

**REPORT ON THE STATUS OF THE LIQUIDATION OF  
FRONTIER INSURANCE COMPANY AND REQUEST FOR AUTHORITY TO  
DISTRIBUTE ASSETS AND ESTABLISH A FINAL BAR DATE**

**INTRODUCTION**

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator (the "Liquidator") of Frontier Insurance Company ("Frontier") has appointed Michael J. Casey as Acting Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through the New York Liquidation Bureau (the "NYLB"), the responsibilities of the Liquidator. The Liquidator, by John Pearson Kelly, Assistant Special Deputy Superintendent and Agent (the "Assistant Special Deputy"), hereby submits this Liquidator's report on the status of the Frontier liquidation proceeding (the "Liquidation Proceeding") and requests the authority to distribute assets and the establishment of a final bar date (the "Report").

This Court entered an order (the "Liquidation Order") on November 16, 2012 (the "Liquidation Order Date"), pursuant to which Frontier was placed into liquidation. The Liquidation Order appointed the Superintendent of Financial Services of the State of New York and his successors in office as Liquidator of Frontier. A copy of the Liquidation Order is attached hereto as Exhibit A.

The Liquidation Order and New York Insurance Law (the "Insurance Law") Article 74 charged the Liquidator with, among other things, the responsibility for:

- a. Identifying Frontier's policyholders and claimants;
- b. Notifying Frontier's creditors, claimants and other interested parties to present their claims;
- c. Marshaling Frontier's assets;
- d. Adjudicating the claims presented and establishing the total amount of Frontier's liabilities;
- e. Distributing Frontier's assets to creditors with allowed claims; and

- f. Otherwise liquidating Frontier's business pursuant to Insurance Law Article 74.

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This Report sets forth a brief history of Frontier, a summary of certain of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of Frontier and the basis for the Liquidator's recommendations to: (i) approve the Report and the financial transactions delineated herein; (ii) establish December 31, 2014 as the final date (the "Final Bar Date") by which the Liquidator must actually receive, in respect of any claim presented prior to December 31, 2013 (the "Bar Date" established in this proceeding by order of this Court entered on September 23, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim; (iii) authorize the continued payment of administrative expenses; (iv) authorize the Liquidator to distribute Frontier's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Frontier with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and (v) provide for such other and further relief as this Court deems appropriate and just.

### **BACKGROUND**

Frontier was incorporated in the State of New York under the name of P.T.F. Health Insurance Company on November 2, 1962. It was licensed in the State of New York on August 17, 1966 to provide the types of insurance now set forth in the following numbered paragraphs of Insurance Law Section 1113(a):

<u>Paragraph</u>	<u>Type of Insurance</u>
3	Accident and Health
4	Fire
5	Miscellaneous Property
6	Water Damage

7	Burglary and Theft
8	Glass
9	Boiler and Machinery
10	Elevator
11	Animal
12	Collision
13	Personal Injury Liability
14	Property Damage Liability
15	Workers' Compensation and Employers' Liability
16	Fidelity and Surety
17	Credit
19	Motor Vehicle and Aircraft Physical Damage
20	Marine and Inland Marine
21	Marine Protection and Indemnity
22	Residual Value
24	Credit Unemployment
29	Legal Services

P.T.F. Health Insurance Company changed its name to Frontier Insurance Company on February 17, 1977. Frontier was wholly owned by Frontier Insurance Group, Inc. (which filed for relief under Chapter 11 of the U.S. Bankruptcy Code in July 2005), and itself owned two insurance subsidiaries, Frontier Pacific Insurance Company (which was placed into liquidation by the Insurance Commissioner of the State of California in November 2001) and United Capitol Insurance Company (which was placed into liquidation by the Director of Insurance of the State of Illinois in November 2001).

On October 10, 2001 (the "Rehabilitation Date"), the Supreme Court of the State of New York ("Supreme Court"), New York County issued an order (the "Rehabilitation Order") commencing a rehabilitation proceeding in respect of Frontier (the "Rehabilitation Proceeding") and appointing the Superintendent of Insurance of the State of New York (and his successors in office) as rehabilitator of Frontier (the "Rehabilitator"). On July 7, 2003, the Supreme Court, Sullivan County issued an order transferring the venue of the Rehabilitation Proceeding from Supreme Court, New York County to Supreme Court, Sullivan County. On January 10, 2006,

the Supreme Court, Albany County issued an order transferring the venue of the Rehabilitation Proceeding from Supreme Court, Sullivan County to Supreme Court, Albany County.

On July 15, 2010, this Court issued an order directing that the Rehabilitator (i) submit an accounting of his progress since the Rehabilitation Date in removing the causes and conditions that made the Rehabilitation Proceeding necessary and (ii) develop and submit to the Court for its approval a detailed plan of rehabilitation (“Rehabilitation Plan”) to restore Frontier to solvency. In response, the Rehabilitator submitted a Rehabilitation Plan to this Court on January 9, 2012. On May 23, 2012, this Court issued a decision and order denying the Rehabilitator’s request for approval of the Rehabilitation Plan. Soon thereafter, the Rehabilitator submitted a petition to convert the Rehabilitation Proceeding to the present Liquidation Proceeding, to appoint the Superintendent of Financial Services of the State of New York as Liquidator of Frontier and to place Frontier into liquidation, which was granted by issuance of the Liquidation Order.

#### **FINANCIAL CONDITION OF FRONTIER AS OF THE LIQUIDATION ORDER DATE**

The Liquidator conducted a review of Frontier’s financial position as of the Liquidation Order Date and found that Frontier had assets totaling \$90,952,898 and liabilities totaling \$215,997,056, making it insolvent in the amount of \$125,044,158.

