

**EISNERAMPER**

**EXECUTIVE LIFE INSURANCE  
COMPANY OF NEW YORK  
IN LIQUIDATION**

**Financial Statements - Modified Cash Basis**

**December 31, 2017 and 2016  
With Independent Auditors' Report**



**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Financial Statements - Modified Cash Basis**

**December 31, 2017 and 2016**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Executive Life Insurance Company of New York in Liquidation (the "Company"), managed by the New York Liquidation Bureau, which comprise the statements of assets, liabilities, and deficit of assets over liabilities – modified cash basis as of December 31, 2017 and 2016, 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.



## ***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, 2017 and 2016, and its operations and its receipts and disbursements for the years then ended, in accordance with the modified cash basis of accounting described in Note 2.

## ***Basis of Accounting***

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

## ***Restriction on Use***

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

*EisnerAmper LLP*

EISNERAMPER LLP  
New York, New York  
July 25, 2018



**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,**

|  | <b>2017</b>          | <b>2016</b>          |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| <b>Unrestricted Assets:</b>  |                      |                      |
| Cash and Cash Equivalents  | \$ 1,055,739         | \$ 875,530           |
| Invested Assets:   |                      |                      |
| Bonds, at fair market value  | 17,984,127           | 17,754,374           |
| Total Invested Assets  | 17,984,127           | 17,754,374           |
| <b>Total Cash, Cash Equivalents and Invested Assets (Unrestricted)</b> | <b>19,039,866</b>    | <b>18,629,904</b>    |
| Receivable from Revolving Fund   | 650,000              | 650,000              |
| Accrued Investment Income  | 66,443               | 57,665               |
| <b>Total Unrestricted Assets</b>                                       | <b>19,756,309</b>    | <b>19,337,569</b>    |
| <b>Restricted Assets:</b>  |                      |                      |
| Segregated Contingency Fund  | 7,831,209            | 10,730,940           |
| <b>Total Restricted Assets</b>   | <b>7,831,209</b>     | <b>10,730,940</b>    |
| <b>Total Assets</b>  | <b>\$ 27,587,518</b> | <b>\$ 30,068,509</b> |

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,**

|   | <b>2017</b>          | <b>2016</b>          |
|---|----------------------|----------------------|
| <b>Secured Liabilities:</b>   |                      |                      |
| Segregated Contingency Fund   | \$ 7,831,209         | \$ 10,730,940        |
| <b>Total Secured Liabilities</b>  | <b>7,831,209</b>     | <b>10,730,940</b>    |
| <b>Unsecured Liabilities:</b>   |                      |                      |
| Class One - Administrative Expenses                                     | 280,882              | 217,536              |
| 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   | -                    | -                    |
| <b>Total Class Four - Claims Under Insurance Policies - Non-Allowed</b> | <b>1,004,972,777</b> | <b>1,004,972,777</b> |
| 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                       | -                    | -                    |
| <b>Total Liabilities</b>  | <b>1,016,910,286</b> | <b>1,019,746,671</b> |
| <b>Deficit of Assets over Liabilities</b>                               | <b>(989,322,768)</b> | <b>(989,678,162)</b> |
| <b>Total Liabilities and Deficit of Assets over Liabilities</b>         | <b>\$ 27,587,518</b> | <b>\$ 30,068,509</b> |

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,**

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>Receipts:</b>  |                      |                      |
| Net Investment Income Received  | \$ 259,883           | \$ 256,153           |
| Litigation Awards   | 626,791              | -                    |
| <b>Total Receipts</b>   | <u>886,674</u>       | <u>256,153</u>       |
| <b>Disbursements:</b>   |                      |                      |
| Annuity Benefits  | 185,923              | -                    |
| Salaries  | 47,445               | 87,388               |
| Employee Relations and Welfare  | 26,655               | 54,505               |
| Professional Fees   | 90,240               | 93,619               |
| Rent and Rent Items   | 75,037               | 83,153               |
| Miscellaneous   | 19,974               | 22,467               |
| General and Administrative Expenses   | 2,981                | 5,098                |
| <b>Total Disbursements</b>  | <u>448,255</u>       | <u>346,230</u>       |
| <b>Net Receipts Over Disbursements (Net Disbursements<br/>Over Receipts)</b>            | 438,419              | (90,077)             |
| <b>Cash, Cash Equivalents and Invested Assets<br/>(Unrestricted), Beginning of Year</b> | 18,629,904           | 18,739,613           |
| Unrealized (Loss)/Gain on Investments   | <u>(28,457)</u>      | <u>(19,632)</u>      |
| <b>Cash, Cash Equivalents and Invested Assets<br/>(Unrestricted), End of Year</b>       | <u>\$ 19,039,866</u> | <u>\$ 18,629,904</u> |

