ANNUAL AUDIT REPORT OF THE NEW YORK LIQUIDATION BUREAU

December 31, 2012 and 2011

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NEW YORK LIQUIDATION BUREAU

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

For the Years Ended December 31, 2012 and 2011 With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Superintendent of the New York 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, 2012 and 2011 and the related notes to the statements of cash receipts and disbursements – cash basis.

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these statements of cash receipts and disbursements – cash basis of the Central Disbursement Account based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of cash receipts and disbursements – cash basis are free of 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 statements of cash receipts and disbursements – cash basis of the Central Disbursement Account, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account.

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the statements of cash receipts and disbursements – cash basis of the Central Disbursement Account referred to above present fairly, in all material respects, the cash receipts and disbursements for each of the years ended December 31, 2012 and 2011 in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 31, 2013

NEW YORK LIQUIDATION BUREAU
Statements of Cash Receipts and Disbursements – Cash Basis
of the Central Disbursement Account
For the Years Ended December 31, 2012 and 2011

	2012	2011
Receipts:		
Investment Income Received	$ 40,975	$ 52,180
Reimbursement of Expenses	49,562,862	50,738,921
Reimbursement from Non-New York Liquidators	103,728,078	61,687,467
Other Receipts	218,287	106,286
Total Receipts	153,550,202	112,584,854
Disbursements:		
Early Access Distributions	103,727,726	79,595,598
Loss Adjustment Expenses	476,472	960,278
Claims Paid	5,802,000	71,591
Salvage and subrogation	302,183	44,078
Refunds to Domestic Estates	199,000	65,000
Funds released to Collateral	372,968	6,523
Taxes Paid	33,955	9,038
Salaries	19,330,017	19,579,194
Employee Relations and Welfare	10,747,227	10,212,136
Rent and Related Expenses	3,943,188	6,562,358
Professional Fees	4,303,624	4,741,652
General and Administrative Expenses	3,542,793	3,729,921
Other Disbursements	1,204,242	1,108,863
Total Disbursements	153,985,395	126,686,230
Net Disbursements	(435,193)	(14,101,376)
Cash - Beginning of Year	16,509,701	30,611,077
Cash - End of Year	$ 16,074,508	$ 16,509,701

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

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

A. Background

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

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

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

B. Basis of Presentation

The Statements of Cash Receipts and Disbursements – Cash Basis of the NYLB reflect the amounts deposited in and disbursements made from the central disbursement account ("CDA") for the years ended December 31, 2012 and 2011. The Statements of Cash Receipts and Disbursements – Cash Basis were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted

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

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

accounting principles in the United States of America ("US GAAP"). The cash basis of presentation differs from US GAAP in that revenues are recognized when received, rather than when earned, and expenses are recognized when paid, rather than when the obligation is incurred.

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

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

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

C. <u>Cash</u>

Cash is comprised solely of the money deposited in the CDA, the excess of which may be invested in overnight investment options including RepoNet, a repurchase agreement facility, and Liquidity Direct, a facility that allows for the purchase of various U.S. Government-related money market funds. In addition, for longer term investment opportunities, cash is placed in a Money Market Deposit Account ("MMDA") which provides for more attractive yields. The MMDA is insured by the Federal Deposit Insurance Corporation ("FDIC"), although balances are significantly in excess of the coverage limits. The MMDA is with JP Morgan Chase, whose current commercial paper ratings are P-1 (Moody's), A-1 (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, 2012, the FDIC insured accounts up to $250,000 at the above named institutions. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to the NYLB. The NYLB's cash balances in excess of FDIC insured limits were approximately $16.1 million and $8.5 million as of December 31, 2012 and 2011, respectively.

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

D. Receipts

Investment Income Received

Investment income received consists primarily of interest income earned by and received from the CDA for the years ended December 31, 2012 and 2011.

Reimbursement of Expenses

Reimbursement of General & Administrative Expenses

The NYLB pays general and administrative expenses, such as salaries, payroll taxes, rent and related expenses, office expenses and employee relations and welfare, on behalf of the Estates and Security Funds. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds.

Reimbursement of Loss Adjustment Expenses

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

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

Reimbursement from Non-New York Liquidators

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

Deposits From Domestic Estates

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

Other Receipts

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

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

E. Disbursements

Early Access Distributions

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

Loss Adjustment Expenses

LAE on claims not covered by a Security Fund represent disbursements processed through the CDA for the expenses associated with adjusting and litigating a claim, excluding the payment for the loss itself.

Claims Paid

During 2012, the NYLB made claim payments for major policyholder claims incurred on behalf of Midland Property and Casualty Insurance Company from the CDA. These expenses were reimbursed to the CDA.

Salvage and Subrogation

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

Refunds to Domestic Estates

The largest component of Refunds to Domestic Estates for 2012 and 2011 was monies owed to certain Domestic Estates as a result of recomputation of projected quarterly general and administrative expenses. These projected expenses were compared to the actual deposits for these Estates with the CDA. Any overage was refunded to each Domestic Estate accordingly.

Funds Released to Collateral

In 2012, the NYLB refunded $372,968 of letter of credit collateral. Of that amount, $329,188 was on behalf of The Insurance Corporation of New York and $43,780 was on behalf of Ideal Mutual Insurance Company. In 2011, the NYLB refunded $6,523 of collateral that was being held by Contractors Casualty Insurance Company.

Taxes Paid

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

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

E. Disbursements (continued)

Salaries and Employee Relations and Welfare

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

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

	2012	2011
Pension Plan	$ 3,626,621	$ 2,732,255
Health Insurance	5,501,971	5,637,408
Employee Relations	1,586,924	1,619,401
Other	31,711	223,072
Total	$ 10,747,227	$ 10,212,136

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. Rental payments for the new office space began in February, 2011 and payment for electricity commenced in November, 2010.

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 2012 and 2011, the NYLB paid approximately $3.9 million and $6.6 million, respectively, in rent and related expenses for the Premises and the Warehouse.

Professional Fees

The NYLB has paid fees for the following types of professional services: reinsurance collection services, accounting and auditing services, information technology services, actuarial services and legal services not involving defense of policyholders. These expenses were allocated among the Estates and/or Security Funds. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds. However, if professional fees are incurred, which relate solely to a specific Estate, that Estate is charged directly for such fees.

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.

Other Disbursements

Other Disbursements refers to expenses paid by the NYLB, the majority of which were for investment expenses, insurance, fees and assessments, sales and use taxes, business travel and other miscellaneous expenses. These expenses were allocated among the Estates and Security Funds. Reimbursement of such expenses is generally based on the amount of time NYLB employees devote to the respective Estates and Security Funds.

	2012	2011
Investment Expenses	$ 150,347	$ 207,763
Insurance	541,073	326,588
Travel and Travel Related Items	18,343	50,627
Real Estate Taxes	11,990	6,399
Books and Reference Material	30,578	41,092
MCT Mobility Tax	62,587	63,249
Web/Internet Services	70,790	63,249
Fees and Assessments	(228)	52,184
Association Dues and Membership Fees	119,366	120,346
Other	199,396	177,366
Total	$ 1,204,242	$ 1,108,863

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

Note 2: Employee Retirement (continued)

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

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

Note 4: Commitments

Lease Agreements

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

Offices

In 2012, the NYLB paid approximately $2.9 million in rent and related expenses for the Premises. In 2011, the NYLB paid approximately $5.0 million in rent and related expenses for the Premises and 123 William Street.

Offices ($ Millions)	110 William 2013	110 William 2014-2025	Total
Rent	$ 3.4	$ 46.7	$ 50.1
Real Estate Tax	0.1	2.5	2.6
Electric	0.3	3.5	3.8
Operating Expenses	0.2	4.9	5.1
Total	$ 4.0	$ 57.6	$ 61.6

Note 4: Commitments (continued)

Warehouse

For 2012 and 2011, the NYLB paid approximately $.9 million and $.7 million respectively, for Warehouse rent and related expenses. The estimated future minimum payments under the lease are:

Warehouse ($ Millions)	2013 -2018	Total
Rent and Related Expenses	$5.1	$5.1

Note 5: Subsequent Events

Subsequent events have been reviewed through July 31, 2013, 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 2013, the NYLB received the following EAD monies from Non-New York Liquidators:

Commercial Compensation Casualty Insurance Company	$	406,238
Credit General Insurance Company		173,839
Frontier Pacific Insurance Company		2,271,877
Legion Insurance Company		29,451
Reliance Insurance Company		184,003
Shelby Casualty Insurance Company		273,962
The Home Insurance Company		6,341,288
	$	9,680,658

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2012 and 2011
With Independent Auditors' Report

THE DOMESTIC ESTATES IN LIQUIDATION

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

December 31, 2012 and 2011
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INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying combined statements of assets, liabilities and deficit of assets over liabilities – modified cash basis of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2012 and 2011, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended (collectively referred to as "Combined Domestic Estates Financial Statements") and the related notes to the Combined Domestic Estates Financial Statements.

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

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

Auditor's Responsibility

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

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

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

EISNERAMPER
ACCOUNTANTS & ADVISORS

Opinion

In our opinion, the Combined Domestic Estates Financial Statements referred to above present fairly, in all material respects, the combined financial position of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2012 and 2011 and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended, in conformity with the basis of accounting as described in Note 2.

Basis of Accounting

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

Emphasis of Matter

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

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 31, 2013

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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, 2012 and 2011, 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 31, 2013, which expressed an unqualified opinion on those Combined Domestic Estates Financial Statements. Our audits were performed for the purpose of forming an opinion on the Combined Domestic Estates Financial Statements as a whole. The supplementary combining schedules of the Estates' assets, liabilities and (deficit) surplus of assets over liabilities, and cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis as of and for the years ended December 31, 2012 and 2011 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.

New York, New York
July 31, 2013

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

	2012	2011
Combined Assets		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 132,424,405	$ 223,810,395
Invested Assets:		
Certificates of Deposit	270,109	50,025,802
Bonds, at fair market value	705,951,633	567,282,073
Common Stocks, Unaffiliated at fair market value	105,987	1,341,956
Investment in subsidiaries	7,009,889	-
Limited Partnerships	963,639	-
Real Estate	1,490,583	1,397,000
Buildings	4,812,870	-
Total Invested Assets	720,604,710	620,040,831
Total Cash, Cash Equivalents and Invested Assets (Unrestricted)	**853,029,115**	**843,857,226**
Reinsurance Recoverables on Paid Losses and LAE	435,200,312	377,486,214
Less: Allowance for Uncollectible Reinsurance Recoverables	(359,678,988)	(313,765,954)
Net Reinsurance Recoverables on Paid Losses and LAE	75,521,324	63,720,260
Reinsurance Recoverables on Unpaid Losses and LAE	871,097,660	1,105,169,853
Less: Allowance for Uncollectible Reinsurance Recoverables	(661,166,254)	(829,281,057)
Net Reinsurance Recoverables on Unpaid Losses and LAE	209,931,406	275,888,796
Receivables from Others	13,610,414	13,858,897
Accrued Investment Income	3,666,947	3,304,292
Other Assets	7,025,320	2,876,212
Total Unrestricted Assets	**1,162,784,526**	**1,203,505,683**
Restricted Assets:		
Statutory Deposits in New York or Other States	76,149,642	3,509,954
Other Restricted Assets	51,891,802	21,521,455
Total Restricted Assets	**128,041,444**	**25,031,409**
Total Combined Assets	**$ 1,290,825,970**	**$ 1,228,537,092**

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,

	2012	2011
Combined Liabilities		
Secured Claims	$ 27,527,949	$ 16,899,486
Unsecured Claims:		
Class One - Administrative Claims	78,893,993	62,266,455
Class Two - Claims and Related Costs		
Allowed	2,283,813,770	2,174,018,407
Non-Allowed	1,679,744,493	1,518,749,679
Total Class Two – Claims and Related Costs	3,963,558,263	3,692,768,086
Class Three - Federal Government Claims	46,395,689	137,686
Class Four - Employee Claims	10,164	10,164
Class Five - State and Local Government Claims	23,052,330	12,647,392
Class Six - General Creditor Claims	792,260,430	745,415,736
Class Seven - Late Filed Claims	369,253,010	369,245,925
Class Eight - Section 1307 (Shareholder) Loans	164,763,289	5,196,634
Class Nine - Shareholder Claims	140,464,445	140,464,445
Total Combined Liabilities	**5,606,179,562**	**5,045,052,009**
Deficit of Combined Assets over Combined Liabilities	**(4,315,353,592)**	**(3,816,514,917)**
Total Combined Liabilities and Deficit of Combined Assets over Combined Liabilities	**$ 1,290,825,970**	**$ 1,228,537,092**

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,

	2012	2011
Combined Receipts:		
Net Investment Income Received	$ 19,983,140	$ 12,277,065
Reinsurance Recovered	36,456,161	9,467,584
Premiums Collected	122,397	13,881
Salvage and Subrogation	2,841,088	440,111
Expense Reimbursement Received from Security Funds	-	195,218
Reimbursement from Central Disbursement Account	235,000	60,000
Release from Statutory Deposits	2,320,661	1,619,309
Litigation Awards	443	24,399,674
Claim Refunds	988,176	-
Large Deductible	121,698	-
Second Injury Claim Refunds	641,096	-
Transfer from Segregated Accounts	301,706	-
Escrow Account	719,950	-
Miscellaneous	1,898,748	697,971
Total Combined Receipts	**66,630,264**	**49,170,813**
Combined Disbursements:		
Dividends	149,368,648	84,669,576
Deposit with Central Disbursement Account	-	345,437
Transfer to Segregated Account	2,495,012	-
Claims Paid	5,815,542	-
Loss Adjustment Expense	509,546	276,937
Reimbursement of Allocated Expenses	22,862,077	18,745,092
Salvage and Subrogation fees	453,430	329
Miscellaneous	935,203	339,310
Total Combined Disbursements	**182,439,458**	**104,376,681**
Net Decrease of Combined Receipts Over Combined Disbursements	**(115,809,194)**	**(55,205,868)**
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	**842,460,226**	**896,034,125**
Opening Cash, Cash Equivalents and Invested Assets, Balances of New Estates	132,581,018	-
Reclassification to Invested Assets	1,397,000	1,397,000
Unrealized (Loss) Gain on Investments	(7,599,935)	1,631,969
Cash, Cash Equivalents and Invested Assets (Unrestricted) End of Year	**$ 853,029,115**	**$ 843,857,226**

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, 2012 and 2011

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

Background

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

The Combined Domestic Estates Financial Statements (as defined in Note 2) as of December 31, 2012 and 2011 pertain to the financial statements for each domestic Estate in liquidation set forth below:

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

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

Background (continued)

The liquidation proceedings of Health Partners of New York LLC, Horizon Insurance Company and MDNY Healthcare were terminated during the period ended December 31, 2012, however, activity for all three Domestic Estates in Liquidation is included through the date of termination. Frontier Insurance Company was placed into liquidation on November 16, 2012 and activity from November 16, 2012 forward is included. Autoglass Insurance Company was placed into liquidation on January 9, 2012 and activity from January 9, 2012 forward is included. Bakers Mutual Insurance Company, which was closed in 1997, was reopened in August 2012.

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

The 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 financial statements for the following estates are not included in the Combined Estates Financial Statements for the years ended December 31, 2012 and 2011: (i) Lion Insurance Company, Executive Life Insurance Company of New York, Financial Guaranty Insurance Company and Professional Liability Insurance Company of America, which are the subject of rehabilitation proceedings; (ii) Aspen U.S. Insurance Company, which was placed into liquidation on August 24, 2011 with assets of approximately $6,520,900 (unaudited) and subsequently closed on September 7, 2012 with a final 2012 distribution of $6,481,378; (iii) Madison Insurance Company, which was placed into liquidation on September 21, 2011 with assets of approximately $183,785,000 (unaudited) and subsequently closed on August 10, 2012 with a final 2012 distribution of $183,965,681; (iv) fraternal associations; (v) ancillary estates; (vi) conservations; and (vii) six unfunded shell companies that were placed into liquidation in 2011 and closed in 2012.

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

Background (continued)

NYLB's Role With Respect to the Security Funds

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

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

The P/C Fund, pursuant to Insurance Law Section 7602(a)(1)(B), is obligated to pay only certain specified insurance claims with respect to coverage of property or risks. Pursuant to Insurance Law Section 7603(a)(2), claims that have been allowed by an appropriate Receivership Court are paid up to the policy limit but in no event greater than the statutory cap of $1 million.

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

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

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

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

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

Guaranty Funds

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

Profiles of Combined Domestic Estates In Liquidation

(1) American Agents Insurance Company

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

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

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

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

(2) American Consumer Insurance Company

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

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

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

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

(3) American Fidelity Fire Insurance Company

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

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

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

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

(3) American Fidelity Fire Insurance Company (continued)

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

(4) Atlantic Mutual Insurance Company

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

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

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

(5) Autoglass Insurance Company

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

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

(6) Bakers Mutual Insurance Company

Bakers Mutual Insurance Company ("Bakers Mutual") was placed into liquidation and the Superintendent was appointed liquidator on August 10, 1978. Distributions were made to creditors with allowed claims and the distributions satisfied 100% of all

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

(6) Bakers Mutual Insurance Company (continued)

such claims including interest. The liquidation proceeding was closed on July 16, 1997 and re-opened on August 17, 2012, subsequent to receiving cash receipts from various sources, to distribute those assets to the next class of creditors in accordance with the priorities set forth in Insurance Law Section 7434. Bakers Mutual will automatically close following the distribution with no requirement to petition the Receivership Court.

(7) Capital Mutual Insurance Company

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

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

Capital Mutual was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 10 (Elevator), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 27 (Prize Indemnification), 28 (Service Contract Reimbursement) and 29 (Legal Services).

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

The estate obtained a bar date of April 15, 2013, which required the presentment of all claims against Capital Mutual or its insureds to the liquidator on or before that date.

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

(8) Centennial Insurance Company

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

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

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.

(9) Colonial Cooperative Insurance Company

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

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

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

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

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

(10) Colonial Indemnity Insurance Company

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

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

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

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

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

(11) Consolidated Mutual Insurance Company

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

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

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

(11) Consolidated Mutual Insurance Company (continued)

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

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

The estate obtained a bar date of December 31, 2000, which required the presentment of all claims against Consolidated Mutual or its insureds to the liquidator on or before that date.

(12) Contractors Casualty and Surety Company

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

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

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

(13) Cosmopolitan Mutual Insurance Company

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

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

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

(13) Cosmopolitan Mutual Insurance Company (continued)

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

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

(14) First Central Insurance Company

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

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

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

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

(15) Frontier Insurance Company

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

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

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

(15) Frontier Insurance Company (continued)

On October 1, 1991, Frontier purchased Frontier Pacific Insurance Company ("FPIC"), formerly known as Contractors' Surety Company. FPIC was a California-domiciled property and casualty insurance company. On November 30, 2001, the California Department of Insurance placed FPIC into liquidation.

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.

(16) Galaxy Insurance Company

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

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

Galaxy was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage) 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), and 21 (Marine Protection and Indemnity). Galaxy was authorized to write reinsurance in Maryland, Pennsylvania, West Virginia and Wyoming, but at the time of liquidation, 100% of premium was written in the State of New York.

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

(16) Galaxy Insurance Company (continued)

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

The estate obtained a bar date of April 15, 2013, which required the presentment of all claims against Galaxy or its insureds to the liquidator on or before that date.

(17) Group Council Mutual Insurance Company

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

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

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

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

(18) Health Partners of New York, LLC

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

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

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

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

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

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

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

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

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

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

(20) Horizon Insurance Company

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

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

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

(20) Horizon Insurance Company (continued)

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

(21) Ideal Mutual Insurance Company

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

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

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

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

(22) The Insurance Corporation of New York

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

Inscorp was licensed to transact the kinds of insurance specified in Insurnace 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

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

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

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

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

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

(23) Long Island Insurance Company

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

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

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

(24) MDNY Healthcare, Inc.

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

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

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

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

(25) Midland Insurance Company

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

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

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

On July 1, 2011, the Receivership Court entered an order, which established January 31, 2012, as the last date on which the holder of a claim against Midland, except Guaranty Funds, may submit to the Liquidator an amendment to a previously filed (or deemed filed) proof of claim, including a policyholder protection proof of claim, and 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.

(26) Midland Property and Casualty Insurance Company

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

MIDPAC was authorized to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers'

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

(26) Midland Property and Casualty Insurance Company (continued)

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

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

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

(27) 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.

(28) New York Merchant Bakers Insurance Company

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

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

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

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

(28) New York Merchant Bakers Insurance Company (continued)

Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage) and 20 (Marine and Inland Marine).

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

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

(29) New York Surety Company

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

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

NY Surety was placed into rehabilitation on June 24, 1998. On September 21, 1998, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator. The liquidation proceeding was closed by court order entered on March 13, 2013.

The estate obtained a bar date of March 31, 2012, which requires the presentment of all claims against NY Surety or its insureds to the liquidator on or before that date.

(30) 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

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

(30) Realm National Insurance Company (continued)

Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity) and 24 (Credit Unemployment).

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

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

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

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

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

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

(32) Transtate Insurance Company

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

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.

