267,253	$ 1,103,608	$ 4,517,160	$ 23,704,296	$ -	$ -
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	-	-	354,301,639	346,547,069	-	-
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	-	-	354,301,639	346,547,069	-	-
Total Cash, Cash Equivalents and Investments	267,253	1,103,608	358,818,799	370,251,365	-	-
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	267,253	1,103,608	358,818,799	370,251,365	-	-
Reinsurance Recoverables on Paid Losses and LAE	-	-	141,995,883	171,395,427	(29,721)	12,961,618
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(128,946,831)	(123,074,107)	29,721	(12,961,618)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	13,049,052	48,321,320	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	22,098,664	135,475,195	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(19,304,874)	(129,463,795)	-	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	2,793,790	6,011,400	-	-
Receivables from Others	-	-	3,260,000	3,260,000	-	-
Accrued Investment Income	-	-	1,128,066	1,117,188	-	-
Other Assets	-	7,869	-	-	-	-
Total Unrestricted Assets	267,253	1,111,477	379,049,707	428,961,273	-	-
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	-	-
Other Restricted Assets	-	-	1,524,488	1,710,655	1,308	-
Total Restricted Assets	-	-	1,524,488	1,710,655	1,308	-
Total Assets	$ 267,253	$ 1,111,477	$380,574,195	$ 430,671,928	$ 1,308	$ -

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets	PLICA	Elimination of IBNR	PLICA (Adjusted)	PLICA	Elimination of IBNR	PLICA (Adjusted)
		12/31/2016			12/31/2015	
Unrestricted Assets:						
Cash and Cash Equivalents	$ 1,165,916	$ -	$ 1,165,916	$ 1,326,448	$ -	$ 1,326,448
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	14,681,961	-	14,681,961	16,443,813	-	16,443,813
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	14,681,961	-	14,681,961	16,443,813	-	16,443,813
Total Cash, Cash Equivalents and Investments	15,847,877	-	15,847,877	17,770,261	-	17,770,261
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	15,847,877	-	15,847,877	17,770,261	-	17,770,261
Reinsurance Recoverables on Paid Losses and LAE	(6,036)	-	(6,036)	(7,824)	-	(7,824)
Less: Allowance for Uncollectible Reinsurance Recoverables	6,036	-	6,036	7,824	-	7,824
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	3,629,144	(3,150,612)	478,532
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	-	(3,629,144)	3,150,612	(478,532)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	-	-	-	-	-	-
Accrued Investment Income	55,664	-	55,664	49,682	-	49,682
Other Assets	-	-	-	-	-	-
Total Unrestricted Assets	15,903,541	-	15,903,541	17,819,943	-	17,819,943
Restricted Assets:						
Statutory Deposits in New York or Other States	1,250,409	-	1,250,409	1,239,089	-	1,239,089
Other Restricted Assets	-	-	-	-	-	-
Total Restricted Assets	1,250,409	-	1,250,409	1,239,089	-	1,239,089
Total Assets	$ 17,153,950	$ -	$ 17,153,950	$ 19,059,032	$ -	$ 19,059,032

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	REALM NATIONAL		UNION INDEMNITY		UNITED COMMUNITY	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:						
Cash and Cash Equivalents	$ 1,616,054	$ 524,321	$ 3,233,890	$ 3,658,801	$ -	$ 184
Investments						
Certificate of Deposit	-	-	-	-	-	-
Bonds, at fair market value	2,019,926	7,955,789	16,206,327	16,014,248	-	-
Common Stocks, Unaffiliated at fair market value	-	-	-	-	-	-
Total Investments	2,019,926	7,955,789	16,206,327	16,014,248	-	-
Total Cash, Cash Equivalents and Investments	3,635,980	8,480,110	19,440,217	19,673,049	-	184
Other Invested Assets:						
Investment in Subsidiaries	-	-	-	-	-	-
Limited Partnerships	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	3,635,980	8,480,110	19,440,217	19,673,049	-	184
Reinsurance Recoverables on Paid Losses and LAE	9,535,597	9,905,637	40,307,835	40,307,835	(1,549,079)	5,251,843
Less: Allowance for Uncollectible Reinsurance Recoverables	(5,646,179)	(9,905,637)	(40,307,835)	(40,307,835)	1,549,079	(5,251,843)
Net Reinsurance Recoverables on Paid Losses and LAE	3,889,418	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	155,997	1,008,463	1,117,885	1,117,885	-	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(115,921)	(1,008,463)	(1,117,885)	(1,117,885)	-	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	40,076	-	-	-	-	-
Receivables from Others	600,000	600,000	470,000	470,000	-	-
Accrued Investment Income	3,972	996	32,413	48,793	-	-
Other Assets	160,956	160,956	-	-	-	-
Total Unrestricted Assets	8,330,402	9,242,062	19,942,630	20,191,842	-	184
Restricted Assets:						
Statutory Deposits in New York or Other States	205,000	205,000	-	-	-	-
Other Restricted Assets	40,651	40,651	6,176,390	6,174,625	39,896	-
Total Restricted Assets	245,651	245,651	6,176,390	6,174,625	39,896	-
Total Assets	$ 8,576,053	$ 9,487,713	$ 26,119,020	$26,366,467	$ 39,896	$ 184

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016 AND 2015

Assets

	CLOSED ESTATES		ESTATE TOTALS	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unrestricted Assets:				
Cash and Cash Equivalents	$ -	$ 289,525	$ 27,289,110	$ 54,033,851
Investments				
Certificate of Deposit	-	-	140	-
Bonds, at fair market value	-	-	588,629,253	604,798,933
Common Stocks, Unaffiliated at fair market value	-	-	163,411	165,478
Total Investments	-	-	588,792,804	604,964,411
Total Cash, Cash Equivalents and Investments	-	289,525	616,081,914	658,998,262
Other Invested Assets:				
Investment in Subsidiaries	-	-	730,084	1,506,606
Limited Partnerships	-	-	368	87,168
Real Estate	-	-	536,418	536,418
Buildings	-	-	4,463,582	2,963,582
Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted)	-	289,525	621,812,366	664,092,036
Reinsurance Recoverables on Paid Losses and LAE	-	205,386	336,340,800	372,855,609
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(200,159)	(293,820,141)	(318,397,335)
Net Reinsurance Recoverables on Paid Losses and LAE	-	5,227	42,520,659	54,458,274
Reinsurance Recoverables on Unpaid Losses and LAE	-	11,000,000	97,830,198	238,573,780
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(11,000,000)	(74,059,672)	(232,562,380)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	23,770,526	6,011,400
Receivables from Others	-	-	5,697,993	5,697,993
Accrued Investment Income	-	-	1,921,687	2,025,173
Other Assets	-	-	3,871,388	4,290,548
Total Unrestricted Assets	-	294,752	699,594,619	736,575,424
Restricted Assets:				
Statutory Deposits in New York or Other States	-	-	26,300,024	65,469,611
Other Restricted Assets	-	-	34,160,118	36,275,309
Total Restricted Assets	-	-	60,460,142	101,744,920
Total Assets	$ -	$ 294,752	$ 760,054,761	$ 838,320,344

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, 2016 AND 2015

Liabilities	ATLANTIC MUTUAL		CENTENNIAL		COLONIAL COOPERATIVE	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ 6,030,533	$ 6,658,039	$ 1,618,719	$ 2,070,082	$ -	$ 7,829
Class I - Administrative Claims	2,466,984	2,461,160	1,437,606	1,407,552	-	289,495
Class II - Claims and Related Costs:						
Allowed	57,837,206	41,932,466	38,690,308	38,105,963	16,124,370	18,501,740
Non Allowed	203,285,105	232,925,755	132,584,750	126,597,017	600	415,060
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	261,122,311	274,858,221	171,275,058	164,702,980	16,124,970	18,916,800
Class III - Federal Government Claims	39,418,405	39,418,405	6,839,598	6,839,598	-	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	3,698,287	3,698,287	2,501,026	2,501,026	50	50
Class VI - General Creditor Claims	9,246,923	7,408,583	15,982,373	2,119,392	423,023	1,395,406
Class VII - Late Filed Claims	-	-	500,000	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	159,398,946	159,398,946	-	-	1,075,375	1,075,375
Class IX - Shareholder Claims	-	-	-	-	-	-
Total Liabilities	481,382,389	493,901,641	200,154,380	179,640,630	17,623,418	21,684,955
(Deficit) Surplus of Assets over Liabilities	(370,511,906)	(368,369,213)	(149,618,705)	(129,277,490)	(17,623,418)	(17,500,967)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 110,870,483	$ 125,532,428	$ 50,535,675	$ 50,363,140	$ -	$ 4,183,988

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, 2016 AND 2015

Liabilities	COSMOPOLITAN MUTUAL		DRIVERS		EVEREADY	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ 974,649	$ 958,191	$ -	$ 27,590	$ -	$ -
Class I - Administrative Claims	1,258,314	1,343,046	81,058	51,750	105,418	85,402
Class II - Claims and Related Costs:						
Allowed	20,420,202	31,707,617	935,331	-	13,198,293	3,771,373
Non Allowed	3,099,566	14,040,285	2,146,705	5,134,778	11,236,115	12,543,169
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	23,519,768	45,747,902	3,082,036	5,134,778	24,434,408	16,314,542
Class III - Federal Government Claims	-	-	-	-	5,857	5,857
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	7,476	7,476	14,045	14,045	573,094	258,502
Class VI - General Creditor Claims	3,301,927	3,301,927	55,056	50,617	1,212,455	630,685
Class VII - Late Filed Claims	9,973,857	9,973,857	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	-	-	-	-	-	-
Total Liabilities	39,035,991	61,332,399	3,232,195	5,278,780	26,331,232	17,294,988
(Deficit) Surplus of Assets over Liabilities	(30,946,687)	(42,264,316)	(1,994,482)	(3,870,454)	(25,659,102)	(16,812,272)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 8,089,304	$ 19,068,083	$ 1,237,713	$ 1,408,326	$ 672,130	$ 482,716