##### **A. Assets**

As of the Liquidation Order Date, Frontier had total cash and invested assets in the amount of \$28,122,010, which consisted of cash and equivalents in the amount of \$176,656, short-term investments in the amount of \$413,794, bonds in the amount of \$21,110,321, investments in limited partnerships in the amount of \$949,584, and real estate (including the

Frontier headquarters in Rock Hill, New York) in the amount of \$5,471,655<sup>1</sup>. Frontier's other assets consisted of \$386,973 in premiums in the course of collection and \$109,047 in accrued investment income. Additionally, Frontier was carrying reinsurance receivables on paid losses and paid loss adjustment expenses ("LAE") in the amount of \$742,390 and reinsurance receivables on unpaid losses and unpaid LAE in the amount of \$40,353,433. As of the Liquidation Order Date, Frontier had restricted assets in the amount of \$21,239,045, which consisted of statutory deposits held by states other than New York in the amount of \$19,350,070 and held collateral in respect of obligations to Frontier in the amount of \$1,888,975.

## **B. Liabilities**

As of the Liquidation Order Date, Frontier's records reflect total liabilities in the amount of \$215,997,056, which consisted of \$1,888,975 for secured creditors, \$2,289,551 for the expenses of the Rehabilitation Proceeding, \$136,560,068 in loss reserves, \$1,688,481 unearned premium reserves, \$4,909,055 for LAE, \$22,682,090 in incurred but not reported claims ("IBNR"), \$8,232,485 in state and local government claims, \$9,063,695 in unsecured creditor claims (not relating to reinsurance obligations) and \$28,682,656 in reinsurance liabilities.

Frontier's comparative statement of assets, the statement of liabilities and the statement of changes in cash and invested assets for the period between the Liquidation Order Date and September 30, 2013 (collectively, "Financial Statements") are attached hereto as Exhibit B.

## **LIQUIDATION PROCEEDING**

### **A. Presentment of Claims**

Pursuant to the Liquidation Order, within four weeks of its entry, the Liquidator published notice of Frontier's Liquidation Proceeding in *Business Insurance* once a week for two

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<sup>1</sup> The Liquidator brought an action in July 2013 in the Supreme Court, Sullivan County challenging the assessment of the Frontier headquarters by the Town Assessor of the Town of Thompson, New York. This action is pending.

consecutive weeks, advising of the Liquidator's obligations as identified in the Liquidation Order. The Liquidator also published notice of the Liquidation Proceeding on the website maintained by the NYLB, and served a copy of the Liquidation Order on each of the recipients specified in paragraph 21 of the Liquidation Order.

All persons having filed claims within the statutorily mandated period, pursuant to Insurance Law Section 7432, and all persons, pursuant to Insurance Law Section 7433(b)(2), appearing on Frontier's books and records as policyholders or claimants ("Identified Claimants"), are deemed to have a timely-filed proof of claim in this Liquidation Proceeding. For an Identified Claimant, being on the books and records secures the right to submit an actual claim in this Liquidation Proceeding and, if and when such actual claim is adjudicated and deemed allowed, possibly receive payment on that claim under Insurance Law Article 74.

On or about June 25, 2013, the Liquidator submitted a motion ("Bar Date Motion") seeking an order establishing December 31, 2013 as the Bar Date for the presentment to the Liquidator of all claims against Frontier or its insureds other than the Liquidator's claims for administrative expenses. By order entered September 23, 2013, this Court approved the Bar Date Motion and set December 31, 2013 as the Bar Date for the presentment of claims in this proceeding.

## **B. Adjudication of Claims**

The Liquidator is responsible for adjudicating the claims presented to Frontier. A claim is "adjudicated" upon the Liquidator's recommendation to the Court that the claim be either "allowed" or "disallowed." An "allowed" claim is a claim that has been approved by a liquidation court and the claimant is therefore allowed to share in the distribution of assets pursuant to Insurance Law Section 7434. A "disallowed" claim is a claim that has been rejected and the claimant will not share in any distribution of the estate's assets. Creditors who object to

the Liquidator's recommendations are entitled to a hearing before the Court or a court-appointed referee.

**C. Description of Classes of Creditors**

The priority of distribution of assets from a liquidating insurer is set forth by Insurance Law Section 7434, which provides that all members of a senior class be paid in full before members of the next class may receive any payment. Section 7434(a)(1) provides in pertinent part:

Upon the recommendation of the Superintendent, and under the direction of the court, distribution payments shall be made in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims .... No claim by a shareholder, policyholder or other creditor shall be permitted to circumvent the priority classes through the use of equitable remedies.

The classes of claims, as provided for in the prioritization scheme established by Insurance Law Section 7434, are as follows:

- (i) Class one. Claims with respect to the actual and necessary expenses of administration incurred by a liquidator or rehabilitator.
- (ii) Class two. 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. Claims of the federal government, except those under Class two.
- (iv) Class four. 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. Claims of state and local governments, except those under Class two.
- (vi) Class six. Claims of general creditors, including but not limited to claims arising under reinsurance contracts.
- (vii) Class seven. Claims filed late or any other claims other than claims stated in Class eight or Class nine below.
- (viii) Class eight. Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.
- (ix) Class nine. Claims of shareholders or other owners in their capacity as shareholders.

**D. Status of Claims Presented as of September 30, 2013**

As described above, the Liquidator adjudicates those claims that are presented to him. In analyzing such claims, the Liquidator determines the class of claim and whether he concludes that such claim may be eligible for payment out of various funds maintained by the states for the payment of claims against insolvent insurance carriers. In general, the funds are reserves of money, provided by insurers operating in that state, from which claims against insolvent insurers are paid up to the lesser of the policy limit or a statutory cap. Such funds exist to ameliorate the impact of an insurer's insolvency. Those funds then have a separate claim against the insolvent insurer's estate in the amount of the claims paid by the funds.