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

(32) Transtate Insurance Company (continued)

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

(33) Union Indemnity Insurance Company of New York

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

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

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

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

(34) United Community Insurance Company

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

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

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

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

(34) United Community Insurance Company (continued)

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

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

(35) U.S. Capital Insurance Company

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

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

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

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

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

(36) Washington Title Insurance Company

Washington Title Insurance Company ("Washington Title") was incorporated under the laws of the State of New York on October 14, 1992, and commenced business on April 1, 1996. Washington Title was engaged primarily in the issuance of title

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

(36) Washington Title Insurance Company (continued)

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.

(37) Whiting National Insurance Company

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

Whiting was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 18 (Title), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity), 22 (Residual Value), 23 (Mortgage Guaranty) and 24 (Credit Unemployment).

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

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis and Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis (collectively, "Combined Domestic Estates Financial Statements") reflect the combined financial position and combined cash receipts and disbursements of the Combined Domestic Estates in Liquidation. The Combined Domestic Estates Financial Statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("US GAAP"). This modified cash basis presentation differs from US GAAP in that the unrealized gains or losses on invested assets are reported on the combined statements of cash receipts and disbursements, revenues are recognized when received, rather than when earned, and certain expenses are recognized when paid, rather than when the obligation is incurred. This modified cash basis presentation is cash basis accounting that incorporates the following accruals: (i) investment income earned but not yet received; (ii) earned unused vacation benefits; (iii) post-retirement medical benefits; (iv) unpaid claims and related expenses; (v) reinsurance; (vi) investment in subsidiaries are not consolidated and presented on a US GAAP equity basis; and (vii) unrealized gains and losses on investments.

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

The following supplementary schedules are attached hereto as:

- Appendix A: December 31, 2012: The Domestic Estates in Liquidation Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis ("2012 Supplementary Combining Schedules"); and

- Appendix B: December 31, 2011: 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 ("2011 Supplementary Combining Schedules").

The 2012 and 2011 Supplementary Combining Schedules both include cash transactions, the accruals noted above, case reserves and paid liabilities to the Security and Guaranty Funds.

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

Preparation of the Combined Domestic Estates Financial Statements requires Management to make estimates and assumptions that may affect the amounts reported herein and related accompanying notes. When these amounts are ultimately determined (*i.e.*, no longer require the use of estimates and assumptions to be calculated), the determined amounts may differ significantly from the amounts reported herein.

Reclassifications

In order to conform with current year presentation, the prior year balance of Real Estate in the amount of $1,397,000 was reclassified from Other Assets in 2011 to Invested Assets in 2012.

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-1 (Moody's), A-1 (S&P) and F1 (Fitch) for JP Morgan Chase, P-2 (Moody's), A-2 (S&P) and F1 (Fitch) for Bank of America Corp. and P-1 (Moody's), A-1 (S&P) and F1+ for Bank of New York Mellon. These ratings are the highest possible short-term ratings. As of December 31, 2012, the FDIC insured accounts up to $250,000 at the above named institutions. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to the Combined Domestic Estates in Liquidation. The Combined Domestic Estates in Liquidation's cash balances in excess of FDIC insured limits were approximately $128 million and $252 million as of December 31, 2012 and 2011, respectively.

Note 2: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Investment income received includes interest income received from cash deposits, interest on bonds and short-term investments, dividends, realized gains or losses on sale of investments, rental income from real estate and the amortization of bond premium and discount.

Note 2: Summary of Significant Accounting Policies (continued)

Invested Assets (continued)

Realized gains and losses on investments sold are computed using the specific identification method, wherein gains and losses are recognized as of the settlement date and included in proceeds from investments.

For each 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.

Note 2: Summary of Significant Accounting Policies (continued)

Receivables from Others

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

As of December 31, 2012 and 2011, the Receivables from Others are as follows:

	2012	2011
Receivable From Affiliates	$ 888,202	$ 690,121
Cash on Deposit with CDA	12,082,000	12,181,000
Security Fund Expense Reimbursement Receivables	640,212	987,776
Total	$ 13,610,414	$ 13,858,897

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

Other Assets

As of December 31, 2012 and 2011, Other Assets held by certain Domestic Estates in Liquidation were $7,025,320, compared to $2,876,212 in 2011. Real Estate was carried in Other Assets in 2011 and subsequently reclassified to Invested Assets for 2012.

Investment in Subsidiaries

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

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

Note 2: Summary of Significant Accounting Policies (continued)

Investment in Subsidiaries (continued)

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

AMIC's investment in its non-consolidated wholly-owned subsidiaries at December 31, 2012 was as follows and is presented as Investment in Subsidiaries in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis:

	Underlying US GAAP Equity
At December 31, 2012	
ACHC	$ 623,237
AMIL	3,669,410
Total AMIC's investments in subsidiaries	$ 4,292,647

Centennial's investment in its non-consolidated wholly-owned subsidiaries at December 31, 2012 was as follows and is presented as Investment in Subsidiaries in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis:

	Underlying US GAAP Equity
At December 31, 2012	
ALICOT	$ 2,717,242
Total Centennial's investments in subsidiaries	$ 2,717,242

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

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

At December 31, 2012:	
Assets:	
Cash and investments	$ 2,711,859
Other assets	5,383
Total assets:	$ 2,717,242
Liabilities:	
Loss and LAE	$ -
Other liabilities	-
Total liabilities	-
Surplus	2,717,242
Total liabilities and surplus	$ 2,717,242
For the year ended December 31, 2012:	
Loss and LAE incurred	$ -
Net investment income and realized gains	18,788
Other income	-
Income before income taxes	18,788
Income tax expense	-
Net income	$ 18,788

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

At December 31, 2012:	
Assets:	
Cash and investments	$ 4,113,966
Other assets	51,908
Total assets:	$ 4,165,874
Liabilities:	
Administrative expenses	$ 406,481
Other liabilities	89,983
Total liabilities	496,464
Surplus	3,669,410
Total liabilities and surplus	$ 4,165,874

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

For the year ended December 31, 2012:	
Administrative expenses incurred	$ (141,766)
Net investment income and realized gains	(9,825)
Other income	(24)
Income before income taxes	(151,615)
Income tax expense	-
Net loss	$ (151,615)

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

At December 31, 2012:	
Assets:	
Cash and investments	$ 4,339,385
Other assets	5,082
Total assets:	$ 4,344,467
Liabilities:	
Loss and LAE	$ -
Other liabilities	51,820
Total liabilities	51,820
Surplus	4,292,647
Total liabilities and surplus	$ 4,344,467

For the year ended December 31, 2012:	
Loss and LAE incurred	$ -
Net investment income and realized gains	480
Other income	-
Income before income taxes	480
Income tax expense	-
Net income	$ 480

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets

Statutory Deposits in New York or Other States

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

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

Other Restricted Assets

Security Fund Cash:

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

Funds Held for Secured Claims:

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

Other Assets:

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

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

As of December 31, 2012, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below:

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

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

As of December 31, 2011, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below:

	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
(1)	American Agents	$ -	$ 19,167	$ -	$ -	$ 19,167
(2)	American Consumer	-	-	-	41,064	41,064
(3)	American Fidelity	50,402	28,300	64,649	113,752	257,103
(4)	Capital Mutual	-	247,564	56,410	-	303,974
(5)	Colonial Cooperative	-	-	-	-	-
(6)	Colonial Indemnity	-	-	-	-	-
(7)	Consolidated Mutual	-	-	10,945	390,881	401,826
(8)	Contractors Casualty	-	-	152,643	-	152,643
(9)	Cosmopolitan	-	4,564	665,512	241,202	911,278
(10)	First Central	-	66,178	53,421	387,222	506,821
(11)	Galaxy	-	-	131,035	-	131,035
(12)	Group Council	-	201,333	-	5,642	206,975
(13)	HPNY	-	-	-	-	-
(14)	Home Mutual	-	-	1,387	-	1,387
(15)	Horizon	-	-	-	-	-
(16)	Ideal	133,701	-	3,256,421	341,097	3,731,219
(17)	Inscorp	2,071,911	-	2,463,191	967,581	5,502,683
(18)	LIIC	-	-	-	-	-
(19)	MDNY	-	-	35,162	-	35,162
(20)	Midland	219,933	250	1,202,283	408,795	1,831,261
(21)	MIDPAC	-	-	-	-	-
(22)	Nassau	-	10,795	-	-	10,795
(23)	NYMB	-	1,902,462	180,160	-	2,082,622
(24)	NY Surety	-	-	992,112	-	992,112
(25)	Realm	658,785	14,716	165,049	25,934	864,484
(26)	Titledge	-	-	-	-	-
(27)	Transtate	-	-	-	-	-
(28)	Union	375,222	-	5,601,174	351,587	6,327,983
(29)	UCIC	-	-	-	524,150	524,150
(30)	U.S. Capital	-	1,500	82,752	-	84,252
(31)	Whiting	-	-	-	111,413	111,413
	Total:	$ 3,509,954	$ 2,496,829	$ 15,114,306	$ 3,910,320	$ 25,031,409

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

Secured Claims

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

Unsecured Claims

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

(i) **Allowed Claims**

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

The details for dividends distributed from the Domestic Estates in Liquidation listed below for the years ended December 31, 2012 and 2011, are as follows and reported as an offset to liabilities on the balance sheet:

	2012	2011
American Agents	$ 36,778	$ 118,173
American Consumer	-	2,057,053
American Fidelity	-	11,683,246
Capital Mutual	119,486	6,421,910
Consolidated Mutual	6,404,494	-
Contractors Casualty	91,707	-
Cosmopolitan	1,642,639	1,622,939
First Central	2,468,877	7,320,007
Galaxy	1,152,223	7,830,864
HPNY	240,127	1,479,186
Horizon	-	3,622,498
HHNY	-	3,727,312
Ideal	22,121,075	4,907,867
MDNY	2,024,261	2,313,515
Midland	84,893,877	2,714,222
MMLA	-	1,009,498
NY Surety	259,206	-
Transtate	152,235	20,090,040
Union	19,410,114	177,095
UCIC	1,386,105	528,641
U.S. Capital	6,965,444	-
Whiting	-	7,045,510
Total	$ 149,368,648	$ 84,669,576

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 allocated among the Estates.

Distribution of Assets

The Receiver recommends and seeks court approval regarding any 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 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 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.

Taxes

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

Note 3: Investments

The components of net investment income received for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Interest on Bonds	$ 15,088,896	$ 9,628,292
Interest on Short-Term Investments and Cash Equivalents	796,879	1,546,880
Realized Gain/(Loss) on Sale of Investments	3,702,458	1,099,297
Dividends	87,031	11,658
Total Gross Investment Income	19,675,264	12,286,127
Net Amortization of Bond Premium and Discount	307,876	(9,062)
Net Investment Income Received	$ 19,983,140	$ 12,277,065

Note 3: Investments (continued)

As of December 31, 2012, the cost or amortized cost and fair market value of certificates of deposit, bonds, limited partnerships and equities for each Domestic Estate in Liquidation are as follows:

		December 31, 2012			
	Domestic Estates in Liquidation	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
(1)	American Agents	$ -	$ -	$ -	$ -
(2)	American Consumer	-	-	-	-
(3)	American Fidelity	-	-	-	-
(4)	AMIC	52,400,889	558,534	(99,036)	52,860,387
(5)	Autoglass	-	-	-	-
(6)	Capital Mutual	5,000,000	16,750	-	5,016,750
(7)	Centennial	27,129,161	616,584	(65,656)	27,680,089
(8)	Colonial Cooperative	199,908	1,459	-	201,367
(9)	Colonial Indemnity	-	-	-	-
(10)	Consolidated Mutual	-	-	-	-
(11)	Contractors Casualty	-	-	-	-
(12)	Cosmopolitan	38,479,572	110,994	(196,931)	38,393,635
(13)	First Central	61,069,608	77,164	(165,816)	60,980,956
(14)	Frontier	22,323,145	19,244	(69,145)	22,273,244
(15)	Galaxy	14,000,569	40,220	(240)	14,040,549
(16)	Group Council	-	-	-	-
(17)	HPNY	-	-	-	-
(18)	Home Mutual	8,000,000	22,840	-	8,022,840
(19)	Horizon	-	-	-	-
(20)	Ideal	59,965,895	107,815	(422,192)	59,651,518
(21)	Inscorp	33,932,140	36,142	(283,480)	33,684,802
(22)	LIIC	-	-	-	-
(23)	MDNY	-	-	-	-
(24)	Midland	308,641,627	932,167	(502,952)	309,070,842
(25)	MIDPAC	2,494,496	7,180	(4,221)	2,497,455
(26)	Nassau	1,000,000	4,280	-	1,004,280
(27)	NYMB	7,073,358	-	(167,711)	6,905,647
(28)	NY Surety	-	-	-	-
(29)	Realm	1,843,038	1,590	(11,839)	1,832,789
(30)	Titledge	-	-	-	-
(31)	Transtate	32,656,699	58,327	(172,712)	32,542,314
(32)	Union	18,925,925	68,628	(47,890)	18,946,663
(33)	UCIC	11,503,122	9,226	(125,252)	11,387,096
(34)	U.S. Capital	23,842	4,194	-	28,036
(35)	Washington Title	270,109	-	-	270,109
(36)	Whiting	-	-	-	-
	Total	$ 706,933,103	$ 2,693,338	$ (2,335,073)	$ 707,291,368

Note 3: **Investments (continued)**

As of December 31, 2012, the Combined Domestic Estates in Liquidation had investments in subsidiaries with a cost of $10,100,456 and a market value of $7,009,889.

As of December 31, 2011, the cost or amortized cost and fair market value of the short-term investments, certificates of deposit, bonds and equities for each Domestic Estate in Liquidation are as follows:

	December 31, 2011			
Domestic Estates in Liquidation	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
(1) American Agents	$ 11,238,443	$ 32,173	$ -	$ 11,270,616
(2) American Consumer	-	-	-	-
(3) American Fidelity	16,483	-	(2,030)	14,453
(4) Capital Mutual	3,999,001	6,239	-	4,005,240
(5) Colonial Cooperative	399,854	7,679	-	407,533
(6) Colonial Indemnity	-	-	-	-
(7) Consolidated Mutual	-	-	-	-
(8) Contractors Casualty	-	-	-	-
(9) Cosmopolitan	35,361,833	95,696	(46,569)	35,410,960
(10) First Central	48,477,771	121,626	(42,075)	48,557,322
(11) Galaxy	10,000,263	19,927	(1,070)	10,019,120
(12) Group Council	-	-	-	-
(13) HPNY	300,015	551	-	300,566
(14) Home Mutual	3,999,899	3,321	(469)	4,002,751
(15) Horizon	-	-	-	-
(16) Ideal	60,007,878	71,246	-	60,079,124
(17) Inscorp	20,198,966	40,354	(7)	20,239,313
(18) LIIC	-	-	-	-
(19) MDNY	250,936	3,672	-	254,608
(20) Midland	315,829,715	694,448	(29,729)	316,494,434
(21) MIDPAC	6,996,322	10,172	-	7,006,494
(22) Nassau	2,467,106	13,707	(292)	2,480,521
(23) NYMB	19,497,237	39,344	-	19,536,581
(24) NY Surety	-	-	-	-
(25) Realm	344,763	14,441	-	359,204
(26) Titledge	-	-	-	-
(27) Transtate	28,930,903	1,973,938	(7,165)	30,897,676
(28) Union	29,966,184	87,116	(469)	30,052,831
(29) UCIC	16,163,820	45,769	(75)	16,209,514
(30) U.S. Capital	1,043,031	7,939	-	1,050,970
(31) Whiting	-	-	-	-
Total	$ 615,490,423	$ 3,289,358	$ (129,950)	$ 618,649,831

Note 3: Investments (continued)

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

December 31, 2012

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
U.S. Treasury and Agency Securities held to Maturity	$ 304,205,403	$ (2,319,556)	$ 1,730,104	$ (15,517)	$ 305,935,507	$ (2,335,073)
Total Fixed Income	304,205,403	(2,319,556)	1,730,104	(15,517)	305,935,507	(2,335,073)
Total	$ 304,205,403	$ (2,319,556)	$ 1,730,104	$ (15,517)	$ 305,935,507	$ (2,335,073)

December 31, 2011

	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	$ 75,054,517	$ (129,449)	$ 10,948	$ (501)	$ 75,065,465	$ (129,950)
Total Fixed Income	75,054,517	(129,449)	10.948	(501)	75,065,465	(129,950)
Total	$ 75,054,517	$ (129,449)	$ 10,948	$ (501)	$ 75,065,465	$ (129,950)

The NYLB's portfolio of short-term investments and bonds is sensitive to interest rate fluctuations which affect the fair market value of individual securities. Management has the intent and ability to hold the securities until recovery and/or maturity. Management does not consider the unrealized losses on the NYLB's portfolio of short-term investments and bonds as other-than-temporary impairments as of December 31, 2012 and 2011.

The amortized cost and fair market value of CDs and bonds held to maturity at December 31, 2012 are shown below by the date of contractual maturity. Actual maturity dates may differ from contractual maturity dates because borrowers may have the right to call or prepay obligations.

Note 3: Investments (continued)

Combined Estates in Liquidation	2012 Fair Market Value	2012 Amortized Cost
Due within one year	$ 6,085,538	$ 6,030,862
Due after one year and before five years	79,814,675	79,522,060
Due after five years and before ten years	503,879,943	504,181,822
Due after ten years and before fifteen years	104,374,219	104,921,378
Due after fifteen years	12,067,367	11,204,579
Total Combined Domestic Estates	$ 706,221,742	$ 705,860,701

The proceeds received and gains (losses) on called or sold bonds at December 31, 2012 and 2011 are as follows:

	Proceeds Received		Gains (losses) on Called or Sold	
	2012	2011	2012	2011
American Agents	$ 6,275,184	$ -	$ 5,065	$ -
American Fidelity	-	-	-	-
AMIC	48,247,605	-	827,075	-
Capital Mutual	5,047,447	5,025,000	966	-
Centennial	14,055,185	-	440,018	-
Colonial Cooperative	-	10,263	-	-
Consolidated Mutual	-	-	-	-
Contractors Casualty	-	-	-	-
Cosmopolitan	43,891,169	48,508,668	(44,629)	(29,514)
First Central	44,598,017	60,174,325	21,312	-
Frontier	6,925,405	-	-	-
Galaxy	4,014,667	4,029,625	-	-
HPNY	-	-	-	-
Home Mutual	3,011,000	756,750	-	-
Ideal	60,823,218	67,166,168	-	(29,515)
Inscorp	24,141,251	20,107,500	38,664	(1,905)
Midland	404,773,288	439,877,053	18,048	(947,742)
MIDPAC	12,154,710	2,269,700	14,271	725
Nassau	2,487,746	-	9,573	-
NYMB	15,625,577	504,500	10,034	-
Realm	2,507,813	-	-	-
Transtate	26,025,677	29,111,393	2,156,247	(61,915)
Union	38,503,925	18,150,243	32,898	(29,514)
UCIC	17,163,160	-	11,810	-
U.S. Capital	1,009,362	-	242	-
TOTALS	$ 781,281,406	$ 695,691,188	$ 3,541,594	$ (1,099,380)

Note 3: Investments (continued)

Mortgage-Backed Securities

In 2012 and 2011, Management identified 102 and 30 mortgage-backed securities, respectively, with amortized costs of approximately $12,875,890 and $345,053, respectively. They are carried at a fair market value of $13,831,312 and $388,511, respectively.

After reviewing these securities, Management has determined, based on the information currently available to it, that there is no material indirect subprime exposure through these investments.

Note 4: Fair Value Measurement

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

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

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

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

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

Note 4: Fair Value Measurement (continued)

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Management's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair market value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Topic 820 also requires disclosures of any significant transfers in and out of Level 1 and Level 2 fair value measurements and a description of the reasons for the transfers; a reconciliation for fair value measurements using significant unobservable inputs (Level 3) with separate disclosure of purchases, sales, issuances, and settlements; and disclosure of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

The following table summarizes the financial instruments carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2012:

Note 4: Fair Value Measurement (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
As of December 31, 2012:				
Unrestricted Assets:				
U.S Government	$ -	$ 1,911,506	$ -	$ 1,911,506
U.S Government Agencies	-	690,208,811	-	690,208,811
Mortgage Backed Securities	-	10,015,928	-	10,015,928
Collateral Mortgage Obligations	-	3,815,388	-	3,815,388
Partnership	-	-	963,639	963,639
Common Stocks - Unaffiliated	-	-	105,987	105,987
Investment in Subsidiaries	-	-	7,009,889	7,009,889
Real Estate	-	-	1,490,583	1,490,583
Building	-	-	4,812,870	4,812,870
Restricted:	-	-	-	-
U.S Government	-	25,210,288	-	25,210,288
U.S Government Agencies	-	34,805,844	-	34,805,844
Mortgage Backed Securities	-	3,149,218	-	3,149,218
Collateral Mortgage Obligation	-	284,689	-	284,689
Total	$	$ 769,401,672	$ 14,382,968	$ 783,784,640

The following table summarizes the financial instruments carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2011:

	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, 2011:				
Unrestricted Assets	$ -	$ -	$ -	$ -
U.S Government	-	8,141,412	-	8,141,412
U.S Government Agencies	-	558,752,150	-	558,752,150
Mortgage Backed Securities	-	164,653	-	164,653
Collateral Mortgage Obligations	-	223,858	-	223,858
Common Stocks	-	1,341,956	-	1,341,956
Real Estate	-	-	1,397,000	1,397,000
Total	$	$ 568,624,029	$ 1,397,000	$ 570,021,029

Note 4: Fair Value Measurement (continued)

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

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

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

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

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

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

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

Note 4: Fair Value Measurement (continued)

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

There were no significant transfers into or transfers out of Level 1, 2, or 3. There were no changes in valuation techniques during 2012 and 2011.