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, 2016 AND 2015

Liabilities	FIRST CENTRAL		FRONTIER		GROUP COUNCIL	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ -	$ -	$ 1,714,633	$ 1,716,117	$ -	$ -
Class I - Administrative Claims	380,311	396,999	3,500,247	3,669,227	477,859	534,198
Class II - Claims and Related Costs:						
Allowed	78,780,219	84,861,997	127,949,374	127,924,584	242,262,435	237,982,377
Non Allowed	-	-	96,525,111	102,672,753	11,530,362	18,198,540
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	78,780,219	84,861,997	224,474,485	230,597,337	253,792,797	256,180,917
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	4,425	4,425
Class V - State and Local Government Claims	874,434	874,434	10,060,199	10,060,199	22,828	22,828
Class VI - General Creditor Claims	1,763,389	1,763,389	37,583,248	46,879,307	56,202,748	56,202,748
Class VII - Late Filed Claims	-	-	9	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	1	1	10,584	10,584	-	-
Total Liabilities	81,798,354	87,896,820	277,343,405	292,932,771	310,500,657	312,945,116
(Deficit) Surplus of Assets over Liabilities	(74,836,615)	(74,590,542)	(224,988,832)	(239,701,868)	(308,725,644)	(311,054,122)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 6,961,739	$ 13,306,278	$ 52,354,573	$ 53,230,903	$ 1,775,013	$ 1,890,994

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, 2016 AND 2015

Liabilities	ICM		IDEAL MUTUAL		INSCORP	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ 97,352	$ 97,271	$ 2,844,844	$ 3,488,917	$ 1,348,294	$ 1,433,818
Class I - Administrative Claims	326,163	305,439	8,244,619	9,116,404	1,821,279	1,750,110
Class II - Claims and Related Costs:						
Allowed	39,231	39,231	259,737,254	258,440,479	20,867,497	18,465,411
Non Allowed	1,100,000	1,100,000	27,103,100	28,504,865	6,143,940	12,533,728
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	1,139,231	1,139,231	286,840,354	286,945,344	27,011,437	30,999,139
Class III - Federal Government Claims	14,976	14,976	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	80,135	80,135	280,887	280,887	1,516,794	1,516,794
Class VI - General Creditor Claims	7,010,575	7,166,966	66,238,954	100,626,463	139,379,696	128,523,760
Class VII - Late Filed Claims	-	-	70,962,026	70,962,026	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	-	-	-	-	107,467,599	107,467,599
Total Liabilities	8,668,432	8,804,018	435,411,684	471,420,041	278,545,099	271,691,220
(Deficit) Surplus of Assets over Liabilities	(7,153,539)	(6,416,685)	(374,753,193)	(417,528,736)	(245,892,027)	(246,107,923)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 1,514,893	$ 2,387,333	$ 60,658,491	$ 53,891,305	$ 32,653,072	$ 25,583,297

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, 2016 AND 2015

Liabilities	LONG ISLAND		MIDLAND		NASSAU	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ -	$ -	$ 1,479,958	$ 1,666,189	$ 1,308	$ -
Class I - Administrative Claims	-	295,241	16,234,511	18,006,970	-	-
Class II - Claims and Related Costs:						
Allowed	28,589,842	27,740,553	1,247,139,344	1,168,345,422	36,536,824	36,536,823
Non Allowed	17,971	947,421	135,720,781	208,573,054	1,553	1,553
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	28,607,813	28,687,974	1,382,860,125	1,376,918,476	36,538,377	36,538,376
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	-	-	-
Class V - State and Local Government Claims	586,354	586,354	8,317,575	8,317,575	77,966	77,966
Class VI - General Creditor Claims	881,045	881,045	179,875,676	186,721,927	371,667	683,278
Class VII - Late Filed Claims	-	-	169,550,639	169,550,639	3,943,046	3,943,046
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	-	-	-	-	-	-
Total Liabilities	30,075,212	30,450,614	1,758,318,484	1,761,181,776	40,932,364	41,242,666
(Deficit) Surplus of Assets over Liabilities	(29,807,959)	(29,339,137)	(1,377,744,289)	(1,330,509,848)	(40,931,056)	(41,242,666)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 267,253	$ 1,111,477	$ 380,574,195	$ 430,671,928	$ 1,308	$ -

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, 2016 AND 2015

Liabilities	PLICA	Elimination of IBNR 12/31/16	PLICA (Adjusted)	PLICA	Elimination of IBNR 12/31/2015	PLICA (Adjusted)
Secured Claims	$ -	$ -	$ -	$ -	$ -	$ -
Class I - Administrative Claims	905,814	-	905,814	990,478	-	990,478
Class II - Claims and Related Costs:						
Allowed	1,266,045	-	1,266,045	1,016,926	-	1,016,926
Non Allowed	1,547,529	-	1,547,529	4,549,479	-	4,549,479
IBNR	11,435,000	(11,435,000)	-	11,435,000	(11,435,000)	-
Total Class II - Claims and Related Costs	14,248,574	(11,435,000)	2,813,574	17,001,405	(11,435,000)	5,566,405
Class III - Federal Government Claims	-	-	-	-	-	-
Class IV - Employee Claims	-	-	-	2,400	-	2,400
Class V - State and Local Government Claims	59,395	-	59,395	50,619	-	50,619
Class VI - General Creditor Claims	272,081	-	272,081	6,431,428	-	6,431,428
Class VII - Late Filed Claims	-	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	9	-	9	9	-	9
Total Liabilities	15,485,873	(11,435,000)	4,050,873	24,476,339	(11,435,000)	13,041,339
(Deficit) Surplus of Assets over Liabilities	1,668,077	11,435,000	13,103,077	(5,417,307)	11,435,000	6,017,693
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$17,153,950	$ -	$ 17,153,950	$ 19,059,032	$ -	$19,059,032

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, 2016 AND 2015

Liabilities	REALM NATIONAL		UNION INDEMNITY		UNITED COMMUNITY	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ 161,865	$ 161,865	$ 6,339,374	$ 6,337,670	$ 39,896	$ -
Class I - Administrative Claims	3,408,439	3,552,153	3,805,195	4,245,105	(281)	(281)
Class II - Claims and Related Costs:						
Allowed	87,348,528	92,438,338	177,341,040	177,312,804	106,309,098	106,309,100
Non Allowed	-	36,813	132,924	219,694	-	-
IBNR	-	-	-	-	-	-
Total Class II - Claims and Related Costs	87,348,528	92,475,151	177,473,964	177,532,498	106,309,098	106,309,100
Class III - Federal Government Claims	-	-	137,245	137,245	-	-
Class IV - Employee Claims	2,616	2,616	-	-	-	-
Class V - State and Local Government Claims	61,013	61,013	71,337	71,337	-	-
Class VI - General Creditor Claims	18,743,937	18,038,332	161,040,254	161,040,254	1,352,457	2,863,778
Class VII - Late Filed Claims	401	401	69,488,205	69,488,205	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-
Class IX - Shareholder Claims	-	-	-	-	18,666,845	18,666,845
Total Liabilities	109,726,799	114,291,531	418,355,574	418,852,314	126,368,015	127,839,442
(Deficit) Surplus of Assets over Liabilities	(101,150,746)	(104,803,818)	(392,236,554)	(392,485,847)	(126,328,119)	(127,839,258)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ 8,576,053	$ 9,487,713	$ 26,119,020	$ 26,366,467	$ 39,896	$ 184

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, 2016 AND 2015

Liabilities	CLOSED ESTATES		ESTATE TOTALS	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Secured Claims	$ -	$ -	$ 22,651,425	$ 24,623,578
Class I - Administrative Claims	-	22,938	44,453,536	48,523,386
Class II - Claims and Related Costs:				
Allowed	-	26,570,233	2,561,372,441	2,498,003,437
Non Allowed	-	-	632,176,112	768,993,964
IBNR	-	-	-	-
Total Class II - Claims and Related Costs	-	26,570,233	3,193,548,553	3,266,997,401
Class III - Federal Government Claims	-	-	46,416,081	46,416,081
Class IV - Employee Claims	-	-	7,041	9,441
Class V - State and Local Government Claims	-	11,119	28,802,895	28,490,646
Class VI - General Creditor Claims	-	1,528,118	700,937,484	734,257,403
Class VII - Late Filed Claims	-	-	324,418,183	323,918,174
Class VIII - Section 1307 (Shareholder) Loans	-	-	160,474,321	160,474,321
Class IX - Shareholder Claims	-	-	126,145,038	126,145,038
Total Liabilities	-	28,132,408	4,647,854,557	4,759,855,469
(Deficit) Surplus of Assets over Liabilities	-	(27,837,656)	(3,887,799,796)	(3,921,535,125)
Total Liabilities and (Deficit) Surplus of Assets over Liabilities	$ -	$ 294,752	$ 760,054,761	$ 838,320,344

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, 2016 AND 2015

	ATLANTIC MUTUAL		CENTENNIAL		COLONIAL COOPERATIVE	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ (1,912,648)	$ 1,139,454	$ 540,402	$ 511,783	$ 429	$ -
Reinsurance Recovered	3,381,809	826,020	3,048,252	391,390	117	8,959,170
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation Recoveries	10,523	6,932,720	152,562	902,386	-	16,000
Reimbursement from Central Disbursement Account	-	-	-	-	-	-
Release from Statutory Deposits	-	-	232,924	750,535	-	-
Litigation Awards	-	1,066	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	(29,509)	(76,776)	29,509	-	-	-
Second Injury Claim Refunds	129,816	139,305	5,086	30,632	-	-
Transfer from Segregated Accounts	773,250	-	257,750	-	-	-
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	26,916	563,544	57,397	26,067	-	-
Total Receipts	2,380,157	9,525,333	4,323,882	2,612,793	546	8,975,170
Disbursements:						
Dividends	4,236,431	5,758,227	-	1,448,122	2,821,155	5,701,937
Release of Funds to Non-New York Liquidator	-	-	-	2,400,456	-	-
Transfer to Segregated Accounts	678,667	-	226,222	-	-	-
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	-	-
Loss Adjustment Expense	20,002	(1,888)	-	-	-	-
Reimbursement of Allocated Expenses:	-	-	-		-	
Salaries	1,167,127	1,323,444	780,879	783,874	16,411	94,148
Employee Relations & Welfare	741,713	888,437	504,353	513,947	268,749	-
Rent and Related Expenses	568,112	537,363	219,991	148,737	9,540	10,944
Professional Fees	69,778	117,045	97,159	78,275	24,063	30,313
General and Administrative Expenses	104,973	683,381	50,608	240,468	399	1,318
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	71,629	1,117,437	-	378,973	-	-
Miscellaneous	190,679	242,216	101,730	132,542	49,427	717
Total Disbursements	7,849,111	10,665,662	1,980,942	6,125,394	3,189,744	5,839,377
Net Disbursements Over of Receipts	(5,468,954)	(1,140,329)	2,342,940	(3,512,601)	(3,189,198)	3,135,793
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	75,565,712	76,704,225	32,119,326	35,322,765	3,189,198	53,405
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	3,079,418	1,816	30,457	309,162	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 73,176,176	$ 75,565,712	$ 34,492,723	$ 32,119,326	$ -	$ 3,189,198