New York maintains three security funds: the property/casualty insurance security fund ("P/C Fund"); the public motor vehicle liability security fund ("PMV Fund") and the workers' compensation security fund (the "WC Fund," together with the P/C Fund and the PMV Fund, the



“Security Funds”). Similar funds maintained by other states are referred to as “Guaranty Funds.” Claims, therefore, generally fall into one of three categories: (a) claims that may be payable out of the estate’s assets; (b) claims that may be eligible for payment out of the Security Funds; and (c) claims that may be eligible for payment out of the Guaranty Funds. All of the claims against an insolvent insurer which are paid by the P/C Fund, for example, are aggregated and the P/C Fund has a claim<sup>2</sup> against that insolvent insurer. In this case, the Security Funds have begun paying individual claims arising from Frontier’s policies and are expected to pay substantially more, which will result in a single claim of each of the Security Funds against Frontier’s assets. The expenses of the review, processing and payment of the individual claims are also paid by the Security Funds and are part of the Security Funds’ claim against Frontier. Similarly, the Guaranty Funds have claims against Frontier for loss payments made and expenses paid on Frontier claims.

Based upon proofs of claim and/or claims actually submitted to the Liquidator, the following chart shows the approximate number of claims presented to the Liquidator and the claims adjudicated as of September 30, 2013 in the Liquidation Proceeding. The numbers of claims and the amounts of reserves set forth below in each category represent the Liquidator’s classification, as of September 30, 2013, of the claims which have been presented, and are subject to change as the claims are reviewed and adjudicated and as any objections to such classification are addressed and resolved.

	<b>As of September 30, 2013</b>
Claims presented to the Liquidator	7,782
Class 1	N/A
Class 2	1,011
Class 3	0
Class 4	0

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<sup>2</sup> See N.Y. Ins. L. §7609(a).

Class 5	810
Class 6	5,959
Class 7	0
Class 8	0
Class 9	0
Claims adjudicated by the Liquidator	18
Claims disallowed or recommended for disallowance by the Liquidator	5
Claims allowed or recommended for allowance by the Liquidator	13
Class 1	N/A
Class 2	13
Class 3	0
Class 4	0
Class 5	0
Class 6	0
Class 7	0
Class 8	0
Class 9	0

**1. Value and Payment of Claims**

**a) Class One Claims**

From the Liquidation Order Date through September 30, 2013, the Liquidator had incurred and paid administrative expenses in the amount of \$4,184,909.

**b) Class Two Claims**

**i. Total Value of All Class Two Claims**

All of the Class two claims that had been filed in the Liquidation Proceeding as of September 30, 2013 and reserves that were established in respect thereof amount to \$249,328,730. Such claims, if allowed, are expected to remain unpaid until all Class two claims reported prior to the Bar Date have been adjudicated.

**ii. Non-Security/Guaranty Fund Eligible Claims of Policyholders**

The Liquidator has established a reserve for the Class two claims that had been filed in the Liquidation Proceeding as of September 30, 2013 that are not eligible for payment from the Security Funds and/or the Guaranty Funds, in the amount of \$127,405,577.

**iii. Claims of Security Funds**

As of September 30, 2013, none of the claims of the Security Funds had been allowed. The Security Funds' claims against Frontier amount to \$40,118,938; the Security Funds have claims for loss, LAE and administrative expenses in the amount of \$1,010,663 and Frontier has established loss, LAE and administrative expense reserves for such claims totaling \$39,108,275.

**iv. Guaranty Funds Claims**

As of September 30, 2013, none of the claims of the Guaranty Funds had been allowed. The Guaranty Funds' claims amount to \$4,435,684 and Frontier has established loss, LAE and administrative expense reserves for as yet unpaid claims totaling \$55,278,775. This amount does not reflect offsets of \$301,432, consisting of \$298,900 released from statutory deposits and \$2,532 in recoveries retained by the Guaranty Funds, which are accounted for as advance dividends from the Frontier estate.

**v. IBNR Claims**

As of September 30, 2013, there was an IBNR claims reserve in the amount of \$22,391,188.

**c) The Remaining Classes of Claims**

As of September 30, 2013: (i) there had been 810 Class five and 5,959 Class six claims presented in the Liquidation Proceeding in the amounts of \$8,558,618 and \$47,823,823 (\$18,737,062 for non-reinsurance related creditor claims and \$29,086,761 for reinsurance

claims), respectively; and (ii) there had been no Class three, four, seven, eight or nine claims presented. Frontier has insufficient assets to pay Class two claims in full; therefore, to maximize the assets of the estate, the remaining classes of claims will not be further adjudicated unless it appears that the estate will have sufficient assets to pay Class two claims in full.

#### **E. Financial Condition of Frontier as of September 30, 2013**

As of September 30, 2013, Frontier had total assets of \$56,576,756 and total liabilities of \$310,430,844, leaving Frontier insolvent in the amount of \$253,854,088. Frontier's financial statements reflect the transactions described herein. *See* Exhibit B.

##### **1. Assets**

As of September 30, 2013, Frontier had total assets of \$56,576,756, which consisted of cash and cash equivalents of \$12,029,729, bonds in the amount of \$16,349,798, investments in limited partnerships in the amount of \$942,555, real estate (including the Frontier headquarters in Rock Hill, New York) in the amount of \$5,471,655<sup>3</sup>, accrued investment income totaling \$245,428, miscellaneous assets totaling \$268,182 (*e.g.* receivables from third party administrators and other miscellaneous assets), statutory deposits held by other states totaling \$18,731,597 and other similarly restricted assets in the amount of \$2,537,812.

##### **2. Liabilities**

As of September 30, 2013, Frontier's total liabilities were \$310,430,844, which consisted of \$1,868,731 in obligations to secured creditors, \$2,850,942 in Class one liabilities for operating and administrative expenses, \$249,328,730 in Class two liabilities, *i.e.*, policy-related claims, \$8,558,618 in Class five liabilities, *i.e.*, state and local government claims, and \$47,823,823 in Class six liabilities, *i.e.*, general creditor claims. *See* Exhibit B. The amounts in respect of each class of claims are subject to change over time, depending on the outcome of the Liquidator's

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<sup>3</sup> See footnote 1.

review, classification and allowance or disallowance of such claims, and the result of any appeals that claimants may make to the classification and allowance or disallowance of their claims.