	Beginning Balance January 1, 2012	Transfers at time of Liquidation	Realized gains/ (losses)	Unrealized gains/ (losses)	Issuances	Purchases	Sales, Maturities, Settlements	Transfer In or Out of Level 3	Ending Balance December 31, 2012
Assets:									
Real estate	$ 1,397,000	583,583	$ -	$ (490,000)	$ -	$ -	$ -	$ -	$ 1,490,583
Building	-	4,888,071		(75,201)					4,812,870
Partnership	-	949,585	-	14,054	-	-	-	-	963,639
Common stock	105,987	-	-	-	-	-	-	-	105,987
Investment in subsidiaries	7,159,550	-	-	(149,661)	-	-	-	-	7,009,889
	$ 8,662,537	$6,421,239	$ -	$ (700,808)	$ -	$ -	$ -	$ -	$14,382,968

Note 5: Investments in Partnerships

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

The Limited Partnerships provide Frontier with access to management services and Investments that Frontier does not possess directly. As of December 31, 2012, Frontier's aggregate investment in the Limited Partnerships was $963,639. As of December 31, 2012, Frontier's aggregate cost in the Limited Partnerships was $895,239 resulting in a change in unrealized losses of $214,054 for the period November 16, 2012 to December 31, 2012, recorded through the schedule of Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities – Modified Cash Basis.

For the period of November 16, 2012 through December 31, 2012, Frontier received distributions from the Limited Partnerships in the amount of $64,030; for the period November 16, 2012 to December 31, 2012, Frontier had gross realized gains of $27,882 and gross realized losses of $2,446,161 on such distributions.

Note 5: Investments in Partnerships (continued)

At December 31, 2012, Frontier wrote down the cost of one of its Limited Partnerships, Capital Z, to its fair market value of $738,260, realizing a loss of $2,399,536 for the period November 16, 2012 to December 31, 2012. Frontier's exposure is equal to its financial investment in the Limited Partnerships and the amount is reported in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis as of December 31, 2012 and 2011. Frontier does not have any capital commitments for Frontier's existing investments in the Limited Partnerships.

Note 6: Real Estate and Buildings

Real estate and buildings includes a building and land owned by Frontier in Rock Hill, New York with a value of $5,396,454 as of December 31, 2012. The building owned by Frontier in Rock Hill, New York is included as part of Invested Assets on the balance sheet and reported at cost less depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the building which is 20 years.

In addition, Realm owns property in North Carolina with a value of $907,000 and $1,397,000 as of December 31, 2012 and 2011, respectively. The investments in real estate and buildings are carried at estimated fair market value. Realm wrote down the cost of the property to $907,000 during 2012 and recognized a realized loss of $490,000.

Real Property Transactions

On July 9, 2013, the Liquidator entered into a contract for the sale of the largest parcel of Realm real property located in Stanly County North Carolina for a sale price of $550,000.

Real property relating to the Nassau liquidation was acquired by the Liquidator in a judgment lien in May, 2013. The property was appraised at $715,000 in July 2012, and re-appraised in June 2013 at $730,000.

Note 7: Reinsurance

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

Note 7: Reinsurance (continued)

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

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

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

Letters of Credit

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

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

Note 8: Related-Party Transactions

For the years ended December 31, 2012 and 2011, 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, 2012 and 2011, the amounts remaining due to the NYLB are $1.7 million and $2 million, respectively, and are included in Class One – Administrative

Note 8: Related-Party Transactions (continued)

Claims. During 2012 and 2011, the Combined Domestic Estates in Liquidation paid $22.9 million and $18.8 million, respectively, of allocated expenses, detailed as follows:

	2012	2011
Salaries	$ 8,812,360	$ 6,221,942
Employee Relations & Welfare	4,967,785	3,695,797
Rent and Related Expenses	2,499,842	2,355,838
Professional Fees	3,804,985	4,655,145
General and Administrative	2,777,100	1,816,370
	$ 22,862,072	$ 18,745,092

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 Estates and Security Funds.

Note 10: Asbestos and Environmental Reserves

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

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

Note 10: Asbestos and Environmental Reserves (continued)

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

Note 10: Asbestos and Environmental Reserves (continued)

As of December 31, 2012 and 2011, the reserves for Union, Ideal and Midland and the corresponding reinsurance, if any, are as follows and reported as a Class II – Non-Allowed Liability:

	2012	2011
Union		
Gross Reserves		
Asbestos	$ 5,950,171	$ 17,200,252
Environmental	171	107,951
Products	250,225	1,300,378
Total Gross Reserves	6,200,567	18,608,581
Less Ceded Reserves	-	-
Net Reserves	$ 6,200,567	$ 18,608,581

	2012	2011
Ideal		
Gross Reserves		
Asbestos	$ 90	$ 2,250,135
Environmental	2,678,103	2,678,112
Products	1,750,959	5,000,977
Total Gross Reserves	4,429,152	9,929,224
Less Ceded Reserves	-	-
Net Reserves	$ 4,429,152	$ 9,929,224

	2012	2011
Midland		
Gross Reserves		
Asbestos	$ 629,216,764	$ 798,120,715
Environmental	18,156,380	25,150,606
Products	51,026,239	179,451,998
Total Gross Reserves	698,399,383	1,002,723,319
Less Ceded Reserves	(341,682,117)	(471,042,930)
Net Reserves	$ 356,717,266	$ 531,680,389

The decline in reserves for Union and Ideal relate to the adjudication of the MPH claims. Remaining reserves reflect disallowed amounts of claims with objection hearings. The decline in Midland reserves relate to 2012 adjudications. The decrease in ceded reinsurance reserves for Midland was due primarily to commutations finalized in 2012. The changes in MPH reserves are reported in Class 2 – Claims and Related Costs Non-Allowed.

Note 11: Taxes

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

For the 2012 tax year, none of the Domestic Estates in Liquidation paid estimated federal income tax liabilities with their tax extensions filed in March 2013.

The Combined Domestic Estates in Liquidation are subject to New York State franchise tax and Metropolitan Transit Authority local tax. Each Domestic Estate in Liquidation's tax is generally calculated at the minimum because the estates are in liquidation and do not generate premium income. State and local taxes paid on a combined basis were $9,162 in 2012, compared to $8,497 in 2011.

Effective March 1, 2009, the Combined Domestic Estates in Liquidation were subject to the Metropolitan Commuter Transportation ("MCT") mobility tax. In 2012, the total MCT mobility tax paid by the Combined Domestic Estates in Liquidation was $27,027 compared to $18,541 in 2011.

Note 11: Taxes (continued)

At December 31, 2011, certain Domestic Estates in Liquidation had unused NOL carry-forwards available to offset against future taxable income as follows:

Estate	Year NOL Carry-forward Begins Expiring	Trued Up NOL Carry-forward @ 12/31/10	Expired NOL and FINAL RETURN	Taxable Income (Loss) for 20110	Final Return and Other Adjustments	Section Reduction of (NOL) Form 982	NOL Carry-forward @ 12/31/2011
American Agents	2020	$ (67,274,571)	$ -	(365,343)	$ -	$ -	$ (67,639,914)
American Consumer	2017	(12,786,462)	-	(97,153)	-	1,649	(12,881,966)
American Fidelity	2017	(35,175,364)	-	(468,464)	-	-	(35,643,828)
AMIC	2020	-	-	(334,799,580)	(543,736,674)	-	(878,536,254)
Capital Mutual	2021	(43,212,020)	-	(898,032)	-	-	(44,110,052)
Colonial Cooperative	2024	(19,616,133)	-	(1,201,426)	-	-	(20,817,559)
Colonial Indemnity	2027	(17,687,994)	-	(102,480)	-	992,006	(16,798,468)
Consolidated Mutual	2025	(11,043,915)	-	(139,162)	-	-	(11,183,077)
Contractors Casualty	2019	(8,938,057)	-	(187,538)	-	767,303	(8,358,292)
Cosmopolitan	2017	(60,272,595)	5,272,561	(936,467)	-	-	(55,936,501)
First Central	2017	(150,236,279)	-	(49,636)	-	-	(150,285,915)
Galaxy	2017	(28,200,084)	10,309,595	(171,724)	-	541,787	(17,520,426)
Group Council	2024	(373,527,630)	-	(3,205,151)	-	7,652,261	(369,080,520)
Home Mutual	2018	(38,215,351)	-	(407,744)		340,545	(38,282,550)
Horizon	2019	(39,662,597)	39,855,243	(193,063)	-	417	-
Ideal	2017	(528,000,322)	-	(4,555,241)	-	74,206,172	(458,349,391)
LIIC	2028	(8,856,490)	-	(14,671,604)	-	-	(23,528,094)
MDNY	2017	(61,701,363)	-	(207,035)	-	5,323,328	(56,585,070)
Midland	2024	(1,115,485,310)	-	(32,706,603)	-	-	(1,148,191,913)
MIDPAC	2018	(10,697,199)	384,265	89,958	-	-	(10,222,976)
Nassau	2018	(29,077,934)	-	374,110	-	-	(28,703,824)
NYMB	2017	(153,605,690)	-	(1,077,497)	-	1,425,336	(153,257,851)
NY Surety	2018	(15,878,447)	-	(339,585)	-	1,499,997	(14,718,035)
Realm	2024	(154,166,185)	-	(2,552,978)	-	-	(156,719,163)
Titledge	2030	(791,150)	-	(585,762)	-	-	(1,376,912)
Transtate	2024	(26,542,373)	-	260,893	-	-	(26,281,480)
Union	2018	(616,682,800))	14,070,328	(1,075,035)	-	6,317,069	(597,370,438)
U.S. Capital	2017	(43,767,257)	-	(255,011)	-	383,977	(43,638,291)
Washington Title	2026	-	-	(595,577)	(1,282,180)	-	(1,877,757)
Whiting	2017	(20,196,441)	3,462,159	(116,081)		15,123	(16,835,240)
Totals		(3,691,298,013)	73,354,151	(401,227,034)	(545,394,581)	99,466,970	(4,465,098,507)
Valuation Allowance		3,691,298,013	(73,354,151)	401,227,034	545,394,581	(99,466,970)	4,465,098,507
Operating Loss Carry Forward, Net of Valuation Allowance		$ -	$ -	$ -	$ -	$ -	$ -

Note 11: Taxes (continued)

As of December 31, 2011, the Combined Domestic Estates in Liquidation have accumulated NOLs of $4.5 billion. NOLs for 2012 will be updated upon completion of the 2012 tax returns. Because the estates are in liquidation, Management believes, based on the information currently available to it, that uncertainty exists as to whether these NOLs will be realized and whether the carry-forwards will expire unused.

Note 12: 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 $142 million and $113 million, as of December 31, 2012 and 2011, 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, 2012 and 2011, the Combined Domestic Estates in Liquidation share of the estimated liability was $64 million and $50 million, respectively, and included in Class One – Administrative Claims.

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

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

An independent actuarial firm conducted a valuation of the post-retirement plan for the years ended December 31, 2012 and 2011, using Topic 715 and reported its conclusions in reports dated February 2013 and January 2012, respectively (collectively, "Actuarial Reports"). Pursuant to the Actuarial Reports, discount rates of 4.50 and 4.50 % were selected by Management and used to determine the initial accumulated post-retirement benefit obligation ("APBO") and discount rates of 4.00 and 4.50 % were applied to determine the APBO as of December 31, 2012 and 2011, respectively. The post-retirement benefit liability is as follows:

		2012			2011
APBO (Initial Accrual) as of January 1, 2012:	$	113,382,706	APBO (Initial Accrual) as of January 1, 2011:	$	100,114,088
APBO as of December 31, 2012:		142,407,376	APBO as of December 31, 2011:		113,382,706
Net Periodic Benefit Cost for the fiscal year 2012:	$	11,560,158	Net Periodic Benefit Cost for the fiscal year 2011:	$	7,167,673

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

The following presentation was extracted from the Actuarial Reports for the years ended December 31, 2012 and 2011:

	Post-Retirement Benefits 2012	Post-Retirement Benefits 2011
Reconciliation of benefit obligation		
Obligation at beginning of year	$ 113,382,706	$ 100,114,088
Service cost including expenses	3,170,018	2,145,699
Interest cost	5,572,751	5,021,974
Plan amendments	-	-
Actuarial (gain) / loss	22,856,603	8,848,690
Acquisitions / (divestitures)	-	-
Benefit payments and expected expenses	(2,753,254)	(2,888,848)
Medicare Part D reimbursements	178,552	141,103
Curtailments	-	-
Special termination benefits	-	-
Settlements	-	-
Obligation at end of year	$ 142,407,376	$ 113,382,706
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Acquisitions / (divestitures)	-	-
Employer contributions	2,574,702	2,747,745
Benefit payments and actual expenses	(2,753,254)	(2,888,848)
Medicare Part D reimbursements	178,552	141,103
Settlements	-	-
Fair value of plan assets at end of year	-	-
Unfunded status at end of year	$ (142,407,376)	$ (113,382,706)

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

Cash Flows

Expected Future Benefit Payments

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

Fiscal Year Beginning:

2013	$	3,725,310
2014		4,126,757
2015		4,484,174
2016		4,835,877
2017		5,167,000
Years 2018-2022		30,543,046

Employee Retirement Plans

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

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

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

New York State Deferred Compensation Plan – 457b

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

Note 13: Repurchase Agreements

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

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

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

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

The balances of the RAA as of December 31, 2012 and 2011, were $6,092,179 and $7,379,702, respectively. The collateral balances as of December 31, 2012 and 2011, were $6,214,022 and $7,527,296, respectively, and included in Cash and Cash Equivalents.

Note 14: Legal Matters, Commitments and Contingencies

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

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

Note 15: Subsequent Events

Subsequent events have been reviewed through July 31, 2013, 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, 2012, is listed in the table below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2012, and billed and subsequently received in 2013.

	Domestic Estate in Liquidation	Collections of Reinsurance Recoverable on Paid Losses and LAE
(1)	American Agents	$ 2,500
(2)	American Consumer	232,409
(3)	American Fidelity	317,429
(4)	AMIC	305,251
(5)	Centennial	97,731
(6)	Colonial Cooperative	3,141
(7)	Colonial Indemnity	25,000
(8)	Consolidated Mutual	26,900
(9)	Contractors Casualty	53,014
(10)	Cosmopolitan	187,195
(11)	Frontier	9,018,276
(12)	Ideal	1,032,439
(13)	Inscorp	846,321
(14)	Midland	3,593,951
(15)	NYMB	123,529
(16)	NY Surety	50,176
(17)	UCIC	618,006
(18)	Whiting	80,629
	Total	$ 16,613,897

Note 15: Subsequent Events (continued)

Dividends Distributed

The following Domestic Estates in Liquidation made dividend distributions subsequent to December 31, 2012:

American Agents	$ 9,191,682
American Consumer	905,176
American Fidelity	6,206,136
Autoglass	153,717
Capital Mutual	9,719
Contractors Casualty	27,285
Cosmopolitan	408,302
First Central	577,711
Galaxy	36,987
Home Mutual	4,715,421
Ideal	1,282,150
Midland	26,461,950
NY Merchant Bakers	18,095,301
NY Surety	272,395
Transtate	22,900
U.S. Capital	2,236,503
Union	258,839
UCIC	189,331
	$ 71,051,505

Litigation Recoveries

In June, 2013, AMIC received two checks totaling $1,756,130 as a pro-rata settlement of a class action lawsuit brought by Safeco Insurance Company and the Ohio Casualty Company against AIG.

Bar Dates

The following is a list of the Estates that subsequent to December 31, 2012 obtained bar dates pertaining to the presentment of claims, and the corresponding bar date for each Estate:

Capital Mutual	April 15, 2013
Colonial Cooperative	March 1, 2013
First Central	April 30, 2013
Galaxy	April 15, 2013
Home Mutual	April 30, 2013
NYMB	August 30, 2013
Titledge	April 30, 2013
U.S. Capital	May 31, 2013

Note 15: Subsequent Events (continued)

Estate Closures

The following estates were closed subsequent to December 31, 2012:

Contractors Casualty closed February 13, 2013
Autoglass closed February 21, 2013
MIDPAC closed March 12, 2013
NY Surety closed March 13, 2013

Estates Re-Opened

Carriers Casualty Company was re-opened as a Domestic Estate in Liquidation on May 3, 2013 to adjudicate a specific workers' compensation claim.

Appendix A

December 31, 2012

The Domestic Estates in Liquidation

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

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

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

See accompanying independent auditors' report on supplementary information.

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

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

See accompanying independent auditors' report on supplementary information.

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

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

See accompanying independent auditors' report on supplementary information.

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

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

See accompanying independent auditors' report on supplementary information.

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

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

See accompanying independent auditors' report on supplementary information.

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

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Liabilities	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	ATLANTIC MUTUAL	Elimination of IBNR	ATLANTIC MUTUAL (Adjusted)	AUTOGLASS
Secured Claims	$ -	$ 34,217	$ 163,187	$ 5,833,923	$ -	$ 5,833,923	$ -
Unsecured Claims:							
Class I - Administrative Claims:	4,292,551	585,547	858,786	1,629,818	-	1,629,818	7,906
Class II - Claims and Related Costs:							
Allowed	51,471,801	15,535,052	37,537,717	(23,899,098)	-	(23,899,098)	-
Non Allowed	153,263	-	-	219,821,518	-	219,821,518	-
IBNR	-	-	-	25,286,155	(25,286,155)	-	-
Total Class II - Claims and Related Costs	51,625,064	15,535,052	37,537,717	221,208,575	(25,286,155)	195,922,420	-
Class III - Federal Government Claims	-	-	-	39,418,405	-	39,418,405	-
Class IV - Employee Claims	-	-	-	-	-	-	-
Class V - State and Local Government Claims	306,878	44,842	92,237	2,075,465	-	2,075,465	3,910
Class VI - General Creditor Claims	682,397	5,353,253	9,463,626	7,461,560	-	7,461,560	67,629
Class VII - Late Filed Claims	335	67,852	6,324,613	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	159,398,946	-	159,398,946	167,709
Class IX - Share Holder Claims	-	-	-	-	-	-	-
Total Liabilities	56,907,225	21,620,763	54,440,166	437,026,692	(25,286,155)	411,740,537	247,154
Liquidator's Surplus (Deficit)	(43,211,347)	(20,234,671)	(47,410,223)	(305,195,375)	25,286,155	(279,909,220)	(50,298)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 13,695,878	$ 1,386,092	$ 7,029,943	$ 131,831,317	$ -	$ 131,831,317	$ 196,856

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THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

Liabilities	BAKERS MUTUAL	CAPITAL MUTUAL	CENTENNIAL	Elimination of IBNR	CENTENNIAL (Adjusted)	COLONIAL INDEMNITY	COLONIAL COOPERATIVE
Secured Claims	$ -	$ 56,413	$ 1,941,154	$ -	$ 1,941,154	$ -	$ 7,829
Unsecured Claims:							
Class I - Administrative Claims:	1,773	2,101,115	696,425	-	696,425	191,767	207,623
Class II - Claims and Related Costs:							
Allowed	-	37,107,456	(4,577,859)	-	(4,577,859)	1,626,495	1,524,748
Non Allowed	-	1,067,467	188,287,774	-	188,287,774	2,809,271	18,507,576
IBNR	-	-	5,854,677	(5,854,677)	-	-	-
Total Class II - Claims and Related Costs	-	38,174,923	189,564,592	(5,854,677)	183,709,915	4,435,766	20,032,324
Class III - Federal Government Claims	-	441	6,839,598	-	6,839,598	-	-
Class IV - Employee Claims	-	3,123	-	-	-	-	-
Class V - State and Local Government Claims	-	52,295	79,501	-	79,501	54	50
Class VI - General Creditor Claims	-	3,987,972	3,120,957	-	3,120,957	625,360	1,123,471
Class VII - Late Filed Claims	6,341	-	-	-	-	-	-
Class VIII - Section 1307 (Shareholder) Loans	-	-	-	-	-	-	1,075,375
Class IX - Share Holder Claims	-	-	-	-	-	-	-
Total Liabilities	8,114	44,376,282	202,242,227	(5,854,677)	196,387,550	5,252,947	22,446,672
Liquidator's Surplus (Deficit)	273,608	(35,452,459)	(144,688,680)	5,854,677	(138,834,003)	(4,991,629)	(21,111,776)
Total Liabilities and Liquidator's Surplus (Deficit)	$ 281,722	$ 8,923,823	$ 57,553,547	$ -	$ 57,553,547	$ 261,318	$ 1,334,896

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THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

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

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES -MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS - DECEMBER 31, 2012

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

See accompanying independent auditors' report on supplementary information.