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, 2017 and 2016**

**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 Insurance of the State of New York (and his successors in office, “Superintendent of Insurance”) was appointed Rehabilitator of ELNY (“Rehabilitator”). The Rehabilitation Order directed the Rehabilitator to, among other things, take possession of the property of ELNY, conduct the business of ELNY, and take steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary. Effective October 3, 2011, the Superintendent of Financial Services of the State of New York (and, his successors in office; “Superintendent”) succeeded the Superintendent of Insurance as Rehabilitator of ELNY.

**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, Rehabilitator also filed an Agreement of Restructuring.

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

Under the Agreement of Restructuring, a not-for-profit captive insurance company was formed. This new insurance company, Guaranty Association Benefits Company (“GABC”), is being managed by insurance professionals and independent directors and owned by state insurance guaranty associations. 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



**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
**IN LIQUIDATION**  
**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

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

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

**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

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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) post-retirement medical benefits; (iii) unrealized gains and losses on investments; and (iv) other administrative expenses defined as Class One – Administrative Expenses and presented on a US GAAP equity basis. Effective January 1, 2017, the Company changes its modified cash basis presentation to no longer incorporate earned unused vacation benefits. The Company no longer includes accruals for vacation benefits to better match actual payout experience. The Company has elected to apply the change prospectively.

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, 2017 and 2016, 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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
**IN LIQUIDATION**  
**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

**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, 2017 and 2016 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.

**Statutory Deposits in Other States**

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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

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

**Basis of Presentation (continued)**

**Segregated Contingency Fund (Restricted Asset)**

A Segregated Contingency Fund of \$10,000,000, consisting of \$10,000,000 of bonds at par value 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. In accordance with the "Acknowledgement In Connection With Closing" dated August 8, 2013, in August 2017, ELNY sold \$3,000,000 of bonds, at par value, (see "Partial sale of bond" in table below) and ELNY released these funds to GABC.

|                        | <u>2017</u>         | <u>2016</u>          |
|------------------------|---------------------|----------------------|
| Opening balance        | \$ 10,730,940       | \$ 10,530,418        |
| Partial sale of bond   | (2,968,938)         | -                    |
| Unrealized (loss) gain | (79,772)            | 26,113               |
| Realized gains         | 23,621              | -                    |
| Accrued interest       | (6,875)             | -                    |
| Interest deposited     | 117,257             | 137,551              |
| Amortization           | 33,521              | 36,858               |
| Other                  | (18,545)            | -                    |
| Total                  | <u>\$ 7,831,209</u> | <u>\$ 10,730,940</u> |

At December 31, 2017, these bonds have a book adjusted carrying value of \$6,936,911, including \$33,521 of amortization, and a fair market value of \$6,901,839, resulting in an unrealized loss of \$79,772. At December 31, 2016, the book adjusted carrying value was \$9,872,359, which included \$36,858 of amortization, and a fair market value of \$9,917,060. The above chart represents the activity in the Segregated Contingency Fund which represents the valuation of the bond which includes realized and unrealized gains and losses, accrued interest, interest deposited, amortization and other expenses. This Segregated Contingency Fund was \$7,831,209 and \$10,730,940 as of December 31, 2017 and 2016 respectively.

**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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

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

**Basis of Presentation (continued)**

**Segregated Contingency Fund (Secured Liability)**

Related to the Segregated Contingency Fund (Restricted Asset) above, a corresponding Segregated Contingency Fund (Secured Liability) of \$10,000,000. In 2017 in accordance with the "Acknowledgment In Connection With Closing" dated August 8, 2013, the Segregated Contingency Fund was reduced to \$7,000,000.

Interest payable, including amortization, of \$866,597 and \$686,240 has been recorded as of December 31, 2017 and 2016, respectively. Accumulated unrealized (loss) gain of (\$35,072) and \$44,700 at December 31, 2017 and 2016, 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, 2017 and 2016, ELNY reported \$280,882 and \$217,536, 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, 2017 and 2016, \$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, 2017; 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, 2017, it would have amounted to \$200,865,002.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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, 2017 and 2016, 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 \$7,695,796.

**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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, ELNY was reimbursed \$626,791 and \$0, respectively, for legal expenses paid by ELNY.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
**IN LIQUIDATION**  
**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

**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, 2017 and 2016 was \$280,882 and \$217,536, respectively, which consists of unpaid allocated expenses and was recorded as Class One – Administrative Expenses. See Note 5: Related-Party Transactions.