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, 2016 AND 2015

	COSMOPOLITAN MUTUAL		DRIVERS		EVEREADY	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 146,155	$ 129,710	$ 11,036	$ 39,530	$ (195,979)	$ 8,028
Reinsurance Recovered	646,702	217,406	-	-	-	-
Premiums Collected	-	-	-	-	117	216
Salvage and Subrogation Recoveries	-	-	80,022	9,090	236,415	231,481
Reimbursement from Central Disbursement Account	-	-	-	-	-	-
Release from Statutory Deposits	-	-	-	539,146	-	363,654
Litigation Awards	-	-	-	-	-	740
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	-	-	33,620	6,011	120,314	61,898
Total Receipts	792,857	347,116	124,678	593,777	160,867	666,017
Disbursements:						
Dividends	12,296,444	8,121,158	-	-	-	-
Release of Funds to Non-New York Liquidator	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	11,600	-	-
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	-	-
Loss Adjustment Expense	-	-	-	-	-	-
Reimbursement of Allocated Expenses:	-	-	-	-	-	-
Salaries	138,154	104,972	122,215	88,260	135,557	179,480
Employee Relations & Welfare	87,666	71,893	77,666	57,451	395	13,909
Rent and Related Expenses	91,302	60,098	35,790	20,984	-	-
Professional Fees	43,781	34,440	25,282	13,569	25,674	90,518
General and Administrative Expenses	6,062	6,809	10,739	11,374	8,434	98,713
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	13,082	18	25,357	10,902
Miscellaneous	24,831	25,971	9,238	6,885	336	4,771
Total Disbursements	12,688,240	8,425,341	294,012	210,141	195,753	398,293
Net Disbursements Over of Receipts	(11,895,383)	(8,078,225)	(169,334)	383,636	(34,886)	267,724
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	16,969,604	24,675,595	1,402,683	-	480,799	-
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	1,045,489	-	213,075
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	72,257	372,234	412	(26,442)	224,300	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 5,146,478	$ 16,969,604	$ 1,233,761	$ 1,402,683	$ 670,213	$ 480,799

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, 2016 AND 2015

	FIRST CENTRAL		FRONTIER		GROUP COUNCIL	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 4,000	$ (33,685)	$ 419,291	$ 663,822	$ 17,870	$ 10,203
Reinsurance Recovered	-	57,599	21,534	3,340,092	-	-
Premiums Collected	-	-	6,795	17,023	-	-
Salvage and Subrogation Recoveries	-	-	122,657	107,005	-	-
Reimbursement from Central Disbursement Account	-	150,000	-	-	-	-
Release from Statutory Deposits	-	-	97,001	420,000	-	-
Litigation Awards	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	803,356	-	225	-	-
Transfer from Segregated Accounts	-	21,786	-	-	-	-
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	-	-	124,486	196,275	-	-
Total Receipts	4,000	999,056	791,764	4,744,442	17,870	10,203
Disbursements:						
Dividends	6,081,776	25,842,902	-	-	-	-
Release of Funds to Non-New York Liquidator	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	-	-
Loss Adjustment Expense	-	-	45	-	-	-
Reimbursement of Allocated Expenses:	-		-			
Salaries	81,295	142,526	616,865	738,208	38,151	57,139
Employee Relations & Welfare	52,945	2,705,565	400,611	499,402	23,520	39,526
Rent and Related Expenses	90,826	83,557	340,185	424,187	24,287	23,203
Professional Fees	27,466	35,416	225,509	228,716	30,151	59,573
General and Administrative Expenses	3,934	8,970	41,976	54,108	2,045	3,815
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	11	23,153	-	-
Miscellaneous	10,297	40,230	786,336	843,733	4,909	6,916
Total Disbursements	6,348,539	28,859,166	2,411,538	2,811,507	123,063	190,172
Net Disbursements Over of Receipts	(6,344,539)	(27,860,110)	(1,619,774)	1,932,935	(105,193)	(179,969)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	7,174,550	34,669,140	33,694,287	33,199,988	1,782,893	1,965,208
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	365,520	1,613,555	(1,438,636)	(3,501)	(2,346)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 830,011	$ 7,174,550	$ 33,688,068	$ 33,694,287	$ 1,674,199	$ 1,782,893

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, 2016 AND 2015

	ICM		IDEAL MUTUAL		INSCORP	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 761	$ 16	$ 615,003	$ 488,696	$ 219,110	$ 272,440
Reinsurance Recovered	25,183	3,806,170	1,498,893	741,271	4,393,471	1,524,808
Premiums Collected	3,592	36,764	-	-	-	1,090
Salvage and Subrogation Recoveries	372	1,814	-	-	172	86
Reimbursement from Central Disbursement Account	-	-	-	-	-	-
Release from Statutory Deposits	-	-	-	-	-	-
Litigation Awards	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	-	-	1,304,594
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	-	126,007	2	-	-	1,675,523
Total Receipts	29,908	3,970,771	2,113,898	1,229,967	4,612,753	4,778,541
Disbursements:						
Dividends	-	1,530,674	874,857	5,212,040	3,123,961	10,241,327
Release of Funds to Non-New York Liquidator	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	134,000
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	6,667	-
Loss Adjustment Expense	-	-	6,500	-	-	-
Reimbursement of Allocated Expenses:						
Salaries	239,136	394,044	670,261	600,599	962,580	791,155
Employee Relations & Welfare	144,720	207,301	413,096	403,814	607,718	529,339
Rent and Related Expenses	73,515	74,908	387,971	289,369	388,509	278,625
Professional Fees	53,725	133,483	61,599	210,290	74,834	95,525
General and Administrative Expenses	10,570	25,072	29,417	34,519	61,399	45,187
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	-	-	747	6,573
Miscellaneous	18,988	16,852	89,916	77,251	88,219	77,009
Total Disbursements	540,654	2,382,334	2,533,617	6,827,882	5,314,634	12,198,740
Net Disbursements Over of Receipts	(510,746)	1,588,437	(419,719)	(5,597,915)	(701,881)	(7,420,199)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	1,928,287	339,850	49,506,042	54,740,012	22,710,553	29,857,686
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	-	309,380	363,945	68,695	273,066
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 1,417,541	$ 1,928,287	$ 49,395,703	$ 49,506,042	$ 22,077,367	$ 22,710,553

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, 2016 AND 2015

	LONG ISLAND		MIDLAND		NASSAU	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 557	$ 720	$ 4,588,620	$ 3,901,048	$ -	$ 1,072
Reinsurance Recovered	-	-	12,312,942	15,923,748	-	-
Premiums Collected	-	55	-	-	-	-
Salvage and Subrogation Recoveries	34,434	5,872	-	-	-	-
Reimbursement from Central Disbursement Account	-	-	-	-	-	200,000
Release from Statutory Deposits	-	-	-	-	-	-
Litigation Awards	-	-	-	-	-	125,000
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	-	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	1,616	75,048	794	95	-	-
Total Receipts	36,607	81,695	16,902,356	19,824,891	-	326,072
Disbursements:						
Dividends	490,188	-	25,721,581	6,837,500	-	2,058,901
Release of Funds to Non-New York Liquidator	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	1,420,000
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	-	-
Loss Adjustment Expense	-	-	141,503	341,988	-	-
Reimbursement of Allocated Expenses:						
Salaries	23,839	34,984	1,050,393	1,070,591	-	94,837
Employee Relations & Welfare	277,179	-	667,289	735,628	-	187,823
Rent and Related Expenses	10,502	7,889	537,165	416,729	-	20,640
Professional Fees	20,434	30,031	667,414	857,949	-	88,877
General and Administrative Expenses	434	491	46,467	74,831	-	5,274
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	7,770	1,941	-	-	-	-
Miscellaneous	42,616	298	399,359	405,412	-	194,915
Total Disbursements	872,962	75,634	29,231,171	10,740,628	-	4,071,267
Net Disbursements Over of Receipts	(836,355)	6,061	(12,328,815)	9,084,263	-	(3,745,195)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	1,103,608	1,097,547	370,251,365	359,826,629	-	3,745,195
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	-	-	896,249	1,340,473	-	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 267,253	$ 1,103,608	$ 358,818,799	$ 370,251,365	$ -	$ -

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, 2016 AND 2015

	PLICA		REALM NATIONAL		UNION INDEMNITY	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 178,604	$ 95,507	$ 33,827	$ 9,590	$ 201,197	$ 111,247
Reinsurance Recovered	457,415	2,291,488	761,895	8,467,560	-	3,990
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation Recoveries	-	-	2,000	-	-	-
Reimbursement from Central Disbursement Account	-	-	-	-	-	-
Release from Statutory Deposits	-	787,007	-	397,192	-	-
Litigation Awards	-	-	-	-	-	-
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	-
Second Injury Claim Refunds	-	-	-	18,089	-	-
Transfer from Segregated Accounts	-	-	-	-	-	-
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	-	1,194,972	-	110	-	-
Total Receipts	636,019	4,368,974	797,722	8,892,541	201,197	115,237
Disbursements:						
Dividends	2,041,195	-	5,126,622	10,189,603	65,571	15,086
Release of Funds to Non-New York Liquidator	-	-	-	-	-	-
Transfer to Segregated Accounts	-	-	-	-	-	-
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	-	-
Loss Adjustment Expense	63,078	1,250	-	-	-	7,590
Reimbursement of Allocated Expenses:						
Salaries	181,756	255,371	218,864	281,996	143,272	143,160
Employee Relations & Welfare	107,295	176,155	143,043	190,539	85,620	94,794
Rent and Related Expenses	61,364	64,198	92,372	78,113	129,953	99,223
Professional Fees	97,078	159,418	32,933	54,802	40,077	43,708
General and Administrative Expenses	22,140	14,400	9,949	16,534	6,549	8,814
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	-	-	-	70,000
Miscellaneous	29,845	36,940	21,556	24,421	26,301	19,184
Total Disbursements	2,603,751	707,732	5,645,339	10,836,008	497,343	501,559
Net Disbursements Over of Receipts	(1,967,732)	3,661,242	(4,847,617)	(1,943,467)	(296,146)	(386,322)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	17,770,261	14,182,126	8,480,110	10,427,364	19,673,049	20,021,952
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	-	-	-
Closed Estates - Cash	-	-	-	-	-	-
Unrealized Gain / (Loss) on Investments	45,348	(73,107)	3,487	(3,787)	63,314	37,419
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ 15,847,877	$ 17,770,261	$ 3,635,980	$ 8,480,110	$ 19,440,217	$ 19,673,049