Appendix B

December 31, 2011

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 SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	CAPITAL MUTUAL	COLONIAL INDEMNITY	COLONIAL COOPERATIVE
Unrestricted Assets:						
Cash and cash equivalents	$ 1,261,680	$ 1,357,110	$ 6,749,393	$ 4,543,090	$ 204,196	$ 125,302
Invested Assets						
Short-term Investments, at fair value	-	-	-	-	-	-
Certificate of Deposits	-	-	-	-	-	-
Bonds, at fair value	11,270,616	-	-	4,005,240	-	407,533
Common Stocks, at fair value	-	-	14,454	-	-	-
Total Invested Assets	11,270,616	-	14,454	4,005,240	-	407,533
Total Cash, Cash equivalents and Invested Assets	12,532,296	1,357,110	6,763,847	8,548,330	204,196	532,835
Reinsurance Recoverables on Paid Losses and LAE	28,435	5,691,909	1,670,601	6,355,844	2,754,185	1,131,226
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(5,691,909)	(1,670,601)	(6,355,844)	(2,754,185)	(1,131,226)
Net Reinsurance Recoverables on Paid Losses and LAE	28,435	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	163,522	520,334	263,628	390,992	2,107,348	11,797,153
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(520,334)	(263,628)	(390,992)	(2,107,348)	(11,797,153)
Net Reinsurance Recoverables on Unpaid Losses and LAE	163,522	-	-	-	-	-
Receivables from Others	1,205,000	65,000	80,000	266,000	150,000	-
Accrued Investment Income	23,620	-	-	913	-	6,969
Other Assets	-	-	-	38,948	-	994,790
Total Unrestricted Assets	13,952,873	1,422,110	6,843,847	8,854,191	354,196	1,534,594
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	50,402	-	-	-
Other Restricted Assets	19,167	41,064	206,701	303,974	-	-
Total Restricted Assets	19,167	41,064	257,103	303,974	-	-
Total Assets	$ 13,972,040	$ 1,463,174	$ 7,100,950	$ 9,158,165	$ 354,196	$ 1,534,594

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL	GALAXY	GROUP COUNCIL
Unrestricted Assets:						
Cash and cash equivalents	$ 7,067,925	$ 647,447	$ 7,618,027	$ 15,866,756	$ 5,925,446	$ 2,477,247
Invested Assets						
Short-term Investments, at fair value	-	-	-	-	-	-
Certificate of Deposits	-	-	-	10,000,000	-	-
Bonds, at fair value	-	-	35,410,961	38,557,321	10,019,121	-
Common Stocks, at fair value	-	-	-	-	-	-
Total Invested Assets	-	-	35,410,961	48,557,321	10,019,121	-
Total Cash, Cash equivalents and Invested Assets	7,067,925	647,447	43,028,988	64,424,077	15,944,567	2,477,247
Reinsurance Recoverables on Paid Losses and LAE	1,411,497	568,274	4,847,137	599,776	215,244	23,061,998
Less: Allowance for Uncollectible Reinsurance Recoverables	(1,411,497)	(568,274)	(4,847,137)	-	(215,244)	(23,061,998)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	599,776	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	749,062	763,200	8,930,314	4,087,861	851,924	-
Less: Allowance for Uncollectible Reinsurance Recoverables	(749,062)	(763,200)	(8,930,314)	-	(851,924)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	4,087,861	-	-
Receivables from Others	49,000	60,000	159,609	989,000	212,000	1,967,000
Accrued Investment Income	-	-	245,232	226,497	24,391	-
Other Assets	-	-	964,741	34,330	-	-
Total Unrestricted Assets	7,116,925	707,447	44,398,570	70,361,541	16,180,958	4,444,247
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	-	-
Other Restricted Assets	401,825	152,643	911,278	506,821	131,035	206,975
Total Restricted Assets	401,825	152,643	911,278	506,821	131,035	206,975
Total Assets	$ 7,518,750	$ 860,090	$ 45,309,848	$ 70,868,362	$ 16,311,993	$ 4,651,222

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	HEALTH PARTNERS	HOME MUTUAL	HORIZON HEALTHCARE	HORIZON	IDEAL MUTUAL	INSCORP
Unrestricted Assets:						
Cash and cash equivalents	$ (4)	$ 6,682,867	$ -	$ -	$ 23,782,579	$ 14,579,989
Invested Assets						
Short-term Investments, at fair value	-	-	-	-	-	-
Certificate of Deposits	-	-	-	-	15,000,000	-
Bonds, at fair value	300,566	4,002,751	-	-	45,079,124	20,239,313
Common Stocks, at fair value	-	-	-	-	-	-
Total Invested Assets	300,566	4,002,751	-	-	60,079,124	20,239,313
Total Cash, Cash equivalents and Invested Assets	300,562	10,685,618	-	-	83,861,703	34,819,302
Reinsurance Recoverables on Paid Losses and LAE	-	1,700,041	-	20,927,698	54,015,694	22,239,473
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(1,700,041)	-	(20,927,698)	(54,015,694)	(22,239,473)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	14,125	-	-	7,359,188	35,736,272
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(14,125)	-	-	(7,359,188)	(35,736,272)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	50,000	127,000	-	-	660,000	447,565
Accrued Investment Income	6,466	11,063	-	-	397,270	25,229
Other Assets	-	288,460	-	-	-	187,112
Total Unrestricted Assets	357,028	11,112,141	-	-	84,918,973	35,479,208
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	133,701	2,071,911
Other Restricted Assets	-	1,387	-	-	3,597,518	3,430,772
Total Restricted Assets	-	1,387	-	-	3,731,219	5,502,683
Total Assets	$ 357,028	$ 11,113,528	$ -	$ -	$ 88,650,192	$ 40,981,891

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	LONG ISLAND	MDNY	MIDLAND	ELIMINATION OF IBNR	MIDLAND ADJUSTED	MIDPAC
Unrestricted Assets:						
Cash and cash equivalents	$ 1,253,590	$ 2,114,802	$ 75,500,765	$ -	$ 75,500,765	$ 1,747,478
Invested Assets						
Short-term Investments, at fair value	-	-	-		-	-
Certificate of Deposits	-	-	15,000,000		15,000,000	-
Bonds, at fair value	-	254,608	301,388,354		301,388,354	7,006,494
Common Stocks, at fair value	-	-	106,080		106,080	-
Total Invested Assets	-	254,608	316,494,434		316,494,434	7,006,494
Total Cash, Cash equivalents and Invested Assets	1,253,590	2,369,410	391,995,199		391,995,199	8,753,972
Reinsurance Recoverables on Paid Losses and LAE	-	-	134,226,612		134,226,612	140,440
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(71,650,192)		(71,650,192)	(70,101)
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	62,576,420	-	62,576,420	70,339
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	1,563,239,887	(558,717,500)	1,004,522,387	4,013,270
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(1,231,829,291)	495,861,781	(735,967,510)	(1,493,492)
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	331,410,596	(62,855,719)	268,554,877	2,519,778
Receivables from Others	-	150,000	3,260,000		3,260,000	50,000
Accrued Investment Income	-	1,606	1,608,861		1,608,861	81,675
Other Assets	82,067	-	-			
Total Unrestricted Assets	1,335,657	2,521,016	790,851,076	(62,855,719)	727,995,357	11,475,764
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	219,933		219,933	-
Other Restricted Assets	-	35,162	1,611,328		1,611,328	-
Total Restricted Assets	-	35,162	1,831,261	-	1,831,261	-
Total Assets	$ 1,335,657	$ 2,556,178	$ 792,682,337	$ (62,855,719)	$ 729,826,618	$ 11,475,764

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	MMLA	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL	TITLEDGE
Unrestricted Assets:						
Cash and cash equivalents	$ -	$ 101,083	$ 3,706,308	$ 1,084,637	$ 3,057,879	$ 672,196
Invested Assets						
Short-term Investments, at fair value	-	-	-	-	-	-
Certificate of Deposits	-	-	-	-	-	-
Bonds, at fair value	-	2,478,440	19,536,581	-	359,204	-
Common Stocks, at fair value	-	2,080	-	-	-	-
Total Invested Assets	-	2,480,520	19,536,581	-	359,204	-
Total Cash, Cash equivalents and Invested Assets	-	2,581,603	23,242,889	1,084,637	3,417,083	672,196
Reinsurance Recoverables on Paid Losses and LAE	-	12,961,618	23,919,187	1,694,170	7,046,047	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	(12,961,618)	(23,919,187)	(1,694,170)	(7,046,047)	-
Net Reinsurance Recoverables on Paid Losses and LAE	-	-	-	-	-	-
Reinsurance Recoverables on Unpaid Losses and LAE	-	-	1,005,283	-	7,198,131	-
Less: Allowance for Uncollectible Reinsurance Recoverables	-	-	(1,005,283)	-	(7,198,131)	-
Net Reinsurance Recoverables on Unpaid Losses and LAE	-	-	-	-	-	-
Receivables from Others	-	200,000	1,513,725	63,996	600,000	-
Accrued Investment Income	-	6,112	91,060	-	1,976	-
Other Assets	-	10,000	104,034	-	1,568,730	-
Total Unrestricted Assets	-	2,797,715	24,951,708	1,148,633	5,587,789	672,196
Restricted Assets:						
Statutory Deposits in New York or Other States	-	-	-	-	658,785	-
Other Restricted Assets	-	10,795	2,082,622	992,112	205,699	-
Total Restricted Assets	-	10,795	2,082,622	992,112	864,484	-
Total Assets	$ -	$ 2,808,510	$ 27,034,330	$ 2,140,745	$ 6,452,273	$ 672,196

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Assets	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WHITING NATIONAL	COMBINED ESTATE TOTALS
Unrestricted Assets:						
Cash and cash equivalents	$ 8,115,116	$ 14,639,646	$ 1,690,484	$ 10,113,502	$ 1,123,859	$ 223,810,395
Invested Assets						
Short-term Investments, at fair value	-	-	-	-	-	-
Certificate of Deposits	10,000,000	-	-	-	-	50,000,000
Bonds, at fair value	20,897,675	30,052,831	14,990,171	1,050,971	-	567,307,875
Common Stocks, at fair value	-	-	1,219,342	-	-	1,341,956
Total Invested Assets	30,897,675	30,052,831	16,209,513	1,050,971	-	618,649,831
Total Cash, Cash equivalents and Invested Assets	39,012,791	44,692,477	17,899,997	11,164,473	1,123,859	842,460,226
Reinsurance Recoverables on Paid Losses and LAE	445,449	40,610,530	7,647,077	419,592	1,156,460	377,486,214
Less: Allowance for Uncollectible Reinsurance Recoverables	(159)	(40,610,530)	(7,647,077)	(419,592)	(1,156,460)	(313,765,954)
Net Reinsurance Recoverables on Paid Losses and LAE	445,290	-	-	-	-	63,720,260
Reinsurance Recoverables on Unpaid Losses and LAE	11,562,758	1,117,885	1,822,732	181,651	10,833	1,105,169,853
Less: Allowance for Uncollectible Reinsurance Recoverables	(11,000,000)	(1,117,885)	(1,822,732)	(181,651)	(10,833)	(829,281,057)
Net Reinsurance Recoverables on Unpaid Losses and LAE	562,758	-	-	-	-	275,888,796
Receivables from Others	315,000	470,000	500,000	167,000	82,002	13,858,897
Accrued Investment Income	253,000	173,742	118,124	486	-	3,304,292
Other Assets	-	-	-	-	-	4,273,212
Total Unrestricted Assets	40,588,839	45,336,219	18,518,121	11,331,959	1,205,861	1,203,505,683
Restricted Assets:						
Statutory Deposits in New York or Other States	-	375,222	-	-	-	3,509,954
Other Restricted Assets	-	5,952,761	524,150	84,253	111,413	21,521,455
Total Restricted Assets	-	6,327,983	524,150	84,253	111,413	25,031,409
Total Assets	$ 40,588,839	$ 51,664,202	$ 19,042,271	$ 11,416,212	$ 1,317,274	$ 1,228,537,092

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	CAPITAL MUTUAL	COLONIAL INDEMNITY	COLONIAL COOPERATIVE
Secured Claims	$ -	$ 34,217	$ 163,179	$ 56,410	$ -	$ 7,829
Unsecured Claims						
Class I - Administrative Claims:	3,701,952	475,582	699,962	1,725,041	145,951	118,768
Class II - Claims and Related Costs:						
Allowed	51,059,941	15,535,052	37,537,865	36,915,891	662,500	101,671
Non Allowed	665,057	-	-	1,692,094	3,673,123	19,378,817
IBNR	-	-	-	-	-	-
Total	51,724,998	15,535,052	37,537,865	38,607,985	4,335,623	19,480,488
Class III - Federal Government Claims:	-	-	-	441	-	-
Class IV - Employee Claims:	-	-	-	3,123	-	-
Class V - State and Local Government Claims:	306,878	44,842	92,237	52,295	54	-
Class VI - General Creditors:	682,397	5,353,253	9,464,237	3,997,787	543,856	1,117,449
Class VII - Late Filed Claims:	335	67,852	6,324,613	-	-	-
Class VIII - Section 1307 (Shareholder) Loans:	-	-	-	-	-	1,075,375
Class IX - Share Holder Claims:	-	-	-	-	-	-
Total Liabilities	56,416,560	21,510,798	54,282,093	44,443,082	5,025,484	21,799,909
(Deficit) Surplus of Assets over Liabilities	(42,444,520)	(20,047,624)	(47,181,143)	(35,284,917)	(4,671,288)	(20,265,315)
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ 13,972,040	$ 1,463,174	$ 7,100,950	$ 9,158,165	$ 354,196	$ 1,534,594

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL	GALAXY	GROUP COUNCIL
Secured Claims	$ 338,495	$ 152,643	$ 934,964	$ 86,052	$ 131,035	$ 5,641
Unsecured Claims						
Class I - Administrative Claims:	520,461	430,921	1,132,316	4,027,967	2,083,478	2,320,378
Class II - Claims and Related Costs:						
Allowed	13,459,517	5,177,711	53,339,306	130,301,888	45,987,101	218,373,367
Non Allowed	-	814,169	15,706,564	10,451,718	1,374,374	57,862,227
IBNR	-	-	-	-	-	-
Total	13,459,517	5,991,880	69,045,870	140,753,606	47,361,475	276,235,594
Class III - Federal Government Claims:	-	-	-	-	-	-
Class IV - Employee Claims:	-	-	-	-	-	4,425
Class V - State and Local Government Claims:	3,053	7,941	7,476	874,434	2,720	22,828
Class VI - General Creditors:	3,317,898	929,702	18,657,142	1,763,389	501,255	56,202,748
Class VII - Late Filed Claims:	15,120,795	-	9,973,857	-	-	-
Class VIII - Section 1307 (Shareholder) Loans:	-	60,000	-	-	-	-
Class IX - Share Holder Claims:	-	-	-	1	-	-
Total Liabilities	32,760,219	7,573,087	99,751,625	147,505,449	50,079,963	334,791,614
(Deficit) Surplus of Assets over Liabilities	(25,241,469)	(6,712,997)	(54,441,777)	(76,637,087)	(33,767,970)	(330,140,392)
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ 7,518,750	$ 860,090	$ 45,309,848	$ 70,868,362	$ 16,311,993	$ 4,651,222

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	HEALTH PARTNERS	HOME MUTUAL	HORIZON HEALTHCARE	HORIZON	IDEAL MUTUAL	INSCORP
Secured Claims	$ -	$ 1,387	$ -	$ -	$ 3,487,505	$ 1,448,087
Unsecured Claims						
Class I - Administrative Claims:	72,677	2,669,700	-	29,260	8,141,843	1,413,323
Class II - Claims and Related Costs:						
Allowed	1,299,539	31,257,309	-	64,771,874	260,799,470	1,441,217
Non Allowed	303,585	817,700	-	-	43,632,574	37,912,583
IBNR	-	-	-	-	-	-
Total	1,603,124	32,075,009	-	64,771,874	304,432,044	39,353,800
Class III - Federal Government Claims:	-	-	-	-	-	-
Class IV - Employee Claims:	-	-	-	-	-	-
Class V - State and Local Government Claims:	29,935	126,590	-	-	280,887	1,515,774
Class VI - General Creditors:	-	1,880,708	-	628,562	101,262,616	124,878,247
Class VII - Late Filed Claims:	-	-	-	23,758,815	70,961,525	-
Class VIII - Section 1307 (Shareholder) Loans:	-	-	-	-	-	-
Class IX - Share Holder Claims:	-	-	-	-	-	107,467,599
Total Liabilities	1,705,736	36,753,394	-	89,188,511	488,566,420	276,076,830
(Deficit) Surplus of Assets over Liabilities	(1,348,708)	(25,639,866)	-	(89,188,511)	(399,916,228)	(235,094,939)
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ 357,028	$ 11,113,528	$ -	$ -	$ 88,650,192	$ 40,981,891

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	LONG ISLAND	MDNY	MIDLAND	ELIMINATION OF IBNR	MIDLAND ADJUSTED	MIDPAC
Secured Claims	$ -	$ 35,162	$ 1,569,949	$ -	$ 1,569,949	$ -
Unsecured Claims						
Class I - Administrative Claims:	453,639	390,934	15,970,727		15,970,727	482,625
Class II - Claims and Related Costs:						
Allowed	1,684,667	9,254,059	566,878,140		566,878,140	-
Non Allowed	20,329,495	4,857,171	1,187,989,327		1,187,989,327	7,500,036
IBNR	-	-	605,000,000	(605,000,000)	-	-
Total	22,014,162	14,111,230	2,359,867,467	(605,000,000)	1,754,867,467	7,500,036
Class III - Federal Government Claims:	-	-	-		-	-
Class IV - Employee Claims:	-	-	-		-	-
Class V - State and Local Government Claims:	28,186	102,072	8,317,575		8,317,575	-
Class VI - General Creditors:	521,724	29,110,131	186,292,634		186,292,634	570
Class VII - Late Filed Claims:	-	-	169,550,639		169,550,639	-
Class VIII - Section 1307 (Shareholder) Loans:	-	4,061,259	-		-	-
Class IX - Share Holder Claims:	-	13,580,000	-		-	-
Total Liabilities	23,017,711	61,390,788	2,741,568,991	(605,000,000)	2,136,568,991	7,983,231
(Deficit) Surplus of Assets over Liabilities	(21,682,054)	(58,834,610)	(1,948,886,654)	542,144,281	(1,406,742,373)	3,492,533
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ 1,335,657	$ 2,556,178	$ 792,682,337	$ (62,855,719)	$ 729,826,618	$ 11,475,764

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	MMLA	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY	REALM NATIONAL	TITLEDGE
Secured Claims	$ -	$ -	$ 180,160	$ 992,112	$ 326,914	$ -
Unsecured Claims						
Class I - Administrative Claims:	-	56,385	3,295,442	452,403	3,627,853	13,948
Class II - Claims and Related Costs:						
Allowed	-	38,512,801	123,586,763	8,549,334	37,369,162	-
Non Allowed	-	84,477	2,147,247	493,185	54,660,072	521,956
IBNR	-	-	-	-	-	-
Total	-	38,597,278	125,734,010	9,042,519	92,029,234	521,956
Class III - Federal Government Claims:	-	-	-	-	-	-
Class IV - Employee Claims:	-	-	-	-	2,616	-
Class V - State and Local Government Claims:	-	77,966	482,493	17,725	61,013	11,906
Class VI - General Creditors:	-	592,483	3,002,412	469,220	18,200,695	-
Class VII - Late Filed Claims:	-	3,943,046	-	-	401	-
Class VIII - Section 1307 (Shareholder) Loans:	-	-	-	-	-	-
Class IX - Share Holder Claims:	-	-	-	-	-	750,000
Total Liabilities	-	43,267,158	132,694,517	10,973,979	114,248,726	1,297,810
(Deficit) Surplus of Assets over Liabilities	-	(40,458,648)	(105,660,187)	(8,833,234)	(107,796,453)	(625,614)
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ -	$ 2,808,510	$ 27,034,330	$ 2,140,745	$ 6,452,273	$ 672,196

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

Liabilities	TRANSTATE	UNION INDEMNITY	UNITED COMMUNITY	U. S. CAPITAL	WHITING NATIONAL	COMBINED ESTATE TOTALS
Secured Claims	$ -	$ 6,175,126	$ 658,622	$ 112,955	$ 1,042	$ 16,899,486
Unsecured Claims						
Class I - Administrative Claims:	1,281,771	3,934,690	1,137,993	1,077,146	381,319	62,266,455
Class II - Claims and Related Costs:						
Allowed	60,706,219	182,690,718	126,041,646	31,635,404	19,088,275	2,174,018,407
Non Allowed	1,655,983	29,888,553	14,106,088	231,504	-	1,518,749,679
IBNR	-	-	-	-	-	-
Total	62,362,202	212,579,271	140,147,734	31,866,908	19,088,275	3,692,768,086
Class III - Federal Government Claims:	-	137,245	-	-	-	137,686
Class IV - Employee Claims:	-	-	-	-	-	10,164
Class V - State and Local Government Claims:	-	71,337	-	109,175	-	12,647,392
Class VI - General Creditors:	931,512	160,991,940	2,490,396	3,257,795	8,372,978	745,415,736
Class VII - Late Filed Claims:	-	69,492,805	-	-	51,242	369,245,925
Class VIII - Section 1307 (Shareholder) Loans:	-	-	-	-	-	5,196,634
Class IX - Share Holder Claims:	-	-	18,666,845	-	-	140,464,445
Total Liabilities	64,575,485	453,382,414	163,101,590	36,423,979	27,894,856	5,045,052,009
(Deficit) Surplus of Assets over Liabilities	(23,986,646)	(401,718,212)	(144,059,319)	(25,007,767)	(26,577,582)	(3,816,514,917)
Total Liabilities and Surplus (Deficit) of Assets Over Liabilities	$ 40,588,839	$ 51,664,202	$ 19,042,271	$ 11,416,212	$ 1,317,274	$ 1,228,537,092