### **3. Collection of Assets**

#### **a) Cash Receipts**

As of September 30, 2013, the Liquidator collected assets in the amount of \$10,977,518, consisting of \$440,102 in investment income, \$9,235,786 in reinsurance recoveries, \$134,008 in salvage and subrogation recoveries, \$220,945 in premiums, \$26,492 in worker's compensation claim reimbursements from Guaranty Funds for prepaid indemnity and medical payments prior to liquidation, \$328,548 in rental income and \$591,637 in miscellaneous receipts.

#### **b) Receipts from Collateral Accounts**

As of September 30, 2013, the Liquidator had received a total of \$605,220 from the collateral accounts held by Frontier.

#### **c) Receipts from Statutory Deposits**

As of September 30, 2013, the Liquidator had received \$175,561 from the release of statutory deposits held by state insurance departments and/or ancillary receivers.

### **4. Disbursement of Assets**

#### **a) Expenses**

From the Liquidation Order Date through September 30, 2013, the Liquidator had incurred and paid expenses in the amount of \$4,184,909, consisting of LAE and administrative expenses. These expenses included: \$182,299 for LAE, \$1,890,689 for the salaries of the Liquidator's staff, \$679,945 for employee relations and welfare (*e.g.*, payroll taxes, health insurance and pension contributions), \$445,754 for rent, utilities and related expenses, \$153,035 for professional fees (*e.g.*, accountants, legal and other consultants), \$170,096 for general and administrative expenses (*e.g.*, IT services and general office

maintenance), \$25,370 for salvage and subrogation collection fees and \$637,721 for miscellaneous expenses (e.g., real estate expenses, taxes and insurance).

**b) Segregated Account**

The Liquidator has transferred a total of \$95,000 of Frontier's assets to a segregated account held by the property manager of the Frontier headquarters in Rock Hill, New York for the purpose of paying maintenance costs of the headquarters.

**5. Payments to Claimants**

No distribution of assets has yet been made to any class of claimant other than Class one. The Liquidator has reserved for all of the adjudicated and yet to be adjudicated Class two claims, as well as for projected administrative expenses. This reserve is necessary to ensure that at the time of any distribution, there will be sufficient assets to pay all Class two creditors in parity and the administrative expenses incurred as of that time.

**ESTABLISHMENT OF A FINAL BAR DATE**

Insurance Law Article 74 envisions that the distribution of the assets of an insolvent insurer will strike "a reasonable balance between the expeditious completion of the liquidation and protection of unliquidated and undetermined claims." Ins. L. § 7434(a)(1). Establishing the December 31, 2013 Bar Date greatly assists in striking that balance. The Bar Date will enable the Liquidator to determine the *maximum number* of all claims against Frontier and help project a timeline for the closure of the estate. Establishing the Final Bar Date, by which all claimants who submitted claims prior to the Bar Date are required to provide proof that the claim is liquidated, allowable and in what amount, will provide the Liquidator with the total *amount* and *actual number* of claims eligible to share in a distribution of estate assets. This additional information will move the estate much further toward completion than the Bar Date alone.

The establishment of a bar date is in accordance with Insurance Law Section 7417, which vests courts with authority to grant such relief as the nature of the case and the interests of policyholders, creditors and the public may require. This authority encompasses the establishment of bar dates, such as the Final Bar Date, to facilitate the efficient closure of an estate in order to preserve and maximize the assets available to pay all classes of creditors with allowed claims. *See e.g., In the Matter of Dominion Ins. Co.*, Index No., 40924/1986 (Sup. Ct., N.Y. Co., April 5, 1999) (liquidation court approving bar dates); *In the Matter of Ideal Mutual Ins. Co.*, Index No. 40275/1985 (Sup. Ct. N.Y. Co., Dec. 9, 2003) (same).

Not only is the establishment of a bar date for the presentment of claims necessary to complete the liquidation of an insurer, a final bar date “for the submission of evidence in support of the allowance of a claim” may also be necessary “to prompt claimants to submit detailed claims data to the Liquidator.” *In re Liquidation of Midland Ins. Co.*, 32 Misc.3d 1211(A), 2011 WL 2652564, \*6 (Sup. Ct. N.Y. Co., Jun. 27, 2011). Without the detailed claims data to indicate whether a claim presented has been liquidated and actual losses have been incurred, the Liquidator will not know whether the claimant may share in a distribution of estate assets. If the Liquidator cannot know the total number of claimants and the amount of the claim, he will be unable to distribute all of the estate’s assets to claimants as he will always require some reserve amount to address the unliquidated claims. The result could be an open-ended liquidation proceeding incapable of “expeditious completion.”

### **NOTICE**

The Liquidator proposes to give notice of the Final Bar Date to all persons having filed proofs of claim or Identified Claimants by publishing a notice (“Notice”), in substantially the form annexed as Exhibit C, in *Business Insurance* or *Insurance Advocate*, or a publication of similar circulation, once per week for two consecutive publications as soon as practicable in light

of the publication schedule of such publication. The Liquidator will also post the Notice on the Internet web page maintained by the NYLB at <http://www.nylb.org> within 15 days following the entry of an order granting the relief sought in the Verified Petition.