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, 2016 AND 2015

	UNITED COMMUNITY		CLOSED ESTATES		ESTATE TOTALS	
Receipts:	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net Investment Income Received	$ 25	$ (121,877)	$ -	$ 11,417	$ 4,868,260	$ 7,238,721
Reinsurance Recovered	-	954,872	-	50,000	26,548,213	47,555,584
Premiums Collected	-	-	-	-	10,504	55,148
Salvage and Subrogation Recoveries	-	-	-	-	639,157	8,206,454
Reimbursement from Central Disbursement Account	-	500,000	-	-	-	850,000
Release from Statutory Deposits	-	-	-	273,045	329,925	3,530,579
Litigation Awards	-	-	-	-	-	126,806
Claim Refunds	-	-	-	-	-	-
Large Deductible	-	-	-	-	-	(76,776)
Second Injury Claim Refunds	-	-	-	-	134,902	991,607
Transfer from Segregated Accounts	-	-	-	923,289	1,031,000	2,249,669
Pharmacy Receivables	-	-	-	-	-	-
Miscellaneous	-	-	-	12,627	365,145	3,938,177
Total Receipts	25	1,332,995	-	1,270,378	33,927,106	74,665,969
Disbursements:						
Dividends	-	28,591,701	-	14,864,695	62,879,781	126,413,873
Release of Funds to Non-New York Liquidator	-	-	-	-	-	2,400,456
Transfer to Segregated Accounts	-	-	-	332	904,889	1,565,932
Funds Released to Reinsurers	-	-	-	-	-	-
Loss/Return Premiums	-	-	-	-	6,667	-
Loss Adjustment Expense	-	-	-	33,016	231,128	381,956
Reimbursement of Allocated Expenses:						
Salaries	-	184,754	-	162,366	6,586,755	7,525,908
Employee Relations & Welfare	-	1,469,357	-	319,612	4,603,578	9,104,492
Rent and Related Expenses	-	216,821	-	28,044	3,061,384	2,883,632
Professional Fees	-	41,458	-	112,263	1,616,957	2,515,669
General and Administrative Expenses	-	9,867	-	26,742	416,095	1,370,687
Rehabilitation Expenses	-	-	-	-	-	-
Salvage and Subrogation Fees	-	-	-	-	118,596	1,608,997
Miscellaneous	209	162,303	-	128,291	1,894,792	2,446,857
Total Disbursements	209	30,676,261	-	15,675,361	82,320,622	158,218,459
Net Disbursements Over of Receipts	(184)	(29,343,266)	-	(14,404,983)	(48,393,516)	(83,552,490)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	184	28,989,825	289,525	1,440,242	664,092,036	731,258,754
Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), Balances of New Estates	-	-	-	13,933,907	-	15,192,471
Closed Estates - Cash	-	-	(289,525)	(679,641)	(289,525)	(679,641)
Unrealized Gain / (Loss) on Investments	-	353,625	-	-	6,403,371	1,872,942
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Period / Year	$ -	$ 184	$ -	$ 289,525	$ 621,812,366	$ 664,092,036

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION

Financial Statements - Modified Cash Basis

December 31, 2016 and 2015
With Independent Auditors' Report

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK IN LIQUIDATION

Financial Statements - Modified Cash Basis

December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the 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

We have audited the accompanying financial statements of the Executive Life Insurance Company of New York in Liquidation (the "Company"), managed by the New York Liquidation Bureau, which comprise the statements of assets, liabilities, and deficit of assets over liabilities – modified cash basis as of December 31, 2016 and 2015, and the related statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for the years then ended, and the related notes to the financial statements – modified cash basis.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of Executive Life Insurance Company of New York in Liquidation as of December 31, 2016 and 2015, and its operations and its receipts and disbursements for the years then ended, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

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

Restriction on Use

This report is intended solely for the information of and use of the Superintendent of 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 these specified parties.

EisnerAmper LLP

New York, New York
July 24, 2017

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

	2016	2015
Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 875,530	$ 1,216,703
Invested Assets:		
Bonds, at fair market value	17,754,374	17,522,898
Common stocks, at fair market value	-	12
Total Invested Assets	17,754,374	17,522,910
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	18,629,904	18,739,613
Receivable from Revolving Fund	650,000	650,000
Accrued Investment Income	57,665	55,396
Total Unrestricted Assets	19,337,569	19,445,009
Restricted Assets:		
Statutory Deposits in Other States	-	-
Segregated Contingency Fund	10,730,940	10,530,418
Other Restricted Assets	-	-
Total Restricted Assets	10,730,940	10,530,418
Total Assets	$ 30,068,509	$ 29,975,427

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

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

	2016	2015
Secured Liabilities:		
Segregated Contingency Fund	$ 10,730,940	$ 10,530,418
Total Secured Liabilities	10,730,940	10,530,418
Unsecured Liabilities:		
Class One - Administrative Expenses	217,536	244,567
Class Two - Employee Services	-	-
Class Three - Expenses 90 Days and Prior	-	-
Class Four - Claims Under Insurance Policies:		
Retained Liabilities - Non-Allowed	961,076,562	961,076,562
Claimovers - Non-Allowed	43,726,109	43,726,109
Annuity Contracts - Due and Unpaid	170,106	170,106
Less: Distributions	-	-
Total Class Four - Claims Under Insurance Policies - Non-Allowed	1,004,972,777	1,004,972,777
Class Five - Federal, State and Local Government Claims - Non-Allowed	-	-
Class Six - General Creditors' Claims - Non-Allowed	3,825,418	3,825,418
Class Seven - Surplus, Capital or Contribution Notes	-	-
Class Eight - Policyholder and Shareholder Claims	-	-
Total Liabilities	1,019,746,671	1,019,573,180
Deficit of Assets over Liabilities	(989,678,162)	(989,597,753)
Total Liabilities and Deficit of Assets over Liabilities	$ 30,068,509	$ 29,975,427

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

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

	2016	2015
Receipts:		
Net Investment Income Received	$ 256,153	$ 178,820
Reimbursement of Expenses	-	120,177
Litigation Awards	-	63
Miscellaneous	-	4,650
Total Receipts	256,153	303,710
Disbursements:		
Salaries	87,388	164,645
Employee Relations and Welfare	54,505	111,569
Professional Fees	93,619	192,456
Rent and Rent Items	83,153	80,466
Miscellaneous	22,467	37,610
Annuity Benefits	-	1,178,523
General and Administrative Expenses	5,098	10,401
Total Disbursements	346,230	1,775,670
Net Disbursements Over Receipts	(90,077)	(1,471,960)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	18,739,613	20,247,724
Unrealized (Loss)/ Gain on Investments	(19,632)	(36,151)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 18,629,904	$ 18,739,613

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

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN LIQUIDATION
Notes to Financial Statements – Modified Cash Basis
For the Years Ended December 31, 2016 and 2015

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 of Financial Services of the State of New York (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 liquidation on the basis that ELNY was insolvent and further efforts to rehabilitate the company would be futile. In connection with the OTSC, the Superintendent of Financial Services of the State of New York ("Superintendent") also filed an Agreement of Restructuring.

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

Under the Agreement of Restructuring, a not-for-profit captive insurance company was formed. This new insurance company, Guaranty Association Benefits Company ("GABC"), is being managed by insurance professionals and independent directors and owned by state insurance guaranty associations. The Superintendent will maintain a level of oversight that provides for the monitoring of GABC to ensure that it is operating in compliance with the provisions of the Agreement of Restructuring.

The restructuring resulted in the transfer of approximately $773 million of ELNY's assets to GABC. At the date of restructuring, the state insurance guaranty associations transferred $765 million to GABC. An additional approximate $48 million of voluntary contributions came from life insurance companies for enhanced benefits to policyholders that may not be covered by a state guaranty association or whose state

Note 1: Organization and Nature of Operation (continued)

The Plan of Liquidation and Restructuring (continued)

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

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

Background of the New York Liquidation Bureau

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 Special Deputy Superintendent (Special Deputy and other Agents collectively, with the Special Deputy, "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 (continued)**

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; (iv) unrealized gains and losses on investments; and (v) other administrative expenses defined as Class One – Administrative Expenses and presented on a US GAAP equity basis.

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

Unrestricted Assets

Cash and Cash Equivalents

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

The NYLB maintains the cash balances of ELNY in investments and at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). These institutions currently have short-term ratings of P-2 (Moody's), A-2 (S&P) and F1 (Fitch) for JP Morgan Chase, and P-1 (Moody's), A-1+ (S&P) and F1+ (Fitch) for Bank of New York Mellon. As of December 31, 2016 and 2015, 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.

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: Summary of Significant Accounting Policies (continued)

Basis of Presentation *(continued)*

Invested Assets (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 net investment income.

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

Receivable from Revolving Fund

A revolving fund of $650,000 at December 31, 2016 and 2015 is held by the NYLB to cover expenses owed to the NYLB by ELNY.

Accrued Investment Income

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

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Statutory Deposits in Other States (continued)

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

Segregated Contingency Fund (Restricted Asset)

At December 31, 2016 and 2015, ELNY classified $10,000,000 of bonds as Restricted Assets as a Segregated Contingency Fund, which was comprised of the following:

	2016	2015
Opening balance	$ 10,530,418	$ 10,339,918
Unrealized gain	26,113	18,587
Realized gains (losses)	-	-
Accrued interest	-	22,917
Interest deposited	137,551	113,095
Amortization	36,858	35,901
Total	$ 10,730,940	$ 10,530,418

At December 31, 2016, these bonds have a book adjusted carrying value of $9,872,359, including $36,858 of amortization, and a fair market value of $9,917,060, resulting in an unrealized gain of $26,113. At December 31, 2015, the book adjusted carrying value was $9,835,501, which included $35,901 of amortization, and a fair market value of $9,854,088.

Other Restricted Assets

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

Secured Liabilities

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

Segregated Contingency Fund (Secured Liability)

At December 31, 2016 and 2015, the Segregated Contingency Fund of $10,000,000 was established for use solely in connection with any and all (i) fees, costs and expenses that may be incurred by ELNY, in each case arising out of, or in connection with, any action, suit, litigation or proceeding against, or relating to the receivership of ELNY (including, without limitation, in connection with any investigation or preparation of a defense in connection therewith); (ii) indemnification obligations of ELNY that are subject to the administrative expense priority under Insurance Law Section 7435; and (iii) payments by ELNY of any damages, losses, judgments or settlements payable ahead of policyholders or PGAs pursuant to Insurance Law Section 7435.

Note 2: **Summary of Significant Accounting Policies (continued)**
Basis of Presentation (continued)
Segregated Contingency Fund (Secured Liability) (continued)

Interest payable, including amortization, of $686,240 and $511,831 has been recorded as of December 31, 2016 and 2015, respectively. Accumulated unrealized gain of $44,700 and $18,587 at December 31, 2016 and 2015, respectively, is presented in this balance.