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	AMERICAN AGENTS	AMERICAN CONSUMER	AMERICAN FIDELITY	CAPITAL MUTUAL	COLONIAL INDEMNITY
Receipts:					
Investment Income Received	$ 85,744	$ 14,766	$ 77,822	$ 51,095	$ 1,079
Reinsurance Recovered	39,143	1,649	140,903	259,007	-
Premiums Collected	-	-	-	-	-
Salvage and Subrogation	679	-	-	7,453	-
Refund from Central Disbursement Account	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	143,574	-	-
Litigation Awards	-	-	-	-	-
Miscellaneous	78	-	3	1,269	-
Total Receipts	125,644	16,415	362,302	318,824	1,079
Disbursements:					
Dividends	118,173	2,057,053	11,683,246	6,421,910	-
Deposit with Central Disbursement Account	-	-	-	-	-
Loss Adjustment Expense	-	-	-	-	-
Salvage and Subrogation Fees	119	-	-	-	-
Salaries	101,232	25,008	40,802	133,339	45,639
Employee Relations & Welfare	53,517	14,071	22,859	72,859	-
Rent and Related Expenses	39,014	6,269	11,347	50,775	19,882
Professional Fees	16,323	15,248	15,361	16,280	16,565
General and Administrative Expenses	65,912	10,569	15,652	54,162	425
Miscellaneous	5,234	1,207	1,673	9,498	26
Total Disbursements	399,524	2,129,425	11,790,940	6,758,823	82,537
Net Increase (Decrease) of Receipts Over Disbursements	(273,880)	(2,113,010)	(11,428,638)	(6,439,999)	(81,458)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	12,817,541	3,470,120	18,192,485	14,983,990	285,654
Unrealized Gain / (Loss) on Investments	(11,365)	-	-	4,339	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 12,532,296	$ 1,357,110	$ 6,763,847	$ 8,548,330	$ 204,196

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	COLONIAL COOPERATIVE	CONSOLIDATED MUTUAL	CONTRACTORS CASUALTY	COSMOPOLITAN MUTUAL	FIRST CENTRAL
Receipts:					
Investment Income Received	$ 11,564	$ 28,538	$ 3,218	$ 703,183	$ 1,050,774
Reinsurance Recovered	-	-	48,307	85,637	1,516,478
Premiums Collected	-	-	-	-	-
Salvage and Subrogation	-	-	-	-	-
Refund from Central Disbursement Account	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-
Litigation Awards	-	-	-	-	-
Miscellaneous	131,973	-	-	-	30
Total Receipts	143,537	28,538	51,525	788,820	2,567,282
Disbursements:					
Dividends	-	-	-	1,622,939	7,320,007
Deposit with Central Disbursement Account	-	-	-	-	-
Loss Adjustment Expense	118,722	-	-	-	1,000
Salvage and Subrogation Fees	-	-	-	-	-
Salaries	209,962	23,146	71,503	136,051	117,192
Employee Relations & Welfare	505	12,644	37,193	76,205	63,485
Rent and Related Expenses	4,008	24,671	18,547	65,286	53,315
Professional Fees	51,898	15,818	14,709	16,091	15,933
General and Administrative Expenses	10	12,402	13,670	30,388	56,689
Miscellaneous	1,792	2,868	2,942	8,330	12,340
Total Disbursements	386,897	91,549	158,564	1,955,290	7,639,961
Net Increase (Decrease) of Receipts Over Disbursements	(243,360)	(63,011)	(107,039)	(1,166,470)	(5,072,679)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	783,338	7,130,936	754,486	44,155,543	69,451,387
Unrealized Gain / (Loss) on Investments	(7,143)	-	-	39,915	45,369
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 532,835	$ 7,067,925	$ 647,447	$ 43,028,988	$ 64,424,077

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	GALAXY	GROUP COUNCIL	HEALTH PARTNERS	HOME MUTUAL	HORIZON HEALTHCARE
Receipts:					
Investment Income Received	$ 159,984	$ 11,560	$ 14,822	$ 42,868	$ 2,785
Reinsurance Recovered	302,125	-	-	242,750	-
Premiums Collected	-	-	-	-	-
Salvage and Subrogation	-	-	-	-	-
Refund from Central Disbursement Account	-	-	-	-	10,000
Reimbursement from New York Security Funds	-	-	-	-	-
Release from Ancillary Special Deposits	-	-	-	-	-
Litigation Awards	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Receipts	462,109	11,560	14,822	285,618	12,785
Disbursements:					
Dividends	7,830,864	-	1,479,186	-	3,727,312
Deposit with Central Disbursement Account	-	-	-	-	-
Loss Adjustment Expense	-	-	-	-	-
Salvage and Subrogation Fees	-	-	-	-	-
Salaries	47,179	54,868	48,075	104,680	793
Employee Relations & Welfare	25,896	27,879	24,793	52,369	-
Rent and Related Expenses	21,015	26,932	13,110	51,186	-
Professional Fees	15,585	19,760	14,931	16,107	-
General and Administrative Expenses	54,494	17,750	7,782	34,657	1,700
Miscellaneous	9,665	2,205	3,630	12,847	-
Total Disbursements	8,004,698	149,394	1,591,507	271,846	3,729,805
Net Increase (Decrease) of Receipts Over Disbursements	(7,542,589)	(137,834)	(1,576,685)	13,772	(3,717,020)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	23,530,255	2,615,081	1,892,729	10,678,377	3,717,020
Unrealized Gain / (Loss) on Investments	(43,099)	-	(15,482)	(6,531)	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 15,944,567	$ 2,477,247	$ 300,562	$ 10,685,618	$ -

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	HORIZON	IDEAL MUTUAL	INSCORP	LONG ISLAND	MDNY
Receipts:					
Investment Income Received	$ 19,806	$ 1,258,166	$ 230,976	$ 7,815	$ 30,205
Reinsurance Recovered	-	654,173	27,956	-	-
Premiums Collected	-	-	-	8,381	-
Salvage and Subrogation	625	1,695	17,877	70,164	-
Refund from Central Disbursement Account	50,000	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	77,933	-
Release from Ancillary Special Deposits	-	-	1,204,469	-	-
Litigation Awards	-	-	23,193,365	-	-
Miscellaneous	97,540	25	57,057	379,340	6,403
Total Receipts	167,971	1,914,059	24,731,700	543,633	36,608
Disbursements:					
Dividends	3,622,498	4,907,867	-	-	2,313,515
Deposit with Central Disbursement Account	-	-	345,437	-	-
Loss Adjustment Expense	-	-	143,584	-	-
Salvage and Subrogation Fees	208	-	-	-	-
Salaries	39,275	940,244	630,495	411,847	84,562
Employee Relations & Welfare	630,556	514,272	337,180	144,870	46,444
Rent and Related Expenses	36,650	377,127	210,704	109,183	31,978
Professional Fees	16,596	118,684	639,479	23,851	15,964
General and Administrative Expenses	129,070	209,949	208,936	139,718	9,625
Miscellaneous	1,562	39,015	33,305	19,275	4,472
Total Disbursements	4,476,415	7,107,158	2,549,120	848,744	2,506,560
Net Increase (Decrease) of Receipts Over Disbursements	(4,308,444)	(5,193,099)	22,182,580	(305,111)	(2,469,952)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	4,308,444	88,983,309	12,637,284	1,558,701	4,849,545
Unrealized Gain / (Loss) on Investments	-	71,493	(562)	-	(10,183)
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ -	$ 83,861,703	$ 34,819,302	$ 1,253,590	$ 2,369,410

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	MIDLAND	MIDPAC	MMLA	NASSAU	NEW YORK MERCHANT	NEW YORK SURETY
Receipts:						
Investment Income Received	$ 6,737,632	$ 112,318	$ 1,846	$ 9,154	$ 97,881	$ 4,968
Reinsurance Recovered	1,330,457	-	-	-	878,678	158,072
Premiums Collected	-	-	-	-	-	-
Salvage and Subrogation	-	-	-	-	3,678	-
Refund from Central Disbursement Account	-	-	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-	-	-
Release from Ancillary Special Deposits	431	-	25,000	-	-	-
Litigation Awards	-	-	-	1,206,309	-	-
Miscellaneous	17,900	-	-	-	-	-
Total Receipts	8,086,420	112,318	26,846	1,215,463	980,237	163,040
Disbursements:						
Dividends	2,714,222	-	1,009,498	-	-	-
Deposit with Central Disbursement Account	-	-	-	-	-	-
Loss Adjustment Expense	2,792	-	-	10,000	-	-
Salvage and Subrogation Fees	-	-	-	-	-	-
Salaries	1,901,962	13,024	1,337	60,087	142,278	125,940
Employee Relations & Welfare	1,026,805	7,385	584	33,646	79,068	69,952
Rent and Related Expenses	653,352	3,688	412	33,153	73,179	42,071
Professional Fees	2,414,852	21,647	16,160	675,719	16,422	15,211
General and Administrative Expenses	440,405	11,245	132	5,444	72,520	16,196
Miscellaneous	95,485	2,830	60	3,839	9,426	4,369
Total Disbursements	9,249,875	59,819	1,028,183	821,888	392,893	273,739
Net Increase (Decrease) of Receipts Over Disbursements	(1,163,455)	52,499	(1,001,337)	393,575	587,344	(110,699)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	392,474,767	8,692,401	1,001,337	2,174,321	22,651,482	1,195,336
Unrealized Gain / (Loss) on Investments	683,887	9,072	-	13,707	4,063	-
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 391,995,199	$ 8,753,972	$ -	$ 2,581,603	$ 23,242,889	$ 1,084,637

See paragraph on supplementary schedules in the accompanying independent auditors' report

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	REALM NATIONAL	TITLEDGE	TRANSTATE	UNION INDEMNITY
Receipts:				
Investment Income Received	$ 15,885	$ 3,151	$ 663,982	$ 612,217
Reinsurance Recovered	2,010,220	-	35,075	513,943
Premiums Collected	5,500	-	-	-
Salvage and Subrogation	239,951	-	-	97,989
Refund from Central Disbursement Account	-	-	-	-
Reimbursement from New York Security Funds	-	-	-	-
Release from Ancillary Special Deposits	245,835	-	-	-
Litigation Awards	-	-	-	-
Miscellaneous	5,900	-	-	10
Total Receipts	2,523,291	3,151	699,057	1,224,159
Disbursements:				
Dividends	-	-	20,090,040	177,095
Deposit with Central Disbursement Account	-	-	-	-
Loss Adjustment Expense	-	-	839	-
Salvage and Subrogation Fees	-	-	-	-
Salaries	113,172	21,108	63,395	269,576
Employee Relations & Welfare	-	10,097	34,672	146,656
Rent and Related Expenses	34,673	5,184	28,562	121,389
Professional Fees	17,984	10,839	15,249	232,790
General and Administrative Expenses	13,485	1,783	26,986	91,608
Miscellaneous	12,324	1,290	5,315	13,315
Total Disbursements	191,638	50,301	20,265,058	1,052,429
Net Increase (Decrease) of Receipts Over Disbursements	2,331,653	(47,150)	(19,566,001)	171,730
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	1,081,429	719,346	57,863,555	44,403,115
Unrealized Gain / (Loss) on Investments	4,001	-	715,237	117,632
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 3,417,083	$ 672,196	$ 39,012,791	$ 44,692,477

THE DOMESTIC ESTATES IN LIQUIDATION SCHEDULES OF COMBINING ESTATES ASSETS - MODIFIED CASH BASIS AS OF DECEMBER 31, 2011

	UNITED COMMUNITY	U. S. CAPITAL	WHITING NATIONAL	COMBINED ESTATE TOTALS
Receipts:				
Investment Income Received	$ 131,882	$ 46,783	$ 32,596	$ 12,277,065
Reinsurance Recovered	1,198,166	24,845	-	9,467,584
Premiums Collected	-	-	-	13,881
Salvage and Subrogation	-	-	-	440,111
Refund from Central Disbursement Account	-	-	-	60,000
Reimbursement from New York Security Funds	117,285	-	-	195,218
Release from Ancillary Special Deposits	-	-	-	1,619,309
Litigation Awards	-	-	-	24,399,674
Miscellaneous	150	293	-	697,971
Total Receipts	1,447,483	71,921	32,596	49,170,813
Disbursements:				
Dividends	528,641	-	7,045,510	84,669,576
Deposit with Central Disbursement Account	-	-	-	345,437
Loss Adjustment Expense	-	-	-	276,937
Salvage and Subrogation Fees	-	-	-	327
Salaries	132,015	74,705	37,451	6,221,942
Employee Relations & Welfare	70,960	37,270	21,105	3,695,797
Rent and Related Expenses	126,695	47,688	14,793	2,355,838
Professional Fees	112,019	16,145	14,925	4,655,145
General and Administrative Expenses	29,237	24,143	9,626	1,816,370
Miscellaneous	9,804	6,773	2,594	339,310
Total Disbursements	1,009,371	206,724	7,146,004	104,376,679
Net Increase (Decrease) of Receipts Over Disbursements	438,112	(134,803)	(7,113,408)	(55,205,866)
Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year	17,445,238	11,298,305	8,237,267	896,034,124
Unrealized Gain / (Loss) on Investments	16,647	971	-	1,631,968
Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year	$ 17,899,997	$ 11,164,473	$ 1,123,859	$ 842,460,226

See paragraph on supplementary schedules in the accompanying independent auditors' report

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN REHABILITATION

Statutory Basis Balance Sheets

As of December 31, 2012 and 2011
With Independent Auditors' Report

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN REHABILITATION

Statutory Basis Balance Sheets

As of December 31, 2012 and 2011
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Statutory Basis Balance Sheets

We have audited the accompanying statutory basis balance sheets of Executive Life Insurance Company of New York in Rehabilitation (the "Company") as of December 31, 2012 and 2011, and the related notes to the statutory basis balance sheets.

Management's Responsibility for the Statutory Basis Balance Sheets

Management is responsible for the preparation and fair presentation of these statutory basis balance sheets in accordance with the financial reporting provisions of the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory basis balance sheets that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note 7 to the statutory basis balance sheets, the Company did not calculate or disclose the components of current or deferred taxes in accordance with Statement of Statutory Accounting Principles No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP No. 101"), which is not in accordance with the financial reporting provisions of the New York State Department of Financial Services, as described in Note 2.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Qualified Opinion

In our opinion, except for not calculating and disclosing the components of current or deferred taxes in accordance with SSAP No. 101, as discussed in the preceding paragraph, the statutory basis balance sheets referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, in accordance with the financial reporting provisions of the New York State Department of Financial Services, as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the statutory basis balance sheets which describes the basis of accounting. The statutory basis balance sheets are prepared in accordance with the financial reporting provisions of the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Department of Financial Services. Our opinion is not modified with respect to that matter.

Restriction on Use

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

Emphasis of Matters

The accompanying statutory basis balance sheets have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the statutory basis balance sheets, the Company has been in rehabilitation since 1991 and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. The statutory basis balance sheets do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 1 and Note 11, the Receivership Court entered an Order to Show Cause dated September 1, 2011 to convert the Company's rehabilitation to a liquidation and on April 16, 2012 approved an Agreement of Restructuring providing for the orderly liquidation and restructuring of the Company. As discussed in Note 11, the rehabilitation of the Company will be converted to a liquidation upon the closing date of the Agreement of Restructuring.

Our opinion was not modified with respect to these matters.

EisnerAmper LLP

New York, New York
July 31, 2013

EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK IN REHABILITATION
Statutory Basis Balance Sheets
As of December 31, 2012 and 2011

	2012	2011
Admitted assets		
Cash and invested assets:		
Bonds (Note 3)	$ 745,456,033	$ 763,700,494
Preferred (Note 3)	-	186
Common stocks (Note 3)	11	31,823,033
Cash, cash equivalents and short-term investments	7,697,341	8,470,309
Receivables for securities	-	34,528
Total cash and invested assets	753,153,385	804,028,550
Accrued investment income	11,620,268	12,758,204
Revolving fund (Note 2)	650,000	650,000
Total admitted assets	$ 765,423,653	$ 817,436,754
Liabilities and capital and deficit		
Liabilities:		
Life insurance and annuity reserves (Notes 1, 2, and 5)	$ 2,528,285,330	$ 2,556,841,892
Claims in course of settlement and unreported claims (Note 2)	1,515,465	1,832,623
Interest maintenance reserve (Note 2)	170,714,141	147,345,600
Asset valuation reserve (Note 2)	3,354,600	9,032,501
Amounts withheld or retained by company as agent (claim-overs) (Note 7)	45,822,228	46,722,281
Amounts held for agents' account (Note 2)	3,825,418	3,825,418
General expenses due and accrued (Note 2)	4,360,589	3,688,165
Payable for securities	-	31,853
Total liabilities	2,757,877,771	2,769,320,333
Capital and deficit:		
Common stock	14,392,214	14,392,214
Gross paid-in and contributed surplus	336,493,729	336,493,729
Unassigned deficit	(2,343,340,061)	(2,302,769,522)
Total capital and deficit	(1,992,454,118)	(1,951,883,579)
Total liabilities and capital and deficit	$ 765,423,653	$ 817,436,754

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

Note 1: **Business Plan and Management Directives**

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").

Causes of Rehabilitation

In early 1991, ELNY received considerable adverse publicity relating primarily to the distressed asset portfolio of its parent company, ELIC. This adverse publicity increased with the commencement of conservation proceedings against ELIC on April 11, 1991. An April 12, 1991 report ("Report") of the Assistant Deputy Superintendent and Chief Examiner of the Life Insurance Companies Bureau of the former New York State Insurance Department ("Insurance Department") stated that the adverse publicity concerning ELNY had caused policyholders, creditors and the public to lose confidence in ELNY, as indicated by an acceleration of cash surrenders by policyholders. The Report further stated that the increase in surrenders had caused a material erosion of ELNY's assets to the detriment of policyholders with nonsurrenderable policies, primarily structured settlement annuities. On the basis of the Report and other information, the former Superintendent of Insurance of the State of New York concluded that further transaction of business by ELNY would be hazardous to its policyholders and creditors and the public.

History

Pursuant to an order ("Rehabilitation Order") of the Supreme Court of the State of New York, County of Nassau ("Receivership Court"), ELNY was placed into rehabilitation on April 23, 1991, and the then-Superintendent (and his successors in office) was appointed Rehabilitator of ELNY ("Rehabilitator"). The Rehabilitation Order directed the Rehabilitator to, among other things, take possession of the property of ELNY, conduct the business of ELNY, and take steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary.

The New York Liquidation Bureau ("NYLB" or the "Bureau") is the office that carries out the duties of the Superintendent of Financial Services of the State of New York ("Superintendent") in his capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under New York Insurance Law ("Insurance Law") Article 74. The NYLB reports to the Superintendent in his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"), which has succeeded the Insurance Department. The NYLB operates separately from DFS. The Superintendent as

Note 1: Business Plan and Management Directives (continued)

History (continued)

Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Special Deputy Superintendent ("Special Deputy") and other Agents) as necessary to carry out his functions as Receiver. Acting on behalf of the Receiver, the NYLB marshals the assets of the Estates, maximizes such assets and resolves the liabilities of the Estates in an effort either to rehabilitate the companies or liquidate them in order to distribute their assets to policyholders and creditors. The Special Deputy, along with division directors and senior managers of the Bureau, are collectively referred to herein as "Management". Management carries out, through the NYLB, the responsibilities of the Rehabilitator.

On July 24, 1991, the Receivership Court entered an order approving and confirming the Rehabilitator's engagement of First Boston Asset Management Corporation ("FBAM"), as investment advisor, which merged with Credit Suisse Asset Management ("CSAM"). In 2009, the Rehabilitator replaced CSAM with Wellington Management Company, LLP ("Wellington") and Goldman Sachs Asset Management ("GSAM"), as investment advisors. The Rehabilitation Order further provided the Rehabilitator with relief from Insurance Law Section 7424, thereby permitting the Rehabilitator to invest funds in vehicles other than state or national banks, savings banks or trust companies.

Thereafter, the Rehabilitator, with his advisors, began a thorough analysis of ELNY's assets and liabilities and consulted with members of the Life Insurance Company Guaranty Corporation of New York and potentially interested life insurers concerning possible dispositions of ELNY's assets. During that process, those life insurers having the financial wherewithal to run ELNY's business made it clear they would not accept ELNY's high-yield bonds in connection with an acquisition of any part of ELNY's business. However, the Rehabilitator, in consultation with his advisors, recognized that a liquidation of ELNY's bond portfolio would realize the losses contained therein, thereby eliminating the possibility of recovery.