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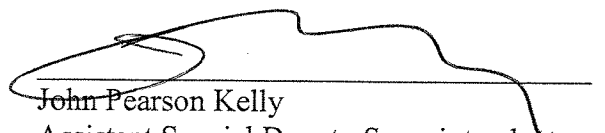


### RELIEF SOUGHT

The Liquidator submits this Report to describe to this Court the status of the Frontier Liquidation Proceeding and receive authorization to distribute assets of the estate and establish the Final Bar Date. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Verified Petition of the Assistant Special Deputy (the "Verified Petition"). Based on the facts set forth in the Verified Petition and herein, the Liquidator requests in the Verified Petition that this Court issue an order which:

- a. Approves this Report and the financial transactions delineated herein;
- b. Establishes December 31, 2014 as the Final Bar Date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to Bar Date any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim;
- c. Authorizes the continued payment of administrative expenses;
- d. Authorizes the Liquidator to distribute Frontier's assets, consistent with this Court's orders and the priorities set forth in Insurance Law Section 7434, to those creditors of Frontier with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and
- e. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York  
December 20, 2013



John Pearson Kelly  
Assistant Special Deputy Superintendent  
and Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the  
State of New York as Liquidator of Frontier  
Insurance Company

# EXHIBIT A

At the Supreme Court of the State  
of New York, County of Albany, at  
the courthouse, 16 Eagle Street,  
County and City of Albany, State  
of New York, on the 9<sup>th</sup> day of  
November, 2012.

P R E S E N T:

HON. RICHARD M. PLATKIN, J.S.C.

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In the Matter of

Index No. 000097/2006

the Rehabilitation of

**ORDER OF LIQUIDATION**

FRONTIER INSURANCE COMPANY

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Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent"), having moved this Court by order to show cause ("Order to Show Cause") for an order converting the rehabilitation proceeding of Frontier Insurance Company ("Frontier") to a liquidation proceeding, and upon reading the petition of the Superintendent, duly verified the 18<sup>th</sup> day of July, 2012; the affidavit of Al Escobar, Chief Executive Officer of Frontier, sworn to July 17, 2012, and the exhibits annexed thereto; all answering and reply papers; all prior proceedings and papers in this proceeding, this Court finds that:

1. Frontier was placed into rehabilitation and the Superintendent and his successors in office were appointed Rehabilitator by order of the Supreme Court of the State of New York, County of New York ("Rehabilitation Order") entered October 15, 2001;
2. Frontier is insolvent;
3. Further efforts to rehabilitate Frontier would be futile;
4. Frontier is subject to the New York Insurance Law ("Insurance Law") and, particularly, to Article 74 thereof; and

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5. It is in the best interest of all persons concerned that, based upon Article 74 of the Insurance Law, the Superintendent should be appointed Liquidator and vested with title to all of Frontier's property, contracts and rights of action and directed to liquidate its business and affairs;

NOW, on motion of the Honorable Eric T. Schneiderman, Attorney General of the State of New York, it is hereby

ORDERED as follows:

1. The relief requested in the petition for an order of liquidation is granted;
2. The rehabilitation proceeding of Frontier is converted to a liquidation proceeding;
3. The Superintendent, and his successors in office, are appointed Liquidator of Frontier and are: (i) vested with all powers and authority expressed or implied under Insurance Law Article 74, in addition to the powers and authority set forth in this Order; (ii) vested with title to all of Frontier's property, contracts and rights of action as of the date of entry of this Order; and (iii) directed to liquidate Frontier's business and affairs in accordance with Insurance Law Article 74;
4. The Liquidator may deal with the property and business of Frontier in its name or in the name of the Liquidator;
5. The injunctions provided for in the Rehabilitation Order and in Insurance Law Section 7419 are continued and granted, including permanently enjoining and restraining all persons from: (i) transacting Frontier's business; (ii) wasting or disposing of Frontier's property; (iii) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (iv) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (v) obtaining preferences, judgments, attachments or other liens or making levy against Frontier's property or any part thereof;
6. All parties are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74;

(RS) [ 6-a. The injunctions and restraints set forth in ~~para~~ paragraphs 5 and 6 of this Order shall not apply to applications brought before this Court or actions or proceedings commenced or prosecuted with the prior approval of this Court. (RP)

(RP) In relation to Frontier or this proceeding

7. All parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 90 days from the entry of this Order;
8. All persons who have first-party or New York Comprehensive Automobile Insurance Reparation Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the entry of this Order;
9. The Liquidator is vested with all of Frontier's rights under all its contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination;
10. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) transfer funds from such bank, savings and loan association or other financial institution to a bank; savings and loan association or other financial institution designated by the Liquidator; or (v) take any other action necessary for the proper conduct of the liquidation proceeding;
11. All persons or entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs, and/or bank records owned by, belonging to or relating to Frontier, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator;
12. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or other securities, and any other personal property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments;
13. In the event that the Liquidator shall seek to sell, assign or transfer any real property of Frontier, ~~and/or~~ enter into any agreement with either of Frontier

and/or otherwise sell or dispose of assets of Frontier exceeding \$2,500 in value, (RP)

Insurance Group, LLC or Lancer Financial Group, Inc., such sale, assignment, disposition, (RP) transfer, or the effectiveness of such agreement shall be subject to the approval of this Court; such approval shall be sought by motion of the Liquidator to this Court upon notice to counsel for those individuals and entities that submitted answering papers pursuant to the Order to Show Cause;

14. As set forth in Insurance Law Section 7433(b)(2), the Liquidator shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants; each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims;
15. Subject to the provision of Insurance Law Section 7433(b)(2) referred to above, in accordance with Insurance Law Section 7432(b), all persons who may have claims against Frontier shall present the same to the Liquidator at the offices of the New York Liquidation Bureau, 110 William Street, New York, New York 10038, Attn.: Creditor and Ancillary Operations Division, within four months of the date of entry of this Order, and proofs of claim (as described in Insurance Law Section 7433(a)(1)) may be filed subsequent to the date specified in Insurance Law Section 7432(b), but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed (or deemed filed pursuant to Insurance Law Section 7433(b)(2)) before such specified date, have been paid in full with interest.
16. The Liquidator is authorized to pay actual and necessary administrative costs and expenses of Frontier out of the assets of Frontier;
17. If, within the rehabilitation proceeding that is hereby converted into a liquidation proceeding, a claim was previously adjudicated and allowed, such claim shall be an allowed claim for the purposes of the liquidation proceeding without further filing or proceeding;
- 17-a. The Interim Procedure Order and all appointments made thereunder shall remain in effect (RP)
18. Any person who has a cause of action against an insured of Frontier under a liability insurance policy issued by Frontier, shall have the right to file a claim in the proceeding, even though the claim is contingent, and such claim may be allowed in accordance with Article 74 of the Insurance Law;
19. Under the direction of this Court any distribution of assets, including payment in respect of claims, shall be in accordance with the priorities set forth in Insurance Law Article 74;
20. The Liquidator may at any time make further application to this Court for such further and different relief as he sees fit;