Abandoned Property

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

Other Secured Claims

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

Unsecured Liabilities
Administrative Expenses

As of December 31, 2016 and 2015, ELNY reported $217,536 and $244,567, respectively, of general expenses accrued but not paid.

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, 2016 and 2015, $961,076,562 represents the remaining retained liability to the contract owners calculated using the restructured values per the Restructuring Agreement of $2,537,571,735, less funds transferred to GABC by ELNY, the life insurance guaranty associations as well as voluntary contributions from life insurance companies. These liabilities are all recorded in the Statement of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as retained liabilities in Class Four – Claims Under Insurance Policies Non-allowed. In accordance with the Order of Liquidation dated April 16, 2012, the liquidator has not accrued interest on the retained liabilities for the period August 8, 2013 to December 31, 2016; as the rights and liabilities of ELNY and of its creditors have been fixed as of the liquidation date pursuant to the distribution priority discussed later in Note 2. If interest was accrued, at a rate of 4.75% per annum, for the period August 8, 2013 to December 31, 2016, it would have amounted to $155,213,865.

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

Generally, holders of ELNY SPDAs received MetLife SPDAs in exchange for their ELNY contracts. Because the MetLife SPDAs had substantially higher surrender charges than the exchanged ELNY SPDAs, former ELNY SPDA holders who surrendered their MetLife SPDAs before the applicable surrender charges decreased to zero were allowed a claim against the ELNY estate for the amount of the surrender charge incurred. These claims are called claim-overs. Interest accrues on the claim-overs at 4% per annum. As of December 31, 2016 and 2015, ELNY reported $43,726,109 as a liability in the Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as Life Insurance Claim-Overs in Class Four – Claims Under Insurance Policies which included the current interest, accrued in the amount of $22,953,988 as of August 8, 2013. Pursuant to the distribution priority discussed in Note 2, if interest was accrued for the period from August 8, 2013 to December 31, 2016, it would have amounted to $5,946,751.

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, 2016 and 2015, ELNY reported $0 as a liability in the Statements 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 – Non-Allowed.

Amounts Held for Agents' Accounts

ELNY established a reserve for unpaid commissions claimed by agents for placements prior to rehabilitation. As of December 31, 2016 and 2015, ELNY reported, as a liability in the Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as Class Six – General Creditors' Claims – Non-Allowed in the amount of $3,825,418.

Statement of Cash Receipts and Disbursements
Reimbursement of Expenses

For the years ended December 31, 2016 and 2015, ELNY was reimbursed $0 and $120,177, respectively, for legal expenses paid by ELNY.

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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, 2016 and 2015 was $217,536 and $244,567, respectively, which consists of unpaid allocated expenses and was recorded as Class One – Administrative Expenses. See Note 5: Related–Party Transactions.

Abandoned Property

During 2016 and 2015, there were no unclaimed pre-liquidation annuity payments segregated to restricted assets.

Annuity Benefits

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

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

(i) **Allowed Claims**

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

(ii) **Non-Allowed Claims**

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

1. **Established Reserves**

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

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

Note 2: **Summary of Significant Accounting Policies (continued)**
Basis of Presentation (continued)
(ii) **Non-Allowed Claims (continued)**
1. **Established Reserves (continued)**
Because ELNY is in liquidation, no provision is made for IBNR ("incurred but not reported") loss reserves, including expected future development on claims already reported.

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

Distribution of Assets

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

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

(1) Class One – Administrative Expense
Claims with respect to the actual and necessary costs and expenses of administration, incurred by the liquidator, rehabilitator, conservator or ancillary rehabilitator under this article, or by The Life Insurance Guaranty Corporation or The Life Insurance Company Guaranty Corporation of New York, and claims described in subsection (d) of section seven thousand seven hundred thirteen of Article 77 The Life Insurance Company Guaranty Corporation of New York Act.

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

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

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

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

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

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

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

(8) Class Eight – Policyholder and Shareholder Claims
The claims of (i) policyholders, other than claims under paragraph four of this subsection, and (ii) shareholders or other owners. Every claim under a separate account agreement providing, in effect, that the assets in the separate account shall not be chargeable with liabilities arising out of any other business of the insurer shall be satisfied out of the assets in the separate account equal to the reserves maintained in such account for such agreement and, to the extent, if any, not fully discharged thereby, shall be treated as a class four claim against the estate of the life insurance company.

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Provided below is a detailed description of the creditor classes.

Class One – Administrative Claims

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

Class Two through Class Eight – Subordinate Class of Creditor Claims

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

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

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

Note 2: **Summary of Significant Accounting Policies (continued)**
Basis of Presentation (continued)
Class Two through Class Eight – Subordinate Class of Creditor Claims (continued)

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

Note 3: **Investments**
Bonds

At December 31, 2016, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds were:

Bonds:	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Government	$ 1,645,046	$ 423	$ (4,363)	$ 1,641,106
U.S. Government Agencies	3,242,239	1,783	(6,639)	3,237,383
Mortgage Backed Securities	3,395,981	1,415	(24,353)	3,373,043
Corporate Bonds	9,542,558	3,355	(43,071)	9,502,842
Total	$ 17,825,824	$ 6,976	$ (78,426)	$ 17,754,374

At December 31, 2015, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds were:

Bonds:	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Government	$ 4,486,786	$ -	$ (7,753)	$ 4,479,033
U.S. Government Agencies	2,944,198	-	(11,762)	2,932,436
Mortgage Backed Securities	2,643,960	7,854	(10,402)	2,641,412
Corporate Bonds	7,499,774	68	(29,825)	7,470,017
Total	$ 17,574,718	$ 7,922	$ (59,742)	$ 17,522,898

Note 3: Investments (continued)
Bonds (continued)

The book adjusted carrying value of debt securities at December 31, 2016 and 2015, 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.

	2016	
	Book Adjusted Carrying Value	Fair Market Value
Less than one year	$ 2,252,024	$ 2,251,229
One to five years	13,052,763	13,003,297
Five to ten years	434,269	428,120
Ten years or before fifteen	1,323,876	1,307,420
After twenty years	762,892	764,308
Total	$ 17,825,824	$ 17,754,374

	2015	
	Book Adjusted Carrying Value	Fair Market Value
Less than one year	$ 807,243	$ 806,382
One to five years	14,123,513	14,075,101
Five to ten years	27,108	26,802
Ten years or before fifteen	1,673,243	1,663,146
After twenty years	943,611	951,467
Total	$ 17,574,718	$ 17,522,898

Note 3: Investments (continued)

Bonds (continued)

Net Unrealized Capital Losses

Aggregate unrealized losses on bonds are as follows at December 31, 2016 and 2015:

	December 31, 2016					
	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	$ 12,627,918	$ (76,566)	$ 57,438	$ (1,860)	$ 12,685,356	$ (78,426)
Total	$ 12,627,918	$ (76,566)	$ 57,438	$ (1,860)	$ 12,685,356	$ (78,426)

	December 31, 2015					
	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	$ 806,382	$ (861)	$ 15,460,955	$ (58,881)	$ 16,267,337	$ (59,742)
Total	$ 806,382	$ (861)	$ 15,460,955	$ (58,881)	$ 16,267,337	$ (59,742)

Other-than-Temporary Analysis

As of December 31, 2016 and 2015, ELNY did not have to write down any investments.

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

Subprime Exposure

As of December 31, 2016 and 2015, Management has determined that:

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

(2) ELNY has no indirect subprime exposure through mortgage-backed securities at December 31, 2016 and 2015.

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

Note 3: Investments (continued)

Bonds (continued)

The components of net investment income received are as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Gain/(Loss) on Sale of Assets	$ 16,308	$ 1,855
Interest on Bonds	292,440	268,787
Interest on Short-Term Investments and Cash Equivalents	11	128
Total Gross Investment Income	308,759	270,770
Net Amortization of Bond Premium and Discount	(52,606)	(91,950)
Net Investment Income Received	$ 256,153	$ 178,820

Proceeds from sales and maturities of bonds, unrestricted, was $9,154,207 and $3,598,665 generating gross gains of $16,500 and $2,689 and losses of $192 and $834 in 2016 and 2015, respectively.

Note 4: Fair Value Measurement

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

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

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

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

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

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.

The following tables summarize the financial instruments carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2016 and 2015:

As of December 31, 2016:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted Assets:				
Bonds:				
U.S. Government	$ -	$ 1,641,106	$ -	$ 1,641,106
U.S. Government Agencies	-	3,237,383	-	3,237,383
Mortgage Backed Securities	-	3,373,043	-	3,373,043
Corporate Bonds	-	9,502,842	-	9,502,842
Common Stocks	-	-	-	-
Restricted Assets:				
Segregated Contingency Fund:				
U.S. Government Agencies	-	9,917,060	-	9,917,060
Total:	$ -	$ 27,671,434	$ -	$ 27,671,434

Note 4: Fair Value Measurement (continued)

As of December 31, 2015:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Unrestricted Assets:				
Bonds:				
U.S. Government	$ -	$ 4,479,033	$ -	$ 4,479,033
U.S. Government Agencies	-	2,932,436	-	2,932,436
Mortgage Backed Securities	-	2,641,412	-	2,641,412
Corporate Bonds	-	7,470,017	-	7,470,017
Common Stocks	-	-	12	12
Restricted Assets:				
Special Deposits:				
U.S. Government Agencies	-	9,854,089	-	9,854,089
Total:	$ -	$ 27,376,987	$ 12	$ 27,376,999

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

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

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

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

Note 4: Fair Value Measurement (continued)

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

Note 5: Related-Party Transactions

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

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

At December 31, 2016 and 2015, ELNY accrued $217,536 and $244,567, respectively, for Administrative and Investment Functions. These balances due to the NYLB are included in Class One-Administrative Claims.