After extensive review, the Rehabilitator concluded that the best alternative for maximizing policyholder benefits would be: (1) the sale of ELNY's SPDAs and life insurance policies and the transfer by ELNY of assets, other than high-yield bonds, to support such transfer net of a ceding commission; and (2) the retention by ELNY of its SPIAs and CQRAs (typically issued in connection with structured settlements and pension close-outs, respectively) together with its other assets, including its then-substantial holdings of high-yield bonds. This transaction structure was supported by stochastic simulation modeling performed by the Rehabilitator's outside actuarial advisor. The modeling indicated that ELNY would be able to meet 100% of its remaining SPIA obligations in more than 90% of 500 randomly generated scenarios using base case assumptions concerning default and

Note 1: Business Plan and Management Directives (continued)

History (continued)

recovery rates on ELNY's bond portfolio and certain assumptions concerning equity returns and interest rates on reinvested assets. These investment assumptions were made in consultation with FBAM.

In his subsequent solicitation of ELNY transaction proposals, the Rehabilitator indicated he was particularly interested in potential purchasers of the SPDAs and life insurance policies who could also administer the payout of the SPIAs and CQRAs. After solicitation of proposals, the Rehabilitator negotiated such a transaction with Metropolitan Life Insurance Company ("MetLife"). The plan of rehabilitation ("Rehabilitation Plan"), including the transaction with MetLife, was approved by the Receivership Court on December 16, 1992.

Rehabilitation Plan

The salient features of the ELNY Rehabilitation Plan, which was approved by the Receivership Court, are as follows:

- Liability under the SPIAs and CQRAs remains with ELNY, under the supervision of the Rehabilitator.
- MetLife administers the payout of the SPIA and CQRA liabilities, subject to the Rehabilitator's discretion.
- An investment strategy concerning the reinvestment of ELNY's assets and consistent with the extremely long-term nature of the SPIA liabilities must be established and maintained.

The Plan of Liquidation and Restructuring

On September 1, 2011, the Receivership Court entered an Order to Show Cause ("OTSC") to convert the ELNY rehabilitation to a liquidation on the basis that ELNY was insolvent and further efforts to rehabilitate the company would be futile. In connection with the OTSC, the Superintendent also filed an Agreement of Restructuring to provide the greatest benefit to ELNY policyholders and creditors.

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 will be formed under the laws of the District of Columbia. This new insurance company, Guaranty Association Benefits Company ("GABC"), will be 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

Note 1: **Business Plan and Management Directives (continued)**

compliance with the provisions of the Agreement of Restructuring and is not subject to judicial oversight.

The Agreement of Restructuring guarantees that nearly 85% of policyholders will have no reduction or disruption in their benefit payments. Payments to all policyholders are guaranteed by a consortium of life insurers and guaranty associations. Approximately $1.6 billion of funding for the Agreement of Restructuring will come from ELNY's remaining assets and life insurance guaranty coverage. An additional $71 million of voluntary contributions will come from life insurance companies for enhanced benefits to policyholders that may not be covered by a state guaranty association or whose state guaranty association coverage is below $250,000. In addition to these enhancements, members of the life insurance industry are establishing 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 and will not require Court approval.

On December 7, 2011, a communications package containing an explanation letter, statement of financial impact, legal notice, a series of Q&As, a summary of the Agreement of Restructuring and a future contact information questionnaire was mailed to more than 9,600 ELNY policyholders.

Objectors to the liquidation of ELNY and the Agreement of Restructuring were required to submit their objections to the Receivership Court by January 16, 2012. The Superintendent was required to submit reply papers to the objections by March 1, 2012. The hearing date for the OTSC was March 15, 2012, and the Agreement of Restructuring and an Order of Liquidation were approved by the Receivership Court in an order dated April 16, 2012. The rehabilitation of ELNY will be converted to a liquidation upon the closing date of the Agreement of Restructuring (as defined therein).

In May 2012, attorneys for 18 ELNY annuitants filed a notice of appeal of the ELNY supervising court's Order of Liquidation and Approval of the ELNY Restructuring Agreement. The Receiver sought and obtained an expedited briefing schedule, under which the Appellants perfected their appeal and filed their Brief with the Appellate Division Second Department on August 17, 2012. The Receiver's Brief was filed on September 7, 2012, and the Appellant's Reply Brief was filed on September 14, 2012. Oral argument was held on November 15, 2012, and on February 6, 2013 the Appellate Division Second Department affirmed the Receivership Court's decision in all respects. On March 8, 2013, the Objectors filed a motion for leave to appeal to the Court of Appeals, which was denied on May 2, 2013.

On November 8, 2012, a purported class action lawsuit was filed on behalf of ELNY shortfall annuitants in the United States District Court, Southern District of New York, raising various claims against the ELNY Receiver and others. On January 18, 2013, the Superintendent filed a Motion to Dismiss or Stay the Class

Note 1: **Business Plan and Management Directives (continued)**

Action lawsuit. On February 6, 2013, following the Second Department decision, plaintiffs filed a Notice of Voluntary Dismissal and the case was formally closed on February 8, 2013.

On December 7, 2012, the Superintendent filed a motion to enforce the Receivership Court's injunctions and for an Order of Contempt against counsel for the Class Action plaintiffs. On January 25, 2013, the motion was granted and on February 14, 2013, a Notice of Appeal was filed. The appeal has not yet been perfected.

Change in Reserve Valuation Basis for Life Insurance and Annuity Reserves

Prior to April 2007 ELNY's reserve requirements were reported on a basis of historic reserve standards solely for the purpose of comparison to prior periods. The use of historic reserve standards, primarily due to the decline in interest rates, substantially understates reserves when compared to reserves that would be required to satisfy regulatory requirements for a going concern insurance carrier (albeit, without factoring in cash flow testing requirements). The historic reserve standards assumed valuation rates of between 10% and 11%.

In order to avoid potential confusion caused by the use of historic reserve standards in the Statutory Basis Financial Statements (in spite of clarifying disclosures in such statements), ELNY's reserve requirements were calculated as of December 31, 2006, on the then-current issue year statutory basis of 5.25%. As of December 31, 2006, ELNY's reported reserves, using historic reserve standards, were $1,386,636,935, whereas the reserves for the same period, using the then-current year issue statutory basis, were $2,407,595,507. As of December 31, 2008, ELNY's reported reserves, using the then-current issue year statutory basis of 5.50%, were $2,293,209,794. The same reserves for 2007 were $2,301,907,670. As of December 31, 2009, ELNY determined that continuation of the 2006 valuation rate of 5.25% was the most appropriate approach to both reflect the current economics of the business and provide stability to measure performance across periods. Management continued the use of the 5.25% rate for 2010.

ELNY's reserve requirements for 2011 and 2012 were reported on a statutory basis using an assumed interest rate of 4.25%. This rate is consistent with the rate used to determine the liquidation value of ELNY contracts in the proposed Restructuring Agreement that was filed with the Court on September 1, 2011 and the 2012 statutory rate for newly issued immediate annuities. As of December 31, 2012 and 2011, ELNY's reported reserves at 4.25% were $2,528,285,330 and $2,556,841,892, respectively. As a result of these changes in valuation basis, and in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 51, *Life Contracts* and SSAP No. 3, *Accounting Changes and Corrections of Errors*, ELNY has recorded the following adjustments on the Statutory Basis Balance

Note 1: Business Plan and Management Directives (continued)

Sheets as unassigned deficit: (i) no change as of December 31, 2012; (ii) an increase of $339,351,981 as of December 31, 2011.

ELNY is in rehabilitation and, as shown in the Statutory Basis Balance Sheets, has a net capital deficiency. These factors raise substantial doubt about ELNY's ability to continue as a going concern. On April 16, 2012, the Receivership Court approved the Rehabilitator's restructuring agreement and entered an order of liquidation, which could affect ELNY's reserve calculations and assets. *See* Note 11, *Subsequent Events*, for additional information. The Statutory Basis Balance Sheets do not include any adjustments that may be necessary if ELNY is unable to continue as a going concern.

Securities and Other Asset Management

As of December 31, 2012 and 2011, investments of bonds, preferred stock, common stocks, cash equivalents and short-term investments were managed by GSAM and Wellington in accordance with the investment guidelines, which were established under the Rehabilitation Plan and may be modified with the approval of the Rehabilitator.

Note 2: Summary of Significant Accounting Policies

A. Accounting Practices

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

ELNY's balance sheets as of December 31, 2012 and 2011 ("Statutory Basis Balance Sheets"), were prepared in accordance with the Prescribed Practices, which are a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("US GAAP").

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

Below are the significant differences between the Prescribed Practices and US GAAP:

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Invested Assets

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

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Invested Assets (continued)

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

Special Statutory Reserves

Under the Prescribed Practices, realized capital gains and losses are reported in income net of transfers to the interest maintenance reserve ("IMR"). Under US GAAP, realized capital gains and losses would be reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold.

The asset valuation reserve ("AVR") acts to mitigate the effects on unassigned surplus of fluctuations in the gains and losses on invested assets. The AVR is determined by the NAIC Securities Valuation Office ("SVO"), with changes reflected directly in unassigned surplus.

Benefit Reserves

Certain policy reserves stated in the Statutory Basis Balance Sheets are calculated based on statutorily required interest and mortality assumptions, rather than on estimated expected experience or actual account balances, as would be required under US GAAP.

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Non-Admitted Assets

Under the Prescribed Practices, certain assets designated as "non-admitted," such as investments in excess of statutory limitations and those not in compliance with statutory requirements (*i.e.*, deferred federal income tax assets, overdue agents' balances in the course of collection, non-operating system software, furniture and equipment, prepaid expenses and other assets not specifically identified as an admitted asset), are excluded from the Statutory Basis Balance Sheets and are charged directly to unassigned surplus. These assets would be recognized under US GAAP.

Federal Income Taxes

Pursuant to the Prescribed Practices, deferred federal income taxes are recognized subject to statutory requirements and limitations set forth in the Internal Revenue Code, with such changes in deferred taxes recorded in surplus. For US GAAP purposes, such changes in deferred taxes are recorded in income tax expense (benefit).

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

Policy Acquisition Costs

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

Variable Interest Entities

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Fair Value Measurements

FASB issued Topic 820, *Fair Value Measurement*, ("Topic 820") which clarifies the definition of fair value, establishes a framework for measuring fair value in US GAAP, and expands required disclosures about the use of fair value measurements in US GAAP financial statements. Fair value information is relevant to users of financial statements and is required as an objective means of measurement. The NAIC has issued guidance similar to Topic 820 through Statement of Statutory Accounting Principle ("SSAP") No. 100, *Fair Value Measurements* ("SSAP No. 100"). SSAP No. 100 is effective for statutory basis financial statements starting the period ending December 31, 2010. Management has considered Topic 820 and SSAP No. 100 and has included an overview of the framework in Note 4 herein.

B. Use of Estimates in the Preparation of the Statutory Basis Balance Sheets

The preparation of the Statutory Basis Balance Sheets requires Management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. It also requires disclosure of contingent assets and liabilities at the dates of the Statutory Basis Balance Sheets. When these amounts are ultimately determined (*i.e.*, no longer require the use of estimates and assumptions to be calculated), the determined amounts may differ significantly from the amounts reported herein.

C. Accounting Policies

Management used the following methods and assumptions in the preparation of the Statutory Basis Balance Sheets.

Cash and Invested Assets

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Cash and Invested Assets (continued)

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

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

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

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

ELNY does not own derivative instruments.

Income Taxes

ELNY is subject to federal income tax and New York State income tax and files a tax return with both taxing authorities, but ELNY does not generate taxable income or have any tax liability due to recurring operating losses.

Pursuant to the Prescribed Practices, deferred tax assets and liabilities are reported on the Statutory Basis Balance Sheets in order to recognize the future tax consequences that may occur as a result of the differences between the amounts of existing assets and liabilities stated in the Statutory Basis Balance Sheets and those amounts stated on a tax basis. Deferred tax assets and liabilities are measured using rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Such temporary differences relate primarily to net operating losses.

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Claims in the Course of Settlement

Claims in the course of settlement represent pending life and annuity claims. As of December 31, 2012 and 2011, the aggregated amount of claims in the course of settlement was $1,515,465 and $1,832,623, respectively.

Revolving Fund

A revolving fund of $650,000 at December 31, 2012 and 2011 represents a contingency fund held by the NYLB to cover expenses owed to the NYLB by ELNY.

General Expenses Due and Accrued

As of December 31, 2012 and 2011, $4,360,589 and $3,688,165, respectively, represent expenses incurred but not paid by the NYLB and are recorded in the Statutory Basis Balance Sheets as general expenses due and accrued.

Amounts Held for Agents' Accounts

A reserve for unpaid commissions claimed by agents for placements prior to rehabilitation in the amount of $3,825,418 as of December 31, 2012 and 2011 is maintained as a liability in the Statutory Basis Balance Sheets.

Allocation of Expenses

The NYLB allocates general and administrative expenses, such as salaries, payroll taxes, rent for premises, office expenses and employee relations and welfare (*e.g.*, contributions to employee health, pension and other fringe benefits), among the Estates and the security funds established pursuant to Insurance Law Article 76 and New York Workers' Compensation Law Article 6-A. Expenses allocated to ELNY are then reimbursed as appropriate by ELNY in a timely manner. The total amounts due to the NYLB as of December 31, 2012 and 2011 were $33,440 and $267,412 respectively and were recorded as general expenses due and accrued.

Special Statutory Reserves

Under a formula prescribed by the SVO, ELNY defers the portion of realized capital gains and losses on sales of fixed-income investments, principally bonds, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity. As of December 31, 2012 and 2011, the IMR is reported in the Statutory Basis Balance Sheets as net deferral in the amounts of $170,714,141 and $147,345,600, respectively. IMR balances are not recognized for US GAAP reporting purposes.

As of December 31, 2012 and 2011, the AVR balances of $3,354,600 and $9,032,501, respectively, represent credit-related losses on fixed-income assets (default component) and all types of equity investments (equity component). The decrease in the asset valuation reserve was primarily due to the decrease in common

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Special Statutory Reserves (continued)

stock positions and recognition of the period's credit and equity related capital gains/losses net of taxes of $4,512,186 as well as the unrealized gains/losses net of taxes of ($2,011,789). An AVR balance is not recognized for US GAAP reporting purposes.

Note 3: Investments

Bonds

At December 31, 2012, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds are summarized follows:

	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Government Obligations	$ 23,643,266	$ 4,227,069	$ -	$ 27,870,335
All Other Governments	3,903,656	431,671	(16,027)	4,319,300
U.S. States, Territories, Possessions	13,434,162	3,676,671	-	17,110,833
U.S. Political Subdivisions	9,079,899	1,627,406	-	10,707,305
U.S. Special Revenue & Assessments	67,129,463	17,415,580	(47,940)	84,497,103
Industrial and Miscellaneous	628,265,587	158,714,295	(454,898)	786,524,984
Total	$ 745,456,033	$ 186,092,692	$ (518,865)	$ 931,029,860

At December 31, 2011, the book adjusted carrying values, fair market values, gross unrealized gains and losses of investments in bonds are summarized follows:

	Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
U.S. Government Obligations	$ 17,749,322	$ 5,598,571	$ -	$ 23,347,893
All Other Governments	5,141,620	500,682	-	5,642,302
U.S. States, Territories, Possessions	13,412,734	1,812,999	-	15,225,733
U.S. Political Subdivisions	7,278,074	928,886	-	8,206,960
U.S. Special Revenue & Assessments	77,048,199	14,494,240	-	91,542,439
Industrial and Miscellaneous	643,070,545	128,213,103	(4,575,228)	766,708,420
Total	$ 763,700,494	$ 151,548,481	$ (4,575,228)	$ 910,673,747

Note 3: Investments (continued)

Bonds (continued)

The book adjusted carrying value of debt securities at December 31, 2012, 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.

	Book Adjusted Carrying Value	Fair Market Value
Less than one year	$ -	$ -
One to five years	-	-
Five to ten years	18,441,229	21,841,777
Ten years or greater	727,014,804	909,188,083
Total	$ 745,456,033	$ 931,029,860

Preferred and Common Stocks

The cost, fair market value, gross unrealized gains and losses of preferred and common stocks at December 31, 2012 and 2011 are summarized as follows (preferred stock is reported at the lower of fair value or cost depending on the NAIC rating and carried at $186 at December 31, 2011):

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Preferred stock	$ -	$ -	$ -	$ -
Common stocks	11	-	-	11
Total	$ 11	$ -	$ -	$ 11

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Preferred stock	$ 186	$ 744	$ -	$ 930
Common stocks	29,811,243	3,421,632	(1,409,842)	31,823,033
Total	$ 29,811,429	$ 3,422,376	$ (1,409,842)	$ 31,823,963

Note 3: Investments (continued)

Preferred and Common Stocks (continued)

Other-than-Temporary Analysis (continued)

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

At December 31, 2012 and 2011, ELNY did not have to write down any investments.

Note 3: Investments (continued)

Net Unrealized Capital Losses

Aggregate unrealized losses on bonds and common stocks are as follows at December 31, 2012:

December 31, 2012

	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	$ 18,491,660	$ (512,125)	$ 2,144,600	$ (6,739)	$ 20,636,260	$ (518,865)
Common Stocks	-	-	-	-	-	-
Total	$ 18,491,660	$ (512,125)	$ 2,144,600	$ (6,739)	$ 20,636,260	$ (518,865)

Aggregate unrealized losses on bonds and common stocks are as follows at December 31, 2011:

December 31, 2011

	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	$ 71,569,607	$ (4,563,632)	$ 1,158,300	$ (11,597)	$ 72,727,907	$ (4,575,228)
Common Stocks	7,177,777	(1,329,440)	510,952	(80,402)	7,688,729	(1,409,842)
Total	$ 78,747,384	$ (5,893,072)	$ 1,669,252	$ (91,999)	$ 80,416,636	$ (5,985,070)

Note 3: Investments (continued)

Net Unrealized Capital Losses (continued)

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. Where bonds and stocks suffered continuous unrealized losses, such losses were primarily due to the impact of changes in the general level of interest rates. None of these securities were deemed to have any valuation issues that would lead ELNY to believe that they were other than temporarily impaired. To the extent that ELNY does not have the ability to hold these bonds and stocks to maturity, provision for future losses has been made through the establishment of additional reserves.

Subprime Exposure

As of December 31, 2012 and 2011, ELNY has determined that:

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

(2) ELNY has no indirect subprime exposure through mortgage-backed securities at December 31, 2012. However, at December 31, 2011, ELNY held five mortgage-backed securities with a total fair value of $5,826,664, a cost of $4,302,885, a book carrying value of $4,607,807 and a par value of $5,300,000, which resulted in an unrealized gain of $1,218,857. All such holdings are fixed income instruments.

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

Note 4: Fair Market Value of Cash and Invested Assets

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

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

Investment Securities

Fair market values for investment securities are based on unit prices published by the SVO. However, for certain securities for which the SVO does not provide a value, ELNY uses market prices quoted by third parties, if available. When both SVO-published unit prices and market quotes are unavailable, ELNY's best estimate of fair market value is based on quoted market prices of financial instruments with similar characteristics or on industry-recognized valuation techniques. The fair market values of ELNY's investments are disclosed in Note 3 hereof.

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

Fair Value Measurements

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

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

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

SSAP No. 100 requires that financial statements prepared pursuant to Prescribed Practices classify financial assets and liabilities carried or disclosed at fair value by using the fair value hierarchy for the periods ended December 31, 2012 and 2011. Management adopted the fair value hierarchy classification as outlined in SSAP No. 100, and has provided additional disclosure regarding the fair value framework below.

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

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

Level Two: observable inputs other than quoted prices in active markets for identical assets and liabilities. Assets include corporate bonds (investment grade, high yield), mortgage backed securities, bank loans, loan commitments, less liquid securities, municipal bonds and certain OTC derivatives.

Level Three: unobservable inputs. Assets include certain private equity investments and complex derivatives.

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

Fair Value Measurements (continued)

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

The tables below represent investments that are held at fair value at the reporting date:

	December 31, 2012				
	Statement Value	Fair Value	Level 1	Level 2	Level 3
Bonds	$ 745,456,033	$ 931,029,860	$ -	$ 931,029,860	$ -
Mortgage Backed Bonds	-	-	-	-	-
Preferred Stocks	-	-	-	-	-
Common Stocks	11	11		11	-
Short Term Investments	11,709,033	11,709,033	11,709,033	-	-
Total	$ 757,165,077	$ 942,738,904	$ 11,709,033	$ 931,029,871	$ -

	December 31, 2011				
	Statement Value	Fair Value	Level 1	Level 2	Level 3
Bonds	$ 759,092,687	$ 904,847,083	$ -	$ 904,847,083	$ -
Mortgage Backed Bonds	4,607,807	5,826,664	-	5,826,664	-
Preferred Stocks	186	930	-	930	-
Common Stocks	31,823,033	31,823,033	31,823,033	-	-
Short Term Investments	4,798,096	4,798,096	4,798,096	-	-
Total	$ 800,321,809	$ 947,295,806	$ 36,621,129	$ 910,674,677	$ -

ELNY assigned the level classification to securities based on the Fair Value Hierarchy included in JPM's response to FASB 157 ASC Topic 820; Fair Value Measurements and Disclosures which was adopted by SSAP No. 100. There were no transfers into or out of the Levels 1, 2 or 3 at December 31, 2012 and 2011. There were no changes in valuation techniques during 2012 and 2011.