21. The Liquidator shall serve a copy of this Order upon (i) Al Escobar, Chief Executive Officer of Frontier, 195 Lake Louise Marie Road, Rock Hill, NY 12775; (ii) Lancer Financial Group, Inc., 370 West Park Avenue, Long Beach, NY 11561; (iii) Walther, Roark & Gay, PLC, Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (Jonathan L. Gay, of counsel), 163 East Main Street, Suite 200, P. O. Box 1598, Lexington, KY 40588-1598; (iv) Hargraves McConnell & Costigan, P.C., Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (John McConnell, of counsel), The Helmsley Building, 230 Park Avenue, New York, NY 10169; (v) Stuart F. Delery, Acting Assistant Attorney General, Attorney for the United States, (Frances M. McLaughlin, of counsel), United States Department of Justice, Civil Division, P. O. Box 875, Ben Franklin Station, Washington, DC 20044; (vi) Ficara & Associates, P.C., Attorneys for Callon Petroleum, The Martin Family Charitable Trust and Logo Holdings, LLC, (Donald J. Cayea, of counsel), 155 Pinelawn Road, Suite 240N, Melville, NY 11747; (vii) Arnstein & Lehr, LLP, Attorneys for The Martin Family Charitable Trust, (Mary Cannon Veed, of counsel), 120 South Riverside Plaza, Suite 1200, Chicago, IL 60606, (viii) Wharton Law Group, Attorneys for Logo Holdings, LLC, (Margaret A. Wharton, of counsel), 456 South Central Avenue, P. O. Box 621172, Oviedo, FL 32762-1172; (ix) Chadbourne & Parke, LLP, (Richard G. Liskov, of counsel), 30 Rockefeller Plaza, New York, NY 10011, (x) Morrison Cohen LLP, Attorneys for Unit 82 Joint Venture, (Y. David Scharf, of counsel), 909 Third Avenue, New York, NY 10022; (xi) Patrick F. Adams, P.L.L.C., Attorney for St. John's the Baptist Diocesan High School, (Gary A. Pagliarello, of counsel), 3500 Sunrise Highway, Building 300, Great River, NY 11739; (xii) Lazlo Komjathy, Jr., Esq., Attorney for California Department of Insurance, Legal Division, Corporate Affairs Bureau, 45 Fremont Street, 24<sup>th</sup> Fl., San Francisco, CA 94105; (xiii) Locke Lord, LLP, Attorneys for Frontier Insurance Company Coordinating Committee, (Thomas W. Jenkins, of counsel), 111 South Wacker Drive, Chicago, IL 60606;
22. The Liquidator shall provide notice of this Order to all creditors, claimants and other interested persons by: (i) posting this Order on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> within 15 days after the entry of this Order; and (ii) publication of notice of this Order in *Business Insurance* once a week in two consecutive publication weeks, commencing within four weeks of entry of this Order, in a form substantially similar to the one attached hereto, (confirmed to reflect the terms of the executed Order) (RP)
23. Such notice shall inform all creditors, claimants and other interested persons that this Order has been entered;
24. The notice prescribed in decretal paragraphs 21 and 22 hereof is sufficient notice to all persons interested in Frontier;

25. This Court shall retain jurisdiction over this matter for all purposes;
26. The caption to this proceeding is hereby amended as follows:

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF ALBANY

-----X  
In the Matter of

the Liquidation of

FRONTIER INSURANCE COMPANY.  
-----X

27. All further papers in this proceeding shall bear the above amended caption.
28. The Liquidator shall serve a conformed copy of this order upon the county clerk and the clerk of the trial support office for amendment of this Court and computer records.

ENTER

  
\_\_\_\_\_  
J.S.C.

HON. RICHARD PLATKIN, A.J.S.C.

Albany County Clerk  
Document Number 11276357  
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**NEW YORK LIQUIDATION BUREAU  
110 WILLIAM STREET  
NEW YORK, NEW YORK 10038  
(212) 341-6755**

To all persons or entities  
interested in the affairs of

**FRONTIER INSURANCE COMPANY**

Notice is Hereby Given:

- I. Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent"), has been appointed by order of the Supreme Court of the State of New York, Albany County ("Court"), entered [Insert Date] (the "Liquidation Order"), as the liquidator (the "Liquidator") of Frontier Insurance Company ("Frontier") and, as such, has been: (i) vested with all powers and authority expressed or implied under New York Insurance Law ("Insurance Law") Article 74, in addition to the powers and authority set forth in the Liquidation Order; (ii) vested with title to all of Frontier's property, contracts and rights of action as of the date of entry of the Liquidation Order; and (iii) directed to liquidate Frontier's business and affairs in accordance with Insurance Law Article 74. The Liquidator has, under Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent (the "Acting Special Deputy") as his agent to liquidate the business of Frontier. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.
- II. The Liquidator may deal with the property and business of Frontier in its name or in the name of the Liquidator.
- III. All persons are permanently enjoined and restrained from: (i) transacting Frontier's business; (ii) wasting or disposing of Frontier's property; (iii) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (iv) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (v) obtaining preferences, judgments, attachments or other liens or making levy against Frontier's property or any part thereof.
- IV. All parties are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74.
- V. All parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 90 days from the date of entry of the Liquidation Order.

