

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
In the Matter of

Index No.: 400986/10

the Liquidation of

AFFIRMATION

PROFESSIONAL LIABILITY INSURANCE
COMPANY OF AMERICA.
-----X

Melvin Browning, an attorney licensed to practice in the State of New York, affirms, pursuant to CPLR 2106, as follows:

1. I am an attorney with the New York Liquidation Bureau (“NYLB”), the organization that carries out the duties of Anthony J. Albanese, Acting Superintendent of Financial Services of the State of New York (“Superintendent”) in his capacity as liquidator (“Liquidator”) of Professional Liability Insurance Company of America (“PLICA”), and submit this affirmation (“Affirmation”) upon information and belief the sources of which are the PLICA files maintained by the NYLB and conversations I have had with employees of the Liquidator, in support of the Liquidator’s motion to approve the Report on the Status of the Liquidation of PLICA (the “Report”) annexed hereto as Exhibit 1.

2. By order entered February 10, 2014 (the “Liquidation Order”), this Court placed PLICA into liquidation under Article 74 of the New York Insurance Law (the “Insurance Law”). The Liquidation Order vested the Liquidator with, among other things, the responsibility for:

- a. Marshalling PLICA’s assets;
- b. Providing notice of entry of the Liquidation Order to PLICA’s creditors, claimants and other interested persons; and
- c. Otherwise liquidating PLICA’s business pursuant to Article 74 of the Insurance Law.

3. The Report sets forth the Liquidator's activities that have been conducted in accordance with the Liquidation Order and Insurance Law Article 74 and details the results of the Liquidator's efforts to identify PLICA's creditors, adjudicate claims, and marshal PLICA's assets.

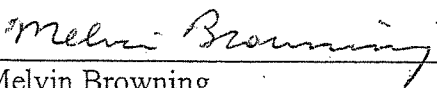
4. This application seeks an order ("Order"): (i) approving the Report and the financial transactions delineated therein; (ii) authorizing the continued payment of administrative expenses; and (iii) providing the Liquidator such other and further relief as this Court may deem appropriate and just.

5. The Liquidator requests that this Court issue the accompanying Order to Show Cause approving a return date for a hearing on the Liquidator's application to be held before this Court at least thirty (30) days after the date of issuance of the Order to Show Cause.

6. No previous application for the relief sought herein has been made to this or any other court or judge thereof.

WHEREFORE, it is respectfully requested that this Court enter an Order (i) approving the Report and the financial transactions delineated in such report; (ii) authorizing the continued payment of administrative expenses; and (iii) providing the Liquidator such