Note 5: Concentration of Credit Risk

Financial instruments that have the potential to subject ELNY to credit risk consist of cash, cash equivalents and short-term investments.

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

ELNY maintains cash balances at a financial institution that is insured by the FDIC. As of the date hereof, the FDIC insures accounts up to $250,000 at this institution.

Note 5: Concentration of Credit Risk (continued)

ELNY monitors balances of cash in excess of insured limits and believes, based on the information currently available to it, that such balances do not represent a material credit risk to ELNY. As of December 31, 2012, balances in excess of these limits were approximately $7,447,341.

Note 6: Life Insurance and Annuity Reserves

Life insurance and annuity reserves are developed by actuarial methods and are determined based on statutory valuation methods and mortality tables developed by the Society of Actuaries Committee on Annuities and adopted as a recognized mortality table by the NAIC. ELNY's independent actuarial firm applied the 1971 individual annuitant mortality table and the 1971 group annuity mortality table for individual annuities and group annuities issued as of December 31, 1983. ELNY's independent actuarial firm applied the 1983 individual annuitant mortality table and the 1983 group annuity mortality table for individual annuities and group annuities issued subsequent to December 31, 1983. ELNY's independent actuarial firm applied the 1983 group annuity mortality table for CQRAs.

As previously discussed in Note 1, in 2006, valuation rates were adjusted to reflect then-current year maximum valuation rates. The 2008 and 2007 reserves for the annuity line of business, reported in the Statutory Basis Balance Sheets, were calculated using the statutory valuation rates of 5.50% and 5.25%, respectively. Because ELNY is in rehabilitation and is not operating as a going concern, ELNY's independent actuarial firm did not calculate any additional cash flow testing reserves that might have otherwise been required under Insurance Regulation 126, 11 N.Y.C.R.R. 95.

Accordingly, ELNY has accounted for the difference between the undiscounted and discounted life insurance and annuity reserve in the Statutory Basis Balance Sheets by increasing aggregate reserves by $1,247,147,200 and $1,272,014,982 for 2012 and 2011, respectively, over the original reserve basis. As set forth in Note 1, ELNY first instituted the valuation rate adjustment, to the then-current year rate, in connection with the preparation of the 2006 Statutory Basis Balance Sheet. ELNY, in preparation of the 2009 Statutory Basis Balance Sheets, used the 2006 valuation rate of 5.25% and continued to use the 5.25% until 2010.

ELNY's reserve requirements for 2012 and 2011 were reported on a statutory basis using an assumed interest rate of 4.25%. This rate is consistent with the rate used to determine the liquidation value of ELNY contracts in the proposed Restructuring Agreement that was filed with the Court on September 1, 2011 and the 2012 statutory rate for newly issued immediate annuities.

Note 7: <u>Federal Income Taxes</u>

Deferred income taxes arise from the temporary differences in the valuation of certain assets and liabilities as determined for financial reporting purposes and income tax purposes. Such temporary differences relate primarily to net operating losses. Because ELNY is in rehabilitation and not operating as a going concern, it does not generate net income. Therefore, ELNY has not calculated or disclosed the components of net deferred tax assets ("DTA") or of deferred tax liability ("DTL") because all such amounts would be deemed non-admitted assets as specified by "SSAP No. 101: *Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10"*. Further, due to recurring operating losses, ELNY does not expect to realize the benefit of the temporary differences giving rise to the DTA in the near term. As of December 31, 2012 and 2011, ELNY did not have any DTL.

ELNY files a stand-alone federal income tax return. There was no provision for income taxes incurred on earnings for the years ended December 31, 2012 and 2011.

At December 31, 2011, ELNY had the following unused operating loss carry forwards available to offset future taxable income, which carry forwards begin to expire in 2012:

Arising from Tax Year:	Net Operating Losses	Year of Expiry
1997	$11,408,371	2013
1998	49,182,515	2014
1999	63,117,721	2015
2000	3,726,080	2016
2001	51,450,147	2017
2002	58,369,798	2018
2003	*72,600,417	2019
2004	69,529,977	2020
2005	67,886,433	2021
2006	40,430,763	2022
2007	5,705,055	2023
2008	40,249,774	2024
2009	80,985,088	2025
2010	78,466,769	2026
2011	78,821,197	2027
Total	**$771,930,105**	

At December 31, 2011, ELNY had $96,799,362 of unused capital loss carry forwards available arising from the 2009 tax year.

* Includes adjustment to original filed federal income tax return.

Note 8: Capital and Deficit

The portion of unassigned deficit represented or reduced by each item below is as follows for the period ended December 31, 2011 and 2010:

		2012		2011
Net loss - unaudited	$	(44,638,351)	$	(45,436,613)
Change in net unrealized capital losses		(2,011,789)		(12,012,407)
Change in non-admitted assets		-		-
Change in reserve on account of change in valuation basis (Note 1)		-		(339,351,981)
Change in asset valuation reserve		5,677,901		13,536,118
Aggregate write-ins for net losses in deficit		401,700		(246,554)
Net change in capital and deficit for the year	$	(40,570,539)	$	(383,511,437)

Note 9: Amounts Withheld or Retained by ELNY (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 so incurred. These claims are called claim-overs. The Rehabilitation Plan provides that: (a) the claim-overs rank *pari passu* with the claims of ELNY SPIA policyholders; and (b) there will be no payment on the claim-overs until the earlier of such time as: (i) the ELNY estate is liquidated and a payout of 95 or 97½% (depending on the age of the annuitant) of obligations to ELNY SPIA beneficiaries has been funded with certainty, or (ii) the Rehabilitator has determined with certainty that, due to ELNY's ownership of sufficient assets having appropriate quality and liquidity, ELNY SPIA beneficiaries will receive 95 or 97.5% (depending on age of the annuitant) of the obligations owing to them.

These conditions have not yet been satisfied and no payment of claim-overs has been made. Interest accrues on the claim-overs at 4% per annum from the date of surrender of the ELNY policy. As of December 31, 2012 and 2011, ELNY reported, as a liability in the Statutory Basis Balance Sheets as amounts withheld or retained, claim-overs in the amount of $42,709,141 and $41,062,069, which included then-current year interest, accrued of $1,647,072 and $1,579,311, respectively.

Note 9: Amounts Withheld or Retained by ELNY (Claim-Overs) (continued)

Below are the components of the amounts withheld or retained by the company as agent (claim overs) at December 31, 2012 and 2011:

	2012	2011
Claim overs	$ 42,709,141	$ 41,062,069
Benefits Due and Unpaid	3,121,935	5,656,632
Tax Withheld	8,848	3,580
Total	$ 45,822,228	$ 46,722,281

Note 10: Reconciliation to Annual Statement

There were no differences between the amounts stated in the Annual Statement filed with the Insurance Department for 2012 and 2011 and the audited 2012 and 2011 Statutory Basis Balance Sheets herein.

Note 11: Subsequent events

Subsequent events have been reviewed in accordance with SSAP No. 9R, *Subsequent Events*, for both annual statement reporting and through issuance of these audited Statutory Basis Balance Sheets. Subsequent events were initially reviewed through April 15, 2013 for annual statement reporting, which is the date when the annual statement was issued and filed with the Superintendent. After this date, subsequent events have been reviewed through July 31, 2013, the date on which these audited Statutory Basis Balance Sheets were available to be issued.

The Receiver continues to work with NOLHGA, the life insurance industry and the Guaranty Associations to affect a closing of the Restructuring Agreement, which has now been set for August 8, 2013. At December 31, 2012 through the dates of these Statutory Basis Balance Sheets, ELNY had not converted to a liquidation.

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2012 and 2011
With Independent Auditors' Report

LION INSURANCE COMPANY IN REHABILITATION

Schedules of Cash and Cash Equivalents - Statutory Basis

As of December 31, 2012 and 2011
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Statutory Basis Schedules

We have audited the accompanying schedules of cash and cash equivalents – statutory basis of Lion Insurance Company in Rehabilitation (the "Company") as of December 31, 2012 and 2011 (the "Statutory Basis Schedules") and related notes to the schedules of cash and cash equivalents.

Management's Responsibility for the Statutory Basis Schedules

Management is responsible for the preparation and fair presentation of these schedules of cash and cash equivalents – statutory basis in accordance with the financial reporting provisions of the New York State Department of Financial Services, this includes determining that the statutory basis accounting is an acceptable basis for the preparation of the Statutory Basis Schedules in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statutory Basis Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Statutory Basis Schedules referred to above, present fairly, in all material respects, the cash and cash equivalents - statutory basis of the Company as of December 31, 2012 and 2011, in accordance with the financial reporting provisions of the New York State Department of Financial Services, as described in Note 2.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Basis of Accounting

We draw attention to Note 2 of the accompanying Statutory Basis Schedules which describes the basis of accounting. The Statutory Basis Schedules are prepared in accordance with the financial reporting provisions of New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America to comply with the requirements of the New York State Department of Financial Services. Our opinion is not modified with respect to that matter.

Restriction on Use

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

EisnerAmper LLP

New York, New York
July 31, 2013

LION INSURANCE COMPANY IN REHABILITATION
Schedules of Cash and Cash Equivalents - Statutory Basis
As of December 31, 2012 and 2011

	2012	2011
Cash and Cash Equivalents - Statutory Basis		
Cash and cash equivalents	$ 673,865	$ 859,082
Total Cash and Cash Equivalents - Statutory Basis	**$ 673,865**	**$ 859,082**

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

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

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

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

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

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

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

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

Note 1: **Organization and Nature of Operations (continued)**

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

The New York Liquidation Bureau ("NYLB") is the office that carries out the duties of the Superintendent of Financial Services of the State of New York ("Superintendent") in his capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under Insurance Law Article 74. The NYLB reports to the Superintendent in his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"), which has succeeded the Insurance Department. The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Special Deputy Superintendent ("Special Deputy") and other Agents) as necessary to carry out his functions as Receiver. Acting on behalf of the Receiver, the NYLB marshals the assets of the Estates, maximizes such assets and resolves the liabilities of the Estates in an effort either to rehabilitate the companies or liquidate them in order to distribute their assets to policyholders and creditors. The Agents, along with division directors and senior managers of the NYLB are hereinafter referred to as "Management."

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

A. **Accounting Practices**

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

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Management has elected to prepare in accordance with Prescribed Practices, Lion's Schedules of Cash and Cash Equivalents - Statutory Basis as of December 31, 2012 and 2011. The Prescribed Practices used to prepare the Schedules of Cash and Cash Equivalents - Statutory Basis are a comprehensive basis of accounting different from generally accepted accounting principles in the United States of America ("US GAAP"). Below are the significant differences between the Prescribed Practices and US GAAP:

Cash and Cash Equivalents

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

Investments

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

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

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

Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820") clarifies the definition of fair value, establishes a framework for measuring fair value in US GAAP, and expands required disclosures about the use of fair value measurements in US GAAP

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

financial statements. Fair value information is relevant to users of financial statements and is required as an objective means of measurement. The NAIC has issued guidelines similar to ASC 820 through Statement of Statutory Accounting Principle ("SSAP") No. 100, *Fair Value Measurements* ("SSAP No. 100") effective for periods ending December 31, 2010. Management has considered ASC 820 and SSAP No. 100 and has determined that the impact is immaterial.

B. Accounting Policies

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

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, and are typically stated at amortized cost.

Short-term Investments

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

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

Note 3: Fair Market Value of Cash and Cash Equivalents

Cash and Cash Equivalents

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

Note 4: Concentration of Credit Risk

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

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

Note 4: Concentration of Credit Risk (continued)

Lion maintains cash balances at a financial institution that is insured by the FDIC, which as of December 31, 2012, insured accounts up to $250,000. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to Lion. As of December 31, 2012, Lion's cash balance in excess of FDIC limits was approximately $256,307 as compared with $359,082 in 2011.

Lion also maintains an account at Wilmington Trust Company consisting of restricted collateral (securities) for the benefit of New York State policyholders. As of December 31, 2012, the account had money market funds in the amount of $506,307 compared to money market funds in the amount of $508,754 as of December 31, 2011.

Note 5: Subsequent Events

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*, through the issuance of these audited financial statements. Subsequent events have been reviewed through July 31, 2013, the date on which these audited schedules were available to be issued, and as of that date, there were no material subsequent events.

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA IN REHABILITATION

(A Wholly-Owned Subsidiary of PLICA Holding Company)

Statutory Basis Financial Statements

December 31, 2012 and 2011
With Independent Auditors' Report

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA IN REHABILITATION

(A Wholly-Owned Subsidiary of PLICA Holding Company)

Statutory Basis Financial Statements

December 31, 2012 and 2011
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INDEPENDENT AUDITORS' REPORT

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

Report on the Statutory Basis Financial Statements

We have audited the accompanying statutory basis financial statements of Professional Liability Insurance Company of America in Rehabilitation (the "Company"), which comprise the statutory basis balance sheets as of December 31, 2012 and 2011, and the related statutory basis statements of operations, changes in capital and deficit, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the financial reporting provisions of the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statutory basis 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 statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statutory basis financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting provisions of the New York State Department of Financial Services as described in Note 2.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Basis of Accounting

We draw attention to Note 2 of the statutory basis financial statements, which describes the basis of accounting. The statutory basis financial statements are prepared in accordance with the financial reporting provisions of the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction on Use

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

Emphasis of Matters

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

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

As discussed in Notes 9 and 11 to the statutory basis financial statements, the results of a number of related litigation matters could have a material effect on the results of operations, liquidity or financial position of the Company.

Our opinion is not modified with respect to these matters.

EisnerAmper LLP

New York, New York
July 31, 2013

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Balance Sheet
As of December 31, 2012 and 2011

	2012	2011
Admitted assets		
Cash and invested assets		
Bonds, at amortized cost (fair market value $5,471,599 and $8,296,207, respectively)	$ 5,230,073	$ 7,710,653
Common stocks at fair market value (cost $1,714,154 and $2,154,353, respectively)	1,758,515	2,010,344
Cash and cash equivalents	8,546,156	14,748,996
Total cash and invested assets	**15,534,744**	**24,469,993**
Agents balances and uncollected premiums	586,088	586,088
Less: Allowance for agents' balances and uncollected premiums	(586,088)	(586,088)
Net agents balances and uncollected premiums	-	-
Reinsurance recoverables on paid losses and loss adjustment expenses	5,486,199	734,925
Accrued investment income	30,031	43,335
Federal income tax recoverable	1,052,216	1,052,216
Total admitted assets	**$ 22,103,190**	**$ 26,300,469**
Liabilities		
Reserve for unpaid losses and loss adjustment expenses	$ 17,100,000	$ 23,000,000
Retrospective ceded premiums payable	2,445,110	4,054,434
Ceded reinsurance premiums payable	1,617,031	1,617,031
Accrued expenses and other liabilities	5,102,366	1,967,112
Total liabilities	**26,264,507**	**30,638,577**
Capital and Deficit		
Common stock, $260.87 stated value, 25,000 shares authorized, 15,000 shares issued and outstanding at 2012 and 2011	3,913,044	3,913,044
Paid-in and contributed capital	460,465	460,465
Unassigned deficit	(8,534,826)	(8,711,617)
Total capital and deficit	**(4,161,317)**	**(4,338,108)**
Total liabilities and capital and deficit	**$ 22,103,190**	**$ 26,300,469**

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Operations
For the Years Ended December 31, 2012 and 2011

	2012	2011
Net premiums ceded	$ (789,288)	$ (6,466,188)
Losses and loss adjustment expenses (ceded) incurred	(4,980,829)	(2,492,080)
Other underwriting expenses incurred	4,677,122	3,658,740
	(303,707)	1,166,660
Underwriting loss	(485,581)	(7,632,848)
Investment income gain (loss)		
Net investment income earned	566,160	1,019,418
Net realized capital losses	(92,159)	(1,776,269)
Net investment gain (loss)	474,001	(756,851)
Other income, net	-	16,625
Loss before federal income tax	(11,580)	(8,373,074)
Federal income tax	-	-
Net loss	$ (11,580)	$ (8,373,074)

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Changes in Capital and Deficit
For the Years Ended December 31, 2012 and 2011

2012	Common Stock	Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Deficit
Balances at December 31, 2011	$ 3,913,044	$ 460,465	$ (8,711,617)	$ (4,338,108)
Net loss	-	-	(11,580)	(11,580)
Change in non-admitted assets	-	-	(1,192,000)	(1,192,000)
Change in unrealized capital gains	-	-	188,371	188,370
Change in net deferred tax assets	-	-	1,192,000	1,192,000
Balances at December 31, 2012	$ 3,913,044	$ 460,465	$ (8,534,826)	$ (4,161,318)

2011	Common Stock	Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Deficit
Balances at December 31, 2010 (Unaudited)	$ 3,913,044	$ 460,465	$ (772,495)	$ 3,601,014
Net loss	-	-	(8,373,074)	(8,373,074)
Change in non-admitted assets exclusive of change in net deferred tax assets	-	-	139,705	139,705
Change in unrealized capital gains	-	-	1,630,669	1,630,669
Change in net deferred tax assets (unaudited) (Note 8)	-	-	(1,336,422)	(1,336,422)
Balances at December 31, 2011	$ 3,913,044	$ 460,465	$ (8,711,617)	$ (4,338,108)

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

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
IN REHABILITATION
(A Wholly-Owned Subsidiary of PLICA Holding Company)
Statutory Basis Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Ceded premiums	$ (2,375,953)	$ (2,685,659)
Losses and loss adjustment expenses paid	(6,434,729)	(6,857,920)
Federal and foreign income taxes recovered	-	3,832,511
Underwriting expenses paid	(1,547,368)	(2,970,375)
Cash used in underwriting	(10,358,050)	(8,681,443)
Investment income (net of investment expenses)	309,483	859,646
Miscellaneous income	734,925	16,625
Net cash used in operating activities	**(9,313,642)**	**(7,805,172)**
Cash flows from investing activities:		
Proceeds from investments sold, matured or repaid:		
Bonds	2,756,061	15,743,999
Stocks	354,741	500,400
Mortgage loans	-	153,785
Total proceeds from investments sold, matured or repaid	3,110,802	16,398,184
Cost of investments acquired:		
Bonds	-	(9,955,670)
Stocks	-	-
Total cost of investments acquired	-	(9,955,670)
Net cash provided by investing activities	**3,110,802**	**6,442,514**
Net decrease in cash and cash equivalents	**(6,202,840)**	**(1,362,658)**
Cash and cash equivalents 2011 (unaudited)		
Beginning of year	**14,748,996**	**16,111,654**
End of year	**$ 8,546,156**	**$ 14,748,996**

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

Note 1: Organization and Nature of Operations

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

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

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

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

Note 1: Organization and Nature of Operations (continued)

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

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

The Rehabilitation Order directed, among other things, that the Rehabilitator take possession of PLICA's property, conduct PLICA's business and take such steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary.

The New York Liquidation Bureau ("NYLB") is the office that carries out the duties of the Superintendent in his capacity as receiver ("Receiver") of impaired or insolvent insurance companies ("Estates") under Insurance Law Article 74. The NYLB reports to the Superintendent in his capacity as Receiver rather than in his capacity as regulator and head of the Department of Financial Services ("DFS"), which has succeeded the Insurance Department. The NYLB operates separately from DFS. The Superintendent as Receiver has the authority under Insurance Law Section 7422 to make such appointments (including the Special Deputy Superintendent ("Special Deputy") and other Agents) as necessary to carry out his functions as Receiver. Acting on behalf of the Receiver, the NYLB marshals the assets of the Estates, maximizes such assets and resolves the liabilities of the Estates in an effort either to rehabilitate the companies or liquidate them in order to distribute their assets to policyholders and creditors. The Agents, along with division directors and senior managers of the NYLB, are collectively referred to herein as "Management."

PLICA has been in rehabilitation since 2010 and has a net capital deficiency. In addition, PLICA had a net loss in the amount of $(11,580) for the year ended December 31, 2012 and $(8,373,074) for the year ended December 31, 2011. These factors raise substantial doubt about PLICA's ability to continue as a going concern. The Statutory Basis Financial Statements (as defined below) do not include any adjustments that may be necessary if PLICA is unable to continue as a going concern.

Note 1: Organization and Nature of Operations (continued)

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

Note 2: Summary of Significant Accounting Policies

A. Accounting Practices

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

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

Management elected to prepare, in accordance with the Prescribed Practices, PLICA's Statutory Basis Balance Sheet as of December 31, 2012 and 2011, Statutory Basis Statements of Operations, Statements of Changes in Capital and Deficit and Statements of Cash Flows, all for the years ended December 31, 2012 and 2011 (collectively, "Statutory Basis Financial Statements").

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

Investments

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

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

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

Non-Admitted Assets

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

Federal Income Taxes

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

Reinsurance

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Accounting Practices (continued)

Policy Acquisition Costs

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

Statements of Cash Flows

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

Variable Interest Entities

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

Other Comprehensive Income (Loss)

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

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

The preparation of these Statutory Basis Financial Statements required Management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. It also required disclosure of contingent assets and liabilities at the date of the Statutory Basis Financial Statements. When these amounts are ultimately determined (*i.e.*, no longer require the use of estimates and assumptions to be calculated), the determined amounts may differ significantly from the amounts reported herein.