Albany County Clerk  
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VI. All persons who have first-party or New York Comprehensive Automobile Insurance Reparation Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of the Liquidation Order.

VII. The Liquidator is vested with all of Frontier's rights under all its contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination.

VIII. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) transfer funds from such bank, savings and loan association or other financial institution to a bank; savings and loan association or other financial institution designated by the Liquidator; or (v) take any other action necessary for the proper conduct of the liquidation proceeding.

IX. All persons or entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs, and/or bank records owned by, belonging to or relating to Frontier, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator.

X. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or other securities, and any other personal property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments.

XI. In the event that the Liquidator shall seek to sell, assign or transfer any real property of Frontier and/or enter into any agreement with either of Frontier Insurance Group, LLC or Lancer Financial Group, Inc., such sale, assignment, transfer, or the effectiveness of such agreement shall be subject to the approval of the Court; such approval shall be sought by motion of the Liquidator to the Court upon notice to counsel for those individuals and entities that submitted answering papers pursuant to the Order to Show Cause.

XII. As set forth in Insurance Law Section 7433(b)(2), the Liquidator shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants; each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims.

XIII. Subject to the provision of Insurance Law Section 7433(b)(2) referred to above, in accordance with Insurance Law Section 7432(b), all persons who may have claims against Frontier shall present the same to the Liquidator at the offices of the New York Liquidation Bureau, 110 William Street, New York, New York, 10038, Attn.: Creditor and Ancillary Operations Division, within four months of the date of entry of the Liquidation Order, and proofs of claim (as described in Insurance Law Section 7433(a)(1)) may be filed subsequent to the date specified in Insurance Law Section 7432(b), but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed (or deemed filed pursuant to Insurance Law Section 7433(b)(2)) before such specified date, have been paid in full with interest.

XIV. The Liquidator is authorized to pay actual and necessary administrative costs and expenses of Frontier out the assets of Frontier.

XV. If, within the rehabilitation proceeding that has been converted into a liquidation proceeding, a claim was previously adjudicated and allowed, such claim shall be an allowed claim for the purposes of the liquidation proceeding without further filing or proceeding.

XVI. Any person who has a cause of action against an insured of Frontier under a liability insurance policy issued by Frontier, shall have the right to file a claim in the proceeding, even though the claim is contingent, and such claim may be allowed in accordance with Article 74 of the Insurance Law.

XVII. Under the direction of the Court any distribution of assets, including payment in respect of claims, shall be in accordance with the priorities set forth in Insurance Law Article 74.

XVIII. The Liquidator may at any time make further application to the Court for such further and different relief as he sees fit.

XIX. The Court shall retain jurisdiction over this matter for all purposes.

XX. All communications relating to Frontier and to the liquidation thereof should be addressed to:

New York Liquidation Bureau  
110 William Street  
New York, New York 10038  
Attn.: General Counsel  
(212) 341-6560

BENJAMIN M. LAWSKY  
Superintendent of Financial Services of  
the State of New York as Liquidator  
of Frontier Insurance Company

MICHAEL J. CASEY  
Acting Special Deputy Superintendent  
and Agent for the Superintendent as Liquidator of  
Frontier Insurance Company

# EXHIBIT B

**FRONTIER INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF ASSETS**

	Sep. 30, 2013	Nov. 16, 2012
<b>Unrestricted Assets</b>		
Cash-Unrestricted	\$ 12,029,729	\$ 176,656
Short-Term Investments	-	413,794
Bonds	16,349,798	21,110,321
Preferred Stocks, and Common Stocks	-	-
Total Cash and Investments	\$ 28,379,527	\$ 21,700,771
Investment in Limited Partnership	942,555	949,584
Real Estate	5,471,655	5,471,655
Total Cash, Investments and Other Invested Assets	34,793,737	28,122,010
Reinsurance Recoverables on Paid Losses and LAE	11,073,083	18,629,530
Less: Allowance for Uncollectible Reinsurance Recoverable	(11,073,083)	(17,887,140)
Net Reinsurance Recoverable on Paid Losses and LAE	-	742,390
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	24,314,473	40,789,753
Less: Allowance for Uncollectible Reinsurance Recoverable	\$ (24,314,473)	\$ (436,320)
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	40,353,433
Premium in the course of Collection	-	386,973
Accrued Investment Income	245,428	109,047
Other Assets	268,182	-
Total Unrestricted Assets	35,307,347	69,713,853
<b>Restricted Assets:</b>		
Restricted - Statutory Deposits in This or Other States	18,731,597	19,350,070
Restricted - Funds held by or deposited with Reinsurance Co.	-	-
Restricted - Other	2,537,812	1,888,975
Total Restricted Assets	21,269,409	21,239,045
<b>Total Assets</b>	<b>\$ 56,576,756</b>	<b>\$ 90,952,898</b>

**FRONTIER INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF LIABILITIES**

	Sep. 30, 2013	Nov. 16, 2012
Secured Claims	\$ 1,868,731	\$ 1,888,975
Class I - Administrative Claims:	2,850,942	2,289,551
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	-	-
Loss Adjustment Expenses (LAE)	-	-
Loss Claims	-	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	-	-
Less Advance Dividends	\$ (301,432)	-
Total Allowed Claims	(301,432)	-
Non - Allowed Claims:		
Administrative Claims Expenses	12,407,229	-
Loss Adjustment Expenses (LAE)	6,200,142	\$ 4,909,055
Loss Claim Reserves	80,931,319	136,560,068
Unearned and Advance Premium Claims	294,707	-
Total Non-Allowed Claims	99,833,397	141,469,123
Total Guaranty Fund Claims:	99,531,965	141,469,123
Creditor Claims:		
Allowed Claims:		
Loss Claims	10,801,840	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	10,801,840	-
Less Dividends	-	-
Total Allowed Claims	10,801,840	-
Non - Allowed Claims:		
Loss Claims Reserves	115,209,962	-
Unearned and Advance Premium Claims	1,393,775	1,688,481
Loss Adjustment Expenses (LAE)	-	-
Total Non-Allowed Claims	\$ 116,603,737	\$ 1,688,481
Total Creditor Claims	127,405,577	1,688,481
IBNR	22,391,188	22,682,090
Total Class II Claims and Related Costs:	\$ 249,328,730	\$ 165,839,694
Class III - Federal Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class III Claims	-	-
Class IV - Employee Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IV Claims	-	-