For the years ended December 31, 2016 and 2015, ELNY paid the following Administrative and Investment Functions expense:

	2016	2015
Salaries	$ 87,388	$ 164,645
Employee Relations and Welfare	54,505	111,569
Professional Fees	93,619	192,456
Rent and Related Items	83,153	80,466
General and Administrative Expenses	5,098	10,401
	$ 323,763	$ 559,537

Note 6: Taxes

At December 31, 2016, ELNY's federal tax return had the following unused operating loss carryforwards available to offset future taxable income, which carryforwards begin to expire in 2018:

Arising from Tax Year:	Year of Expiry	Net Operating Losses		NOL Available
1998	2018	$ 49,182,515		$ 49,182,515
1999	2019	63,117,721		63,117,721
2000	2020	3,726,080		3,726,080
2001	2021	51,450,147		51,450,147
2002	2022	58,369,798		58,369,798
2003	2023	72,600,417	*	72,600,417
2004	2024	69,529,977		69,529,977
2005	2025	67,886,433		67,886,433
2006	2026	40,430,763		40,430,763
2007	2027	5,705,055		5,705,055
2008	2028	40,249,109		40,249,109
2009	2029	80,985,088		80,985,088
2010	2030	78,466,769		78,466,769
2011	2031	78,821,197		78,821,197
2012	2032	80,364,097		80,364,097
2013	2033	18,383,026		18,383,026
2014	2034	144,359		144,359
2015	2035	1,442,862		1,442,862
2016	2036	67,867		67,867
Total		$ 860,923,280		$ 860,923,280

* Includes adjustment to original filed federal income tax return.

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

ELNY's New York State tax is generally calculated at the minimum because the estate is in liquidation and does not generate premium income.

Note 7: Legal Matters, Commitments, and Contingencies

At December 31, 2016 and 2015, 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 ("Objectors' Counsel") in contempt. The federal action was voluntarily dismissed by the ELNY Objectors on February 6, 2013. A notice of appeal of the contempt order was filed by Objectors' Counsel on February 14, 2013.

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

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

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

Note 8: Subsequent Events

Subsequent events have been reviewed through July 24, 2017, the date which ELNY's audited Financial Statements were available to be issued.

ANNUAL AUDIT REPORT

of the

HEALTH REPUBLIC INSURANCE OF NEW YORK IN LIQUIDATION

as of

December 31, 2016 and 2015

EISNERAMPER
ACCOUNTANTS & ADVISORS

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP. IN LIQUIDATION

MODIFIED CASH BASIS FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND FOR THE PERIOD FROM MAY 11, 2016 (DATE OF LIQUIDATION) THROUGH DECEMBER 31, 2016

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP. IN LIQUIDATION

Contents

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INDEPENDENT AUDITORS' REPORT

Superintendent of the New York State Department of Financial Services as Receiver and the Management of the Health Republic Insurance of New York, Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of the Health Republic Insurance of New York, Corp. in Liquidation (the "Company"), managed by the New York Liquidation Bureau, which comprise the statement of assets, liabilities, and deficit of assets over liabilities – modified cash basis as of December 31, 2016, 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 May 11, 2016 (Date of liquidation) through December 31, 2016, and the related notes to the financial statements – modified cash basis.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of Health Republic Insurance of New York, Corp. in Liquidation as of December 31, 2016, and its operations and its receipts and disbursements for the period from May 11, 2016 (Date of liquidation) through December 31, 2016, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the statutory basis statement of admitted assets, liabilities and deficit as of December 31, 2016, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matters

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

As discussed in Note 2 to the financial statements, in the Order of Liquidation dated May 11, 2016, the Supreme Court of the State of New York in paragraph 19 of the Order stated that:

> With respect to all claims other than the Policy Claims referenced in paragraph 18, the deadline set forth in Section 7432(b) of the NYIL for all persons who have claims against HRINY to present such claims to the Liquidator shall be deferred until further order of the Court. The Liquidator is authorized in her discretion to refrain from adjudicating claims other than Administrative Expenses and Policy Claims."

In compliance with the Order of Liquidation paragraph 19, the New York Liquidation Bureau deferred the deadline to present and has not adjudicated any creditor claims below Class Two (see Note 2 Distribution of Assets) but has included in the financial statements liabilities that were present on the HRINY balance sheets at the date of liquidation and has reported them in their respective creditor classes in the financial statements. The New York Liquidation Bureau is not able to estimate what the amount of claims would total that were deferred by the Order of Liquidation.

EISNERAMPER
ACCOUNTANTS & ADVISORS

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 Company, and management of the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

EisnerAmper LLP

Iselin, New Jersey
July 24, 2017

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP. IN LIQUIDATION

Statement of Assets, Liabilities and Deficit of Liabilities over Assets – Modified Cash Basis
As of December 31, 2016

Assets:		
Cash and Cash Equivalents		$ 2,331,714
Bonds, at fair market value		38,609,208
Total Cash, Cash Equivalents and Investments		40,940,922
Other Assets:		
Amounts Recoverable from Federal Reinsurance (Note 6)	$ 51,736,709	
Less: Reserve for Recoverable from Federal Reinsurance (Note 6)	51,736,709	
Net Amount Recoverable from Federal Reinsurance		-
Accrued Retrospective Premiums Receivable – Risk Corridors (Note 6)	445,134,282	
Less: Reserve for Retrospective Premiums Receivable (Note 6)	445,134,282	
Net Accrued Retrospective Premiums Receivable		-
Health Care Receivable		667,431
Prepaid Expenses		565,187
Other Receivables		673,710
Accrued Interest Income Receivable		156,426
Total Assets		$ 43,003,676
Liabilities:		
Unsecured Claims:		
Class I – Administrative Claims		$ 4,907,461
Class II – Claims and Related Costs:		
Allowed		-
Non Allowed		200,716,597
Class III – Federal Government Claims		197,571,069
Class IV – Employee Claims		-
Class V – State and Local Government Claims		19,152,523
Class VI – General Creditors' Claims		15,385,997
Class VII – Late Filed Claims		-
Class VIII – Section 1307 Loans (Note 5)		264,966,400
Class IX – Shareholder Claims		-
Total Liabilities		702,700,047
Deficit of Liabilities over Assets		(659,696,371)
Total Liabilities and Deficit of Liabilities over Assets		$ 43,003,676

See accompanying notes to the Financial Statements – Modified Cash (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).

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP.

Statement of Cash Receipts and Disbursements and Changes in Cash and Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis
For the Period From May 11, 2016 (Date of liquidation) through December 31, 2016

Receipts:		
Pharmacy receivables	$	4,955,626
Reinsurance recovered		1,862,139
Miscellaneous		571,932
Claim refunds		327,439
Net investment income		108,106
Salvage and subrogation		995
Total Receipts		7,826,237
Disbursements:		
Professional fees		4,331,779
Salaries		730,631
Employee relations & welfare		453,012
Miscellaneous		177,774
Interest paid on purchase of bond		125,479
Rent and related expenses		113,849
General & administrative expenses		90,515
Return premiums		47,300
Total Disbursements		6,070,339
Net increase of receipts over disbursements		1,755,898
Opening Cash, Cash Equivalents and Invested Assets		39,355,219
Unrealized Gain/(loss)		(170,195)
Cash, Cash Equivalents and Invested Assets at December 31, 2016	$	40,940,922

See accompanying notes to the Financial Statements – Modified Cash (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 - NATURE OF THE OPERATIONS

Background:
Health Republic Insurance of New York, Corp. ("HRINY") is incorporated as a nonprofit corporation under the laws of the State of New York and is subject to regulation by the State of New York, Department of Financial Services ("NYSDFS"), as an Article 43 non-profit health insurer. Effective October 2014, the Consumer Operated and Oriented Plan officially changed its name to Health Republic Insurance of New York, Corp. HRINY was incorporated on October 4, 2011 in order to apply for funding as a Consumer Operated and Oriented Plan under Section 1322 of the Affordable Care Act ("ACA"). Under the ACA, each state was afforded the option to establish its own Health Insurance Marketplace (the "Exchange") as a clearinghouse for residents to purchase individual coverage on a guaranteed issue basis. The Exchange operates as a regulated entity offering individuals and small groups insurance plans with standardized values on a guaranteed issue basis and regulated premium rates. New York elected to establish and operate its own Exchange, known as New York State of Health.

HRINY was awarded a contract from the Centers for Medicare and Medicaid Services ("CMS") for funding as a Consumer Operated and Oriented Plan on February 17, 2012 but had no prior operations or financial transactions before the award. The terms of the award required that the HRINY (a) offer health insurance to eligible New York residents through the state exchange, New York State of Health, effective on January 1, 2014; and (b) when fully operational, a majority of the Board of Directors must be covered members, elected by all individuals covered by the plan. The award includes funding of (a) a start-up loan up to $23,767,000 to fund all required development activities of the organization; and (b) a solvency loan of up to $150,678,000 to provide statutory capital required to operate an insurance company in New York. On September 26, 2014, CMS approved an additional $90,688,000 to the total available solvency funding. With the additional $90,688,000 of solvency funding, the total solvency funding amount is $241,366,000.

The NYSDFS ordered HRINY to cease writing new health insurance policies on September 25, 2015 due to the financial condition of the company and announced that HRINY, in the best interest of consumers, will terminate all HRINY policies, both individual and small groups, on November 30, 2015. The New York Supreme Court ("Receivership Court") placed HRINY into liquidation and the Superintendent of Financial Services of the State of New York was appointed as liquidator. The order of liquidation was entered with the New York County Clerk on May 11, 2016.

The New York Liquidation Bureau ("NYLB" or the "Bureau") is the staff that carries out the duties of the Superintendent of the Department of Financial Services of the State of New York ("Superintendent") in her capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under New York Insurance Law ("Insurance Law") Article 74. The NYLB reports to the Superintendent in her capacity as Receiver rather than in her capacity as regulator and head of the Department of Financial Services ("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 Special Deputy Superintendent ("Special Deputy") and other agents (collectively, with the Special Deputy, "Agents") as are necessary to carry out her functions as Receiver. The Agents, along with division directors and senior managers of the NYLB, are collectively referred to herein as "Management." Management carries out, through the NYLB, the responsibilities of the Receiver with regard to HRINY. The NYLB manages the daily operations of HRINY. References to the liquidator throughout this document refers to the Superintendent as Receiver.

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 – Modified Cash Basis (collectively, "Financial Statements") reflect the financial position and cash receipts and disbursements of HRINY. The Financial Statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("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) post-retirement medical benefits; and (iii) unrealized gains and losses on investments: (iv) unpaid claims and related expenses; (v) reinsurance; and (vi) other administrative expenses defined as Class One – Administrative Expenses and presented on a US GAAP equity basis

In the Order of Liquidation dated May 11, 2016, the Supreme Court of the State of New York in paragraph 19 of the Order stated that:

> "With respect to all claims other than the Policy Claims referenced in paragraph 18, the deadline set forth in Section 7432(b) of the NYIL for all persons who have claims against HRINY to present such claims to the Liquidator shall be deferred until further order of the Court. The Liquidator is authorized in her discretion to refrain from adjudicating claims other than Administrative Expenses and Policy Claims."