C. Accounting Policies

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Cash and Invested Assets

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

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

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

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

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Cash and Invested Assets (continued)

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

PLICA is not party to derivative instruments.

Other-Than-Temporary Impairments on Investments

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

Premiums

Premiums are earned over the term of the insurance policies. Unearned premiums represent the portion of the premiums written which are applicable to the unexpired terms of policies in force and are calculated on a pro rata method. Because PLICA is in rehabilitation, Management did not calculate premium deficiency reserves.

Reserves for Unpaid Losses and Loss Adjustment Expenses

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Non-Admitted Assets

As of December 31, 2012 and 2011, the agents' balances in the course of collection totaled $586,088 and were recorded as non-admitted assets.

Income Taxes

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

Reinsurance

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

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

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

Allocation of Expenses

Certain employees of the NYLB work on PLICA matters in addition to matters pertaining to other Estates. Based on the amount of time spent by each such NYLB employee on PLICA matters, general and administrative expenses (*e.g.,* salaries, payroll taxes, rent, and office expenses) are charged to PLICA on a monthly basis. PLICA then reimburses the NYLB each month's charges. The amounts payable to the NYLB as of December 31, 2012 and 2011 were $178,207 and $122,413, respectively.

Note 2: Summary of Significant Accounting Policies (continued)

C. Accounting Policies (continued)

Fair Value Measurements

FASB issued Topic 820, *Fair Value Measurement and Disclosure* ("Topic 820") which clarifies the definition of fair value, establishes a framework for measuring fair value in US GAAP, and expands required disclosures about fair value measurements in US GAAP financial statements. Fair value information is relevant to users of financial statements and is required as an objective means of measuring fair value. The NAIC has issued guidance similar to Topic 820 through Statement of Statutory Accounting Principle ("SSAP") No. 100, *Fair Value Measurements* ("SSAP No. 100"). SSAP No. 100 is effective for Statutory Basis Balance Sheets starting the period ending December 31, 2010.

Note 3: Investments

Bonds

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

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

At December 31, 2011, the amortized cost/carrying value, gross unrealized gains and losses and estimated fair market values of investments in bonds are summarized as follows:

	Amortized Cost/Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
U.S. Government securities	$ 4,534,430	$ 204,261	$ -	$ 4,738,691
Industrial and miscellaneous	3,176,223	406,011	(24,718)	3,557,516
Total Bonds	$ 7,710,653	$ 610,272	$ (24,718)	$ 8,296,207

At December 31, 2012 and 2011, securities on deposit with fair market values of $2,543,956 and $2,590,092, respectively were on deposit with various state insurance departments to satisfy regulatory requirements.

Note 3: Investments (continued)

The amortized cost and fair market value of debt securities at December 31, 2012 and 2011, by date of contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2012		2011	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Maturity				
Within one year	$ 779,960	$ 786,796	-	-
1-5 years	3,757,346	3,874,743	4,534,430	4,738,691
Due after 15 years	692,767	810,060	3,176,223	3,557,516
Grand Total	$ 5,230,073	$ 5,471,599	$ 7,710,653	$ 8,296,207

In 2012, PLICA had no maturities of investments in debt securities and also did not receive any proceeds from sales. In 2012, PLICA received proceeds from principal paydowns of $2,756,061. In 2011, PLICA received proceeds from sales and maturities of investments in debt securities in the amount of $16,007,579. In 2011, gross gains of $61,595 were realized on those sales.

Common Stocks

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

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

	December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Market Value
Common Stocks	$ 2,154,353	$ 121,704	$ (265,713)	$ 2,010,344

In 2012 and 2011, PLICA received proceeds from the sales of common stocks in the amount of $354,741 inclusive of a stock conversion of $6,700 and $500,400, respectively. In 2012 and 2011, gross losses of $51,959 and $129,410, respectively, were realized on those sales.

Note 3: Investments (continued)

Unrealized losses

At December 31, 2012 and 2011, PLICA held fixed maturity and equity securities, where the estimated fair value had declined and remained below amortized cost by the amount indicated in the tables below.

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

	December 31, 2011					
	For Less than 12 Months		For Greater than 12 Months		Total	
	Aggregate Fair Market Value	Aggregate Unrealized Losses	Aggregate Fair Market Value	Aggregate Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed maturities	$ 274,342	$ (23,031)	$ 22,250	$ (1,687)	$ 296,592	$ (24,718)
Common stocks	-	-	917,616	(265,713)	917,616	(265,713)
Total	$ 274,342	$ (23,031))	$ 939,866	$ (267,400)	$ 1,214,208	$ (290,431)

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 principal payments; (iii) an analysis of the security's market value (*e.g.*, amount, duration and significance of the decline); (iv) Management's intent and ability to hold the investment until recovery; (v) the market conditions during which the decline has occurred; (vi) an economic analysis of the issuer's industry; and (vii) the financial strength and liquidity of the issuer. Once a determination has been made that a specific other-than-temporary impairment ("OTTI") exists, a decrease in surplus is incurred and the cost basis of the impaired asset is adjusted to its fair market value.

Note 3: Investments (continued)

Unrealized losses

At December 31, 2012 and 2011, Management did not write down the cost of any debt investments to fair market value. If there was a write down it would be included in "realized losses" in the Statutory Basis Statements of Operations.

At December 31, 2012 and 2011, Management did write down the cost of certain equity investments to fair market value in the amounts of $40,200 and $1,708,454, respectively. The writedowns were included in the "net realized capital losses" in the Statutory Basis Statements of Operations.

Net Investment Income Earned

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

	2012	2011
Bonds	$523,429	$924,602
Common stocks	46,849	113,429
Cash and cash equivalents	1,382	509
Gross investment income	571,660	1,038,540
Investment expenses	(5,500)	(19,122)
Net investment income earned	$566,160	$1,019,418

Net realized capital gains (losses)

Set forth below are the net realized capital gains (losses) recognized by PLICA in 2012 and 2011.

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

Note 3: Investments (continued)

Net realized capital gains (losses) (continued)

	2011		
	Net realized gain (loss) on sale	OTTI	Net realized capital gain (loss)
Bonds	$ 61,595	$ -	$ 61,595
Common stocks	(129,410)	(1,708,454)	(1,837,864)
	$ (67,815)	$ (1,708,454)	$ (1,776,269)

Subprime Exposures

Management has reviewed PLICA's portfolio as of December 31, 2012 and 2011, and has determined that:

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

(2) PLICA has no indirect subprime exposure through mortgage-backed securities.

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

Note 4: Fair Market Value of Cash and Invested Assets

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

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

Investment securities

Management uses market prices quoted by third parties, if available. When market quotes are unavailable, Management's best estimate of fair market value is based on quoted market prices of financial instruments with similar characteristics or on industry recognized valuation techniques. The fair market values of PLICA's invested assets are disclosed in Note 4 hereof.

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

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

Mortgage Loans

As of December 31, 2012 and 2011, PLICA no longer held any outstanding mortgages.

Fair Value Measurements

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

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

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

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

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

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

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

Level Three: unobservable inputs.

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

Fair Value Measurements (continued)

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

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

	Level 1	Level 2	Level 3	Total
Assets at fair value				
US Government		$ 4,661,539	-	$ 4,661,539
Collateral Mortgage Obligations		$ 810,060	-	$ 810,060
Common and Preferred Stocks		$ 1,758,515	-	$ 1.758,515
Grand Total	$	$ 7,230,114	-	$ 7,230,114

The following table provides information as of December 31, 2011 about PLICA's financial assets and liabilities measured and discussed at fair value.

	Level 1	Level 2	Level 3	Total
Assets at fair value				
US Government		$ 4,738,691	-	$ 4,738,691
Collateral Mortgage Obligations		$ 3,557,516	-	$ 3,557,516
Common and Preferred Stocks		$ 2,009,855	490	$ 2,010,345
Grand Total	$	$ 10,306,062	$ 490	$ 10,306,552

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

Note 5: Reserves for Unpaid Losses and LAE

PLICA's reserves for unpaid losses and LAE as of December 31, 2012 and 2011, include: (a) estimates for claims reported; (b) estimates for claims incurred but not reported; (c) development of claims paid and/or reported; and (d) deductions for anticipated reinsurance recoverables related to (a), (b) and (c) above.

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

The following table provides a reconciliation of reserves for unpaid losses and LAE, net of reinsurance recoverables in the amounts of $6,500,000 and $8,700,000, respectively, as of December 31, 2012 and 2011.

	2012	2011
Loss and LAE Reserves at beginning of year (Unaudited)	$ 23,000,000	$ 32,350,000
Incurred Loss and LAE related to:		
Current year	-	-
Prior years	(4,980,829)	(2,492,080)
Total Incurred	(4,980,829)	(2,492,080)
Paid Loss and LAE related to:		
Current Year	-	-
Prior Years	919,171	6,857,920
Total Paid	919,171	6,857,920
	$ 17,100,000	$ 23,000,000

The provision for incurred losses and LAE of prior years decreased in 2012 primarily as a result of the reduction of the IBNR reserves due to the payment of claims in 2012.

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

Note 6: Reinsurance

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

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

Note 6: Reinsurance (continued)

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

For the years ended December 31, 2012 and 2011, PLICA recorded net ceded premium adjustment of $766,629 and $6,740,095, respectively, which was reported through net premiums written in the Statutory Basis Statements of Operations. Additionally, as of December 31, 2012 and 2011, $2,445,110 and $4,054,434, respectively, remained unpaid and was recorded on the Statutory Basis Balance Sheets as retrospective ceded premiums payable.

The effect of reinsurance on premiums written and earned in 2012 and 2011 is as follows:

	2012 (Ceded) Earned	2012 Premiums Written	2011 (Ceded) Earned	2011 Premiums Written
Direct Business	$ (22,659)	$ (22,659)	$ 273,907	$ 273,907
Ceded	(766,629)	-	(6,740,095)	-
Net Premiums	$ (789,288)	$ (22,659)	$ (6,466,188)	$ 273,907

There were no unearned premiums as of December 31, 2012 and 2011. Therefore, there was no effect of reinsurance on unearned premiums.

There were no unsecured reinsurance recoverables on paid losses and loss adjustment expenses as of December 31, 2012 and 2011.

Note 7: Federal Income Taxes

PLICA incurred no provision for income tax (benefit) on earnings for the years ended December 31, 2012 and 2011.

At December 31, 2012, PLICA established a valuation allowance in accordance with SSAP No. 101, to offset all of its gross deferred tax assets ("DTAs") as Management does not expect PLICA to report future taxable income sufficient to offset its cumulative timing differences between the statutory and tax basis of assets and liabilities, nor utilize its net loss operating carryforwards. Deferred tax liabilities ("DTLs") have not been recognized at December 31, 2012 and 2011, as these amounts are not expected to be realized.

Note 7: Federal Income Taxes (continued)

At December 31, 2012 and 2011, PLICA carried a valuation allowance for $6,222,466 and $7,414,466 respectively due to Management's expectation that the full future utilization and reversal of the gross deferred tax asset arising from the prior year's realized capital losses was not expected to occur. At that date, PLICA non-admitted its DTAs and DTLs as those amounts were not expected to be realized. PLICA has not implemented any tax planning strategies.

Note 7: Federal Income Taxes (continued)

The components of the net DTA recognized in PLICA's Statutory Basis Balance Sheets at December 31, 2012 and 2011 are as follows:

	2012			2011		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 5,210,092	$ 1,012,374	$6,222,466	$6,411,013	$1,003,453	$7 ,414,466
Statutory valuation allowance adjustments	(5,210,092)	(1,012,374)	(6,222,466)	(6,411,013)	(1,003,453)	(7,414,466)
Adjusted gross deferred tax assets	-	-	-	-	-	-
Deferred tax assets nonadmitted	-	-	-	-	-	-
Subtotal net admitted deferred tax asset	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Net admitted deferred tax asset	$ -	$ -	$ -	$ -	$ -	$ -

	2012			2011		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission calculation components SSAP No. 101 (paragraph 11):						
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	-	-	-	-	-	-
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a above) after application of the threshold limitation (the lesser of b.i and b.ii below).	-	-	-	-	-	-
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	-	-	-	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	-	-	-	-	-	-
c.Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a and b above) offset by deferred tax liabilities.	-	-	-	-	-	-
Deferred tax assets admitted as the result of application of SSAP No.101. Total (a+b+c)	$ -	$ -	$ -	$ -	$ -	$ -

Note 7: Federal Income Taxes (continued)

The components of the change in the net DTA recognized in PLICA's Statutory Basis Balance Sheets between December 31, 2012 and 2011 are as follows:

	Change		
	Ordinary	Capital	Total
Gross deferred tax assets	$ (1,200,921)	$ 8,921	$ (1,192,000)
Statutory valuation allowance adjustments	1,200,921	(8,921)	1,192,000
Adjusted gross deferred tax assets	-	-	-
Deferred tax assets nonadmitted	-	-	-
Subtotal net admitted deferred tax asset	-	-	-
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset	$ -	$ -	$ -
Admission calculation components SSAP No. 101 (paragraph 11):			
a. Federal income taxes paid in prior years recoverable through loss carrybacks.	-	-	-
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a. above) after application of the threshold limitation (the lesser of b.i. and b.ii.below).	-	-	-
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	-	-	-
ii. Adjusted gross deferred tax assets allowed per limitation threshold.	-	-	-
c.Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by deferred tax liabilities.	-	-	-
Deferred tax assets admitted as the result of application of SSAP No.101. Total (a+b+c)	$ -	$ -	$ -

	2012	2011
Ratio percentage used to determine recovery period and threshold limitation amount	0.0%	0.0%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ -	$ -

Note 7: Federal Income Taxes (continued)

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the years ended December 31, 2012 and 2011 as follows:

	2012	2011
Deferred tax assets:		
Ordinary:		
Discounting of unpaid losses and LAE	$ 513,118	$ 734,893
Additional minimum pension liability		
Net operating loss carryforward	4,696,974	5,676,120
Subtotal deferred tax assets - ordinary	5,210,092	6,411,013
Capital:		
Unrealized losses	27,069	92,999
Net capital loss carryforward	985,305	910,454
Subtotal deferred tax assets - capital	1,012,374	1,003,453
Total deferred tax assets	6,222,466	7,414,466
Valuation allowance (as a result of SSAP No. 101)	(6,222,466)	(7,414,466)
Admitted ordinary deferred tax assets	$ -	$ -
Deferred tax liabilities:		
Subtotal deferred tax liabilities - ordinary	$ -	$ -
Capital:		
Unrealized gain	-	-
Subtotal deferred tax liabilities – capital	-	-
Total deferred tax liabilities	$ -	$ -
Net admitted deferred tax assets	$ -	$ -

Note 7: Federal Income Taxes (continued)

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

	December 31, 2012	December 31, 2011	Increase (Decrease)
Total deferred tax assets	$ -	$ -	$ -
Total deferred tax liabilities	-	-	-
Net deferred tax assets	$ -	$ -	$ -
Tax effect of unrealized gain			
Change in net deferred income tax			$ -

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

	December 31, 2012	Effective Tax Rate
Provision at statutory rate	$ 4,053	35.00%
Dividends received deduction	11,478	99.12%
Net realized capital loss carryforward	(32,255)	(278.54%)
Tax basis Loss & LAE reserves discounting	221,775	1,915.16%
2012 Net Operating Loss Carryforward	(206,479)	(1,783.07%)
Other	1,428	12.33%
Total income tax expense	$ -	0.00%
Federal and foreign income taxes benefit	$ -	0.00%
Change in net deferred income tax	-	0.00%
Total statutory income taxes	$ -	0.00%

Note 7: Federal Income Taxes (continued)

	December 31, 2011	Effective Tax Rate
Expense benefit computed at statutory rate	$ 22,930,576	35.00%
Dividend received deduction	27,813	0.33%
Net realized capital loss carryforward only	(621,694)	(7.42)%
Tax basis loss & LAE reserves discounting	393,293	4.70%
2011 Net operating loss carryforward only	(2,745,185)	(32.79)%
Unearned premiums reserve reversal	19,370	0.23%
Other	(4,173)	(0.05)%
Total income tax benefit	$ -	0.00%
Federal and foreign income taxes benefit	$ (266,290)	(3.18)%
Change in net deferred income tax (Unaudited)	266,290	3.18%
Total statutory income taxes (Unaudited)	$ -	0.00%

Management determined that there were no additional DTAs that could be admitted through tax planning. PLICA has no unrecognized deferred tax liabilities as of December 31, 2012 and 2011.

At December 31, 2012, PLICA had $13,419,925 of net operating loss carryforwards and $2,815,158 of capital loss carryforwards available to offset against future taxable income. A summary of net operating loss carryforwards by expiration date is set forth below:

Net Operating Losses		
Originating Year	Expiration Year	Loss Carryforward
2010	2030	$ 4,995,600
2011	2031	7,843,386
2012	2032	580,939
		$ 13,419,925

Note 7: Federal Income Taxes (continued)

Net Capital Losses

Originating Year	Expiration Year	Loss Carryforward
2008	2013	$701,897
2010	2015	244,834
2011	2016	1,776,269
2012	2017	92,158
		$ 2,815,158

PLICA did not incur federal income tax expense for the years ended December 31, 2012 or 2011 that is available for recoupment in the event of future net losses. Additionally, PLICA did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

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

Pursuant to Insurance Law Section 4105, all dividends on capital stock must be distributed exclusively out of earned surplus. Dividends that exceed the lesser of: (i) 10% of PLICA's most recent year-end policyholders' surplus, (ii) the net income earned for the year, or (iii) 100% of adjusted net investment income for such period, cannot be declared or distributed without prior approval of the Superintendent. For the years ended December 31, 2012 and 2011, PLICA did not declare or pay any dividends on common stock.

As of December 31, 2012 and 2011, PLICA's unassigned deficit was $8,534,826 and $8,711,617, respectively, and is represented or reduced by each item below:

	2012	2011
Net losses	$ (11,580)	$ (8,373,074)
Unrealized capital gains	188,370	1,630,669
Change in DTA 2011 (Unaudited)	1,192,000	(1,336,422)
Change in nonadmitted assets	$ (1,192,000)	$ 139,705

The change in DTA at December 31, 2011 was not reconciled and remained unaudited at December 31, 2011. Any adjustment to this change in DTA balance would impact either the change in nonadmitted assets or the opening unassigned deficit at December 31, 2010.

Note 9: Commitments and Contingencies

On November 10, 2010 the United States Attorney of the Eastern District of Missouri filed a Second Superseding Indictment ("Indictment") alleging a fraudulent scheme to misappropriate the proceeds of the sale of prearranged funeral services ("Funeral Scheme"). The Indictment alleges that PLICA was purchased using the proceeds of the Funeral Scheme and seeks forfeiture of all PLICA shares of stock, assets and any surplus, along with all assets of the RBT Trust II.

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

In the opinion of Management, the ultimate disposition of surplus assets of the Estate, if any, could be affected by the aforementioned litigation.

Note 10: Concentration of Credit Risk

Financial instruments that have the potential to subject PLICA to credit risk consist of cash, cash equivalents and short-term investments.

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

PLICA maintains cash balances at financial institutions that are insured by the FDIC. As of the date hereof, the FDIC insures accounts up to $250,000 at these institutions. Management monitors balances of cash in excess of insured limits and believes, based on the information currently available to it, that such balances do not represent a material credit risk to PLICA. As of December 31, 2012 and 2011, when FDIC insured limits were $250,000, cash balances in excess of these limits were approximately $3 million and $2 million, respectively. As of December 31, 2012 and 2011, money market funds not insured by the FDIC were approximately $3.5 and $10.3 million, respectively.

Note 11: Subsequent Events

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*. Subsequent events were reviewed through July 31, 2013, the date on which these audited Statutory Basis Financial Statements were available to be issued.

Reinsurance Collected

The amounts of reinsurance collected from letter of credit draw downs subsequent to December 31, 2012 are listed below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2012 and subsequently collected in 2013.

Reinsurer	Collection of Reinsurance Recoverable
Ace Tempest Re	$ 825,213
Alterra Bda Ltd (fka Max Bermuda)	331,467
Aspen Ins. UK. Ltd.	77,356
Catlin Ins. Co	131,243
Colisee Re	207,397
Hannover Re	366,674
Max Re	1,933,871
Montpelier Reins Ltd.	21,531
Partner Re fka Paris Re	178,251
Grand Total	$ 4,073,003

Petitions and Litigation

On November 14, 2012, the Superintendent filed a petition to convert the PLICA rehabilitation proceeding to a liquidation proceeding. The petition and a prior motion by members of the Cassity family seeking termination of the rehabilitation were both scheduled to be heard on February 5, 2013. However, the date was adjourned. Opposition to the liquidation petition was submitted by Brent Cassity, Tyler Cassity and Rhonda Cassity on April 16, 2013. The Superintendent filed a reply and the matter was fully submitted to the Receivership Court as of May 10, 2013. Neither the petition to convert nor the motion to terminate has been decided.

On April 29, 2013, the Receiver filed a complaint against 22 former directors and officers of PLICA, alleging breaches of fiduciary duties.