**FRONTIER INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF LIABILITIES (Continued)**

	Sep. 30, 2013	Nov. 16, 2012
<b>Class V - State and Local Government Claims:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	<u>\$ 8,558,618</u>	<u>\$ 8,232,485</u>
Total Class V Claims	\$ 8,558,618	\$ 8,232,485
 <b>Class VI - General Creditors:</b>		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	<u>18,737,062</u>	<u>9,063,695</u>
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	18,737,062	9,063,695
Reinsurance Related Unsecured Claims	29,086,761	28,682,656
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	<u>\$ 29,086,761</u>	<u>\$ 28,682,656</u>
Total Class VI Claims	47,823,823	37,746,351
 <b>Class VII - Late Filed Claims:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VII Claims	-	-
<b>Class VIII - Section 1307 (Shareholder) Loans:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class VIII Claims	-	-
<b>Class IX - Share Holder Claims:</b>		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims	-	-
Total Class IX Claims	-	-
 <b>Other Liabilities</b>	-	-
 <b>Total Liabilities</b>	<u>310,430,844</u>	<u>215,997,056</u>
<b>TOTAL DEFICIT</b>	<u>(253,854,088)</u>	<u>(125,044,158)</u>
 <b>Total Liabilities and Liquidator's Surplus (Deficit)</b>	<u>\$ 56,576,756</u>	<u>\$ 90,952,898</u>

**FRONTIER INSURANCE COMPANY IN LIQUIDATION**  
**STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS**  
**FOR THE PERIOD FROM NOVEMBER 16, 2012 TO SEPTEMBER 30, 2013**

		Inception to SEP. 30, 2013
<b>Receipts</b>		
<b>Cash Receipts</b>	<b>Investment Income</b>	<b>\$ 440,102</b>
	<b>Reinsurance Recovered</b>	<b>9,235,786</b>
	<b>Premiums and Commissions</b>	<b>220,945</b>
	<b>Salvage and Subrogation</b>	<b>134,008</b>
	<b>Rental Income</b>	<b>328,548</b>
	<b>Claim Reimbursements</b>	<b>26,492</b>
	<b>Miscellaneous</b>	<b>591,637</b>
	<b>Total Cash Receipts</b>	<b>10,977,518</b>
<b>Other Receipts</b>	<b>Released from Collateral Accounts</b>	<b>605,220</b>
	<b>Released from Statutory Deposits</b>	<b>175,561</b>
<b>Total Other Receipts</b>		<b>780,781</b>
<b>Total Receipts</b>		<b>11,758,299</b>
<b>Disbursements</b>		
<b>Expenses</b>	<b>Loss Adjustment Expenses</b>	<b>182,299</b>
	<b>Salvage and Subrogation Fees</b>	<b>25,370</b>
	<b>Salaries</b>	<b>1,890,689</b>
	<b>Employee Relations &amp; Welfare</b>	<b>679,945</b>
	<b>Rent and Related Expenses</b>	<b>445,754</b>
	<b>Professional Fees</b>	<b>153,035</b>
	<b>General and Administrative Expenses</b>	<b>170,096</b>
	<b>Other Miscellaneous Expenses</b>	<b>637,721</b>
<b>Total Expenses</b>		<b>4,184,909</b>
<b>Other Disbursements</b>	<b>Deposit with Property Managers</b>	<b>95,000</b>
<b>Total Disbursements</b>		<b>4,279,909</b>
<b>Net Increase (Decrease) in Cash and Invested Assets</b>		<b>7,478,390</b>
<b>BEGINNING CASH AND INVESTED ASSETS - NOVEMBER 16, 2012</b>		<b>28,122,010</b>
<b>Unrealized Gain on Investments</b>		<b>(806,663)</b>
<b>ENDING CASH AND INVESTED ASSETS - SEPTEMBER 30, 2013</b>		<b>\$ 34,793,737</b>



# EXHIBIT C

**IN THE MATTER OF THE LIQUIDATION OF  
FRONTIER INSURANCE COMPANY  
Supreme Court County of Albany  
Index No.: 000097/2006**

**NOTICE**

Pursuant to an order of the Supreme Court of the State of New York, County of Albany, entered on November 16, 2012 (the "Liquidation Order"), the Superintendent of Financial Services of the State of New York and his successors in office were appointed as liquidator ("Liquidator") of Frontier Insurance Company ("Frontier") and, as such, has been directed to take possession of Frontier's property, liquidate its business and affairs, and dissolve its corporate charter pursuant to Article 74 of the New York Insurance Law ("Insurance Law"). The Liquidator has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent ("Acting Special Deputy"), as his agent to liquidate the business of Frontier. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

PLEASE TAKE NOTICE that the Supreme Court of the State of New York, County of Albany, has issued an order, dated \_\_\_\_\_, 201\_\_\_\_, establishing December 31, 2014, as the final bar date, the final date by which the Liquidator must actually receive in respect of any claim presented prior to December 31, 2013 (the "Bar Date" established in the proceeding by order of the Court entered on September 23, 2013) any and all evidence demonstrating (a) that such claim has been liquidated and (b) that there has been actual loss and/or payment in respect of such claim.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor and Ancillary Operations Division, at (212) 341-6809.

Dated: \_\_\_\_\_, 201\_\_\_\_

Benjamin M. Lawsky  
Superintendent of Financial Services of the  
State of New York as Liquidator of  
Frontier Insurance Company