In compliance with the Order of Liquidation paragraph 19, the NYLB deferred the deadline and has not adjudicated any creditor claims below Class Two (see Note 2 Distribution of Assets) but has included in the financial statements liabilities that were present on the HRINY balance sheets at the date of liquidation and has reported them in their respective Creditor Classes in the financial statements. The NYLB is not able to estimate what the amount of claims would total that were deferred by the Order of Liquidation.

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 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 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 HRINY in investments and at a financial institution that is insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank of New York Mellon currently has short term ratings of P-1 (Moody's), A-1+ (S&P) and F1+ (Fitch) for Bank of New York Mellon. As of December 31, 2016, the FDIC insured accounts up to $250,000 at the above named institution. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to HRINY. HRINY's cash balances in excess of FDIC insured limits were $1,890,734 as of December 31, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bonds

Bonds include short-term and long-term U.S. treasury, agency securities, corporate bonds and asset backed securities. They are all 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 Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets – Modified Cash Basis. Long term investments also include CD's with maturities in excess of one year from the date of acquisition. These are also generally held to maturity. 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 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 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.

Federal Reinsurance

HRINY participates in the federal reinsurance program. Under this program, claims greater than $45,000 and up to a $250,000 maximum are eligible for 80% coinsurance reimbursement from the federal government program. In preparing the modified cash basis financial statements, management makes estimates of amounts recoverable from the federal reinsurance program. Federal reinsurance is discussed more in Note 6.

Accrued Retrospective Premiums Receivable – Risk Corridor

The risk corridors program was established to mitigate the pricing risk that insurers faced because of limited data to estimate who would enroll in plans operating under the ACA rules and what the health spending would be. Premium adjustments pursuant to the risk corridors program are accounted for as premium adjustments for retrospectively rated contracts. Management has established a reserve for the accrued retrospective premiums receivable which represents its best estimate of recovery. Management believes its estimates are reasonable and adequate and reviews and adjusts them as necessary. Accrued retrospective premiums receivable – Risk Corridor is discussed further in Note 6.

Healthcare receivables

HRINY receives pharmaceutical rebates under an agreement with a Pharmacy Benefit Manager ("PBM"). Estimates of rebate receivables are based on historical collections. HRINY records pharmaceutical rebates as a reduction of benefits incurred during the period that the rebates are earned. Pharmaceutical rebates are recognized for rebates earned, but not yet received. Health care receivables are discussed further in Note 7.

Prepaid expenses

Represent retainer fees with third party administrator and consultant.

Other receivables

Balances due from third party administrator for the overpayment of claims.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued investment income receivable
Accrued investment income includes revenue from the investment portfolio that is earned but not yet received and is reported as accrued investment income.

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, and the amortization of bond premium and discount.

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

a) **Allowed Claims**
Allowed claims are the amounts that have been approved by the New York Supreme Court for incurred covered losses and/or LAE.

b) **Non-Allowed Claims**
Non-allowed claim liabilities consist of the following:

Claims unpaid and claim adjustment expenses unpaid:
Claims unpaid and claims adjustment expenses unpaid include claims submitted by members under policies, health care professionals, and providers and facilities that provided health care services to members under policies, and are based on an amount determined from individual case estimates and loss reports. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is reviewed and any adjustments are reflected in the period determined.

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.

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 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.

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 Domestic Estates in Liquidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distribution of Assets (CONTINUED)

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 adjudicated until such time as assets are available to pay such claims.

Allocation of Expenses
The NYLB allocates general and administrative expenses, such as salaries, payroll taxes, rent and related expenses, office expenses and employee relations and welfare (*e.g.*, contributions to employee health insurance, pension plans and other fringe benefits), among the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations.

NOTE 3 - INVESTMENTS

The components of net investment income received for the years ended December 31, 2016 is as follows:

		2016
Interest on Bonds	$	154,261
Interest on Short-Term Investments and Cash Equivalents		12,373
Total Gross Investment Income		166,634
Net Amortization of Bond Premium and Discount		(58,528)
Net Investment Income Received	$	108,106

NOTE 3 - INVESTMENTS (CONTINUED)

As of December 31, 2016, the cost or amortized cost, fair market value, gross unrealized gains and losses on investments in bonds, are as follows:

Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
$ 38,779,403	$ 174	$ (170,369)	$ 38,609,208

Bonds in a continuous unrealized loss position are as follows:

	December 31, 2016					
	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	$ 30,081,209	$ (170,369)	$ -	$ -	$ 30,081,209	$ (170,369)
Total Fixed Income	30,081,209	(170,369)	-	-	30,081,209	(170,369)
Total	$ 30,081,209	$ (170,369)	$ -	$ -	$ 30,081,209	$ (170,369)

HRINY's portfolio of 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 HRINY's portfolio of short-term investments and bonds as other-than-temporary impairments as of December 31, 2016.

The amortized cost and fair market value of bonds held to maturity at December 31, 2016 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.

	2016	
	Fair Market Value	Amortized Cost
Due within one year	$ 3,806,626	$ 3,816,849
Due after one year and before five years	34,802,582	34,962,554
Total	$ 38,609,208	$ 38,779,403

NOTE 3 - INVESTMENTS (CONTINUED)

The proceeds received and gains on called or sold bonds at December 31, 2016 are as follows:

Proceeds Received	Net gains on Called or Sold Bonds
2016	**2016**
$ 6,341,154	$ 187

Mortgage-Backed Securities
In 2016, management identified three mortgage-backed securities, with amortized costs of $955,361 and are carried at a fair market value of $954,405.

After reviewing these securities, Management has determined that, based on the information currently available to it, at December 31, 2016, there were no mortgage-backed securities with indirect subprime exposure.

NOTE 4 - FAIR VALUE MEASUREMENT

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

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

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

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

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

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, 2016:

	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, 2016:				
Unrestricted Assets:				
U.S. Government	$ -	$ 10,735,256	$ -	$ 10,735,256
U.S. Government Agencies	-	9,893,177	-	9,893,177
Mortgage Backed Securities	-	954,405	-	954,405
Corporate Bonds	-	17,026,370	-	17,026,370
Total	$ -	$ 38,609,208	$ -	$ 38,609,208

Management 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. The 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.

There are no securities classified as Level 1.

Securities classified as Level 2 include primarily short term investments, bonds, are quoted market prices for similar investments in an active market using matrix pricing. Quoted prices for these securities are provided to the HRINY by independent pricing services.

There are no securities classified as Level 3.

NOTE 5 - START-UP AND SOLVENCY LOANS

On February 17, 2012, the HRINY entered into a loan agreement with CMS for up to approximately $23.8 million in funding to enable the HRINY to develop a health insurance company that will operate in New York. Under the terms of the agreement, funding is disbursed in quarterly installments throughout 2012 and continuing until 2015 based on completion of certain milestones agreed to among the parties. The start-up loan carries an interest rate of -0-% and balloon repayments are due five (5) years from the date of disbursement. As of December 31, 2016, the HRINY received $23,600,400 in disbursement on this start-up loan.

NOTE 5 - START-UP AND SOLVENCY LOANS (CONTINUED)

The start-up loan at December 31, 2016, matures as follows:

Year ending December 31,	Amount
2017	$ 10,338,700
2018	12,591,900
2019	183,200
2020	486,600
Total	$ 23,600,400

On February 17, 2012, the HRINY entered into a loan agreement with CMS to provide a solvency loan of up to $150,678,000 to provide statutory capital required to operate an insurance company in New York. On September 26, 2014, CMS approved an additional $90,688,000 to the total available solvency funding. With the additional $90,688,000, the total solvency funding amount is $241,366,000, to be drawn as required to meet the net worth requirements of a New York health insurance company.

As of December 31, 2016, the HRINY has received $241,366,000 in disbursements on this solvency loan. The solvency loan has an interest rate of 0.37% and the following key provisions: Prior to 2019, principal and interest is deferred. During 2019 through 2020, interest only payments are due. During 2021 through 2033, principal and interest payments are due.

The start-up and solvency loans provide the lender with a security interest in the cash flow and reserves of the HRINY that is subordinate to (a) claim payments, (b) basic operating expenses, and (c) maintenance of required reserve funds while the HRINY is operating under state insurance laws. The start-up and solvency loans are included as creditors within Class Eight-Section 1307 Loans.

NOTE 6 - RISK SHARING PROVISIONS OF THE AFFORDABLE CARE ACT

Effective January 1, 2014, the ACA imposed fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The three premium stabilization programs are commonly referred to as the 3Rs - reinsurance, risk corridors, and risk adjustment.

Amounts Recoverable from Federal Reinsurance (Reinsurance) -The federal reinsurance program supplements the risk adjustment program and compensates plans when they have enrollees with especially high claims. The program was designed to protect issuers from an expected increase in large claims due to the elimination of the preexisting condition limitation. The federal reinsurance program is effective for the plan years 2014 through 2016 and applies to all issuers of major medical commercial products and third-party administrators. The federal reinsurance program was designed to reduce the incentives for plans to avoid high-cost individuals and to stabilize premiums during the initial years.

As of December 31, 2016, HRINY had amounts recoverable from federal reinsurance for the 2015 benefit year of $51,736,709 ("2015 Reinsurance Recoverable"). CMS has purported to setoff the 2015 Reinsurance against HRINY's risk adjustment liability. Management is challenging the setoff and is continuing its efforts to recover the 2015 Reinsurance Recoverable, but has established a non-collectability reserve in the amount of $51,736,709. The reserve is reviewed and adjusted as reasonable and appropriate.

HRINY also had a recoverable from federal reinsurance for the 2014 benefit year of $58,217,807 ("2014 Reinsurance Recoverable"). CMS has similarly purported to setoff the 2014 Reinsurance Recoverable against HRINY's risk adjustment liability. Because of the purported CMS setoff, HRINY's pre-liquidation management did not record the 2014 Reinsurance Recoverable as an asset on its financial statements. Current management is challenging the setoff and is continuing its efforts to recover the 2014 Reinsurance Recoverable. However, for purposes of this financial statement, we have continued management's prior practice of not stating the 2014 Reinsurance Recoverable as an asset.

NOTE 6 - RISK SHARING PROVISIONS OF THE AFFORDABLE CARE ACT (CONTINUED)

Accrued Retrospective Premiums Receivable (Risk Corridors) -The risk corridors program have been established to mitigate the pricing risk that insurers faced because of limited data to estimate who would enroll in plans operating under the ACA rules and what the health spending would be. These temporary risk corridors limit the gains and losses insurers receive. Insurers receive a payment from HHS if their losses exceed a certain threshold. An objective of risk corridors is to encourage health insurance competition by limiting the risk for insurers entering the exchange market during the early years of implementation. This provision applies to qualified health plans in the individual and small group markets. Premium adjustments pursuant to the risk corridors program are accounted for as premium adjustments for retrospectively rated contracts and totaled $445,134,282 as of December 31, 2016. The $445,134,282 is comprised of the balance not paid on the 2014 year of $131,093,843 and the 2015 year of $314,040,439. In preparing the modified cash basis financial statements, management makes estimates of amounts recoverable under the Accrued Retrospective Premiums Receivable program. Although management is continuing its efforts to maximize collections of the retrospective premiums receivable, a reserve has been established in the amount of $445,134,282. The reserve is reviewed and adjusted as necessary and appropriate.