**Abandoned Property**

During 2017 and 2016, 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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
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**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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 the Insurance Law.

**(2) Class Two – Employee Compensation**

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



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**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

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

**Basis of Presentation (continued)**

**Distribution of Assets (continued)**

- (3) Class Three – Expenses 90 Days and Prior  
All claims for payment for goods furnished or services rendered to the impaired or insolvent insurer in the ordinary course of business within ninety days prior to the date on which the insurer was determined to be impaired or insolvent, whichever is applicable.
- (4) Class Four – Claims Under Insurance Contracts  
All claims under insurance policies, annuity contracts and funding agreements, and all claims of The Life Insurance Company Guaranty Corporation of New York or any other guaranty corporation or association of this state or another jurisdiction, other than (i) claims provided for in paragraph one of this subsection, and (ii) claims for interest.
- (5) Class Five – Federal, State, and Local Government Claims  
Claims of the federal or any state or local government. Claims, including those of any governmental body for a penalty or forfeiture, shall be allowed to this class only to the extent of the pecuniary loss sustained from the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under paragraph eight of this subsection.
- (6) Class Six – General Creditor Claims  
Claims of general creditors and any other claims other than claims under paragraphs seven and eight of this subsection.
- (7) Class Seven – Surplus, Capital, or Contribution Notes  
Surplus, capital or contribution notes, or similar obligations.
- (8) Class Eight – Policyholder and Shareholder Claims  
The claims of (i) policyholders, other than claims under paragraph four of this subsection, and (ii) shareholders or other owners.

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

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
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**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

**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 as of December 31, 2017, and post-retirement medical benefits as of December 31, 2016.

**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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
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**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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, 2017, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds were:

|                            | <b>Book Adjusted<br/>Carrying<br/>Value</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair Market<br/>Value</b> |
|----------------------------|---|---------------------------------------|--|------------------------------|
| Bonds:                     |   |                                       |  |                              |
| U.S. Government            | \$ 2,089,501                                | \$ -                                  | \$ (11,101)                            | \$ 2,078,400                 |
| U.S. Government Agencies   | 2,640,090                                   | -                                     | (12,817)                               | 2,627,273                    |
| Mortgage Backed Securities | 3,019,124                                   | 1,334                                 | (30,673)                               | 2,989,785                    |
| Corporate Bonds            | 10,335,321                                  | 39                                    | (46,691)                               | 10,288,669                   |
| Total                      | <u>\$ 18,084,036</u>                        | <u>\$ 1,373</u>                       | <u>\$ (101,282)</u>                    | <u>\$ 17,984,127</u>         |

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

|                            | <b>Book Adjusted<br/>Carrying<br/>Value</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair Market<br/>Value</b> |
|----------------------------|---|---------------------------------------|--|------------------------------|
| Bonds:                     |   |                                       |  |                              |
| 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                      | <u>\$ 17,825,824</u>                        | <u>\$ 6,976</u>                       | <u>\$ (78,426)</u>                     | <u>\$ 17,754,374</u>         |

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**Note 3: Investments (continued)  
Bonds (continued)**

The book adjusted carrying value of debt securities at December 31, 2017 and 2016, 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.

|                             | <b>2017</b>                                 |                              |
|-----------------------------|---|------------------------------|
|                             | <b>Book Adjusted<br/>Carrying<br/>Value</b> | <b>Fair Market<br/>Value</b> |
| Less than one year          | \$ 7,155,348                                | \$ 7,135,227                 |
| One to five years           | 9,133,231                                   | 9,074,065                    |
| Five to ten years           | 45,550                                      | 45,188                       |
| Ten years or before fifteen | 1,100,206                                   | 1,078,613                    |
| After twenty years          | 649,701                                     | 651,034                      |
| Total                       | \$ 18,084,036                               | \$ 17,984,127                |

|                             | <b>2016</b>                                 |                              |
|-----------------------------|---|------------------------------|
|                             | <b>Book Adjusted<br/>Carrying<br/>Value</b> | <b>Fair Market<br/>Value</b> |
| 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                |

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**Note 3: Investments (continued)**

**Bonds (continued)**

**Net Unrealized Capital Losses**

Aggregate unrealized losses on bonds are as follows at December 31, 2017 and 2016:

**December 31, 2017**

|       |       | 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 |       | \$ 6,735,199                | \$ (20,159)                   | \$ 10,197,866               | \$ (81,123)                   | \$ 16,933,065           | \$ (101,282)        |
|       | Total | \$ 6,735,199                | \$ (20,159)                   | \$ 10,197,866               | \$ (81,123)                   | \$ 16,933,065           | \$ (101,282)        |

**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)         |

**Other-than-Temporary Analysis**

As of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016.
- (3) ELNY has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**Note 3: Investments (continued)  
Bonds (continued)**

The components of net investment income received are as follows:

|  | <b>Year Ended December 31,</b> |                   |
|--|--------------------------------|-------------------|
|  | <b>2017</b>                    | <b>2016</b>       |
| (Loss) Gain on Sale of Assets                              | \$ (1,741)                     | \$ 16,308         |
| Interest on Bonds  | 300,124                        | 292,440           |
| Interest on Short-Term Investments<br>and Cash Equivalents | 81                             | 11                |
| Total Gross Investment Income                              | 298,464                        | 308,759           |
| Net Amortization of Bond Premium<br>and Discount           | (38,581)                       | (52,606)          |
| Net Investment Income Received                             | <u>\$ 259,883</u>              | <u>\$ 256,153</u> |

Proceeds from sales and maturities of bonds, unrestricted, was \$4,056,350 and \$9,154,207 generating gross gains of \$415 and \$16,500 and losses of \$2,156 and \$192 in 2017 and 2016, 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.

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
IN LIQUIDATION**

**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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, 2017 and 2016:

| <b>As of December 31, 2017:</b> | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total Fair<br>Value |
|---------------------------------|--|--|--|---------------------|
| Unrestricted Assets:            |  |  |  |                     |
| Bonds:                          |  |  |  |                     |
| U.S. Government                 | \$ -   | \$ 2,078,400                                     | \$ -   | \$ 2,078,400        |
| U.S. Government Agencies        | -  | 2,627,273  | -  | 2,627,273           |
| Mortgage Backed Securities      | -  | 2,989,785  | -  | 2,989,785           |
| Corporate Bonds                 | -  | 10,288,669                                       | -  | 10,288,669          |
| Common Stocks                   | -  | -  | -  | -                   |
| Restricted Assets:              |  |  |  |                     |
| Segregated Contingency Fund:    |  |  |  |                     |
| U.S. Government Agencies        | -  | 6,901,839  | -  | 6,901,839           |
| Total                           | \$ -   | \$ 24,885,966                                    | \$ -   | \$ 24,885,966       |

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
**IN LIQUIDATION**  
**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

**Note 4: Fair Value Measurement (continued)**

| <b>As of December 31, 2016:</b> | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total Fair<br>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                           | <u>\$ -</u>  | <u>\$ 27,671,434</u>                             | <u>\$ -</u>  | <u>\$ 27,671,434</u> |

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.



**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
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**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**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, 2017 and 2016, ELNY accrued \$280,882 and \$217,536, 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, 2017 and 2016, ELNY paid the following Administrative and Investment Functions expense:

|                                     | <u>2017</u>       | <u>2016</u>       |
|-------------------------------------|-------------------|-------------------|
| Salaries                            | \$ 47,445         | \$ 87,388         |
| Employee Relations and Welfare      | 26,655            | 54,505            |
| Professional Fees                   | 90,240            | 93,619            |
| Rent and Related Items              | 75,037            | 83,153            |
| General and Administrative Expenses | 2,981             | 5,098             |
|                                     | <u>\$ 242,358</u> | <u>\$ 323,763</u> |

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK  
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**Notes to Financial Statements – Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016**

**Note 6: Taxes**

At December 31, 2017, 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:

| <u>Arising from<br/>Tax Year:</u> | <u>Year of<br/>Expiry</u> | <u>Net Operating<br/>Gain (Losses)</u> | <u>NOL Available</u>  |
|-----------------------------------|---------------------------|--|-----------------------|
| 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                |
| 2017                              | 2037                      | 443,035                                | (443,035)             |
|                                   |                           | <u>\$ (860,480,245)</u>                | <u>\$ 860,480,245</u> |
| Total                             |                           |  |                       |

\* 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**

ELNY established a Segregated Contingency Fund of \$10,000,000 which was reduced to \$7,000,000 in August 2017 for potential future legal expenses as discussed in Note 2 Segregated Contingency Fund (Secured Liability).

**EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK**  
**IN LIQUIDATION**  
**Notes to Financial Statements – Modified Cash Basis**  
**For the Years Ended December 31, 2017 and 2016**

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

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 25, 2018, the date which ELNY's audited Financial Statements were available to be issued.