Risk Adjustment Payable -The risk adjustment program was designed to reduce the incentives for health insurance plans to avoid enrolling people with higher than average costs by shifting premiums among insurers based on the risk of the people they enrolled. Insurers with higher shares of low cost enrollees would contribute to a fund that made payments to insurers with larger shares of high cost enrollees. All non-grandfathered plans in the individual and small group market participated in the risk adjustment program, whether they were inside or outside of the exchange. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments. HRINY's risk adjustment payable balance of $191,338,780 is unchanged from prior year. See Note 13.

The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities and revenue:

a. Permanent ACA Risk Adjustment Program Assets:		
1. Premium adjustments receivable due to ACA risk adjustment		
Liabilities	$	-
2. Risk adjustment user fees payable for ACA risk adjustment		
Liabilities		-
3. Premium adjustments payable due to ACA risk adjustment		
Operations (revenue and expense)	$	191,338,780
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA risk adjustment	$	-
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)		-
b. Transitional ACA Reinsurance Program Assets:		
1. Amounts recoverable for claims paid due to ACA reinsurance	$	51,736,709
2. Amounts recoverable for claims unpaid due to ACA insurance (contra liability)		-
3. Amounts receivable relating to uninsured plans for contributions for ACA reinsurance	$	-
Liabilities		
4. Liabilities for contributions payable due to ACA reinsurance – not reported as ceded premium	$	-
5. Ceded reinsurance premiums payable due to ACA reinsurance	$	-
6. Liability for amounts held under uninsured plan contributions for ACA reinsurance		-
Operations (revenue and expense)		

NOTE 6 - RISK SHARING PROVISIONS OF THE AFFORDABLE CARE ACT (CONTINUED)

7. Ceded reinsurance premiums due to ACA reinsurance	$	-
8. Reinsurance recoveries (income statement) due to ACA reinsurance payments or expected payments		-
9. ACA reinsurance contributions – not reported as ceded premium	$	-

c. Temporary ACA Risk Corridors Program Assets:

1. Accrued retrospective premium due to ACA risk corridors Liabilities	$	445,134,282
2. Reserve for the credits or policy experience rating refunds due to ACA risk corridors		-
Operations (revenue and expense)		
3. Effect of ACA risk corridors on net premium income (paid/received)	$	-
4. Effect of ACA risk corridors on change in reserves for rate credits		-

The ACA risk-sharing programs became effective January 1, 2014.

NOTE 7 - HEALTH CARE RECEIVABLE

Pharmacy rebates receivable are recorded when reasonably estimated or billed by the affiliated PBM in accordance with pharmacy rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the PBM and adjusted for significant changes in the pharmacy contract.

The HRINY evaluates admissibility of all pharmacy rebates receivable based on the administration of each underlying pharmaceutical benefit management agreement. The HRINY has non-admitted all pharmacy rebates receivable that do not meet the admissibility criteria from the statutory basis statement of admitted assets, liabilities and deficit.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2016	$ 667,431	$ 667,431	$ -	$ -	$ -

NOTE 8 - CLAIMS UNPAID AND CLAIMS ADJUSTMENT EXPENSES UNPAID

The following table discloses the change in claims unpaid, net of reinsurance, for the period ended December 31, 2016:

Claims unpaid, May 11, 2016, date of liquidation	$ 200,716,597
Incurred claims – current period	-
Paid claims – current period	-
Claims unpaid, as of December 31, 2016	$ 200,716,597

NOTE 8 - CLAIMS UNPAID AND CLAIMS ADJUSTMENT EXPENSES UNPAID (CONTINUED)

The following table discloses the change in claims adjustment expenses unpaid, net of reinsurance, for the period ended December 31, 2016:

Claims adjustment expenses unpaid, May 11, 2016 date of liquidation	$	3,774,504
Incurred claims adjustment expenses – current period		-
Paid claims adjustment expenses – current period		-
Claims adjustment expenses unpaid, at December 31, 2016	$	3,774,504

NOTE 9 - TAXES

The ACA established Section 501(c) 29 of the IRC as a new tax-exempt category specifically for qualified nonprofit health insurance issuers ("QNHIIs") that have received a loan or grant under the CMS Consumer Operated and Oriented Plan for periods that meet both the requirements of Section 1322 of the ACA and of any loan agreement with CMS. HRINY received its determination letter from the Internal Revenue Service ("IRS") dated March 15, 2013. The 2016 tax return has been placed on extension and will be filed upon the completion of the 2016 audit.

NOTE 10 - RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2016, NYLB personnel performed certain administrative and investment functions, such as accounting, data processing, human resources and treasury management, for HRINY.

HRINY 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, 2016, the amounts remaining due to the NYLB were $498,089 and are included in Class One – Administrative Claims.

For the year ended December 31, 2016, HRINY paid the following administrative and investment functions expense:

		2016
Salaries	$	730,631
Employee Relations & Welfare		453,012
Miscellaneous		177,774
Rent and Related Expenses		113,849
General and Administrative		90,515
	$	1,565,781

NOTE 11 - 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. The NYLB uses the money in the CDA to pay administrative expenses such as employee relations and welfare, payroll, rent and related expenses, and office expenses. Such administrative expenses are allocated on a monthly basis among the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations and rehabilitation estates.

NOTE 12 - LEGAL MATTERS, COMMITMENTS AND CONTINGENCIES

Based on the information currently available to it, the NYLB is unaware of any pending or threatened litigation or unasserted non-policy related claim that Management reasonably believes will have a material adverse effect on the financial condition or the results of operations of HRINY.

NOTE 13 - CENTER FOR MEDICARE AND MEDICAID SERVICE ("CMS") CORRESPONDENCE

In March 2016, CMS issued a letter to HRINY stating that, at the request of the United States Department of Justice, CMS has implemented an administrative hold on all payables due to HRINY including those authorized under the ACA, its implementing regulations and any other amounts owed to the issuers under any law or program.

In August 2016, CMS issued a letter to HRINY stating that the federal reinsurance receivable due HRI in the amount of $46,258,274 will be offset from the 2015 Benefit Year Risk Adjustment Charge of $191,338,780.

In December 2016, CMS issued a letter to HRINY stating that the amount due HRINY for the Accrued Retrospective Premium Receivable for the 2015 Benefit Year Risk Corridor is $314,040,439.

NOTE 14 - SUBSEQUENT EVENTS

Management, as defined below, has performed subsequent event procedures through July 24, 2017, which is the date the modified cash basis financial statements were available to be issued.

In February 2017, CMS issued a letter to HRINY stating that for the February 2017 payment cycle, CMS has offset $6,606,895 from 2015 benefit year risk adjustment charge.

In March 2017, CMS issued a letter to HRINY stating that for the March 2017 payment cycle, CMS has offset $3,311,756 from 2015 benefit year risk adjustment charge.

On May 4, 2017, CMS informed the Liquidator of HRI that it is invoking its right in the event of termination by lender, under Section 15.3 of the Agreement, to call the entire CO-OP loan debt due as a present debt, rather than debt payable per the repayment schedules attached to the promissory notes.

Supplementary Schedule

Statutory Basis Statement of Admitted Assets, Liabilities, and Deficit as of December 31, 2016

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP. IN LIQUIDATION

Supplementary Information
Statutory Basis Statement of Admitted Assets, Liabilities and Deficit
As of December 31, 2016

ADMITTED ASSETS				
Cash and short-term investments			$	40,940,922
Other assets:				
Health care receivable				667,431
Amounts recoverable from federal reinsurance	$	51,736,709		
Less: Allowance for uncollectible recoverable from federal reinsurance		51,736,709		
Net recoverable from federal reinsurance				-
Accrued retrospective premiums receivable – Risk Corridors	$	445,134,282		
Less: Allowance for uncollectible retrospective premiums receivable		445,134,282		
Net accrued retrospective premiums receivable				-
Amounts receivable from cost sharing refund				565,187
Other receivables				673,710
Accrued interest income receivable				156,426
Total admitted assets			$	43,003,676
LIABILITIES AND DEFICIT				
Liabilities:				
Claims unpaid			$	209,364,878
Claims adjustment expenses unpaid				3,774,504
Risk adjustment payable				191,338,780
Accounts payable and accrued expenses				31,726,970
Start-up loan				23,600,400
Premiums received in advance				1,528,515
Total liabilities				461,334,047
Surplus (deficit):				
Section 9010 ACA assessment				8,739,293
Solvency loan				241,366,000
Net deficit – unreserved and undesignated				(668,435,664)
Total deficit				(418,330,371)
Total liabilities and policyholders' deficit			$	43,003,676

HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP. IN LIQUIDATION

Notes to Supplementary Schedule
As of December 31, 2016

(1) HRINY was a regulated insurance entity and filed statutory basis financial statements, which is an other comprehensive basis of accounting which differs from the modified cash basis of accounting. The statutory basis Statement of Admitted Assets, Liabilities and Deficit has been prepared in conformity with accounting practices prescribed or permitted by the DFS. The DFS recognizes only statutory accounting practices prescribed or permitted by the DFS for determining and reporting the financial condition and results of operations of an insurance company in order to determine its solvency under the New York State Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the DFS. For purposes of preparing the statutory basis financial statements of HRINY, no differences exist between the accounting practices prescribed by the DFS and the NAIC.

The statutory accounting practices vary in some respects from modified cash basis financial statements. The principal difference is as follows:

- Solvency loans are included in surplus unreserved and undesignated rather than reported as a liability as required under modified cash.

(2) As of December 31, 2016 the Modified Cash Basis Deficit per the accompanying modified cash basis financial statements was $(659,696,371) as compared to Statutory Basis Deficit of $(418,330,371). The difference is due to the Solvency Loan which for Modified Cash Basis is a Class VIII liability. Under statutory accounting this is considered part of equity as the solvency loan is structured as a "Surplus Note" under Statutory Accounting definitions and can only be repaid with the expressed written approval from the DFS.

Modified Cash Basis Deficit	$ (659,696,371)
Solvency Loan	241,366,000
Statutory Basis Deficit	$ (418,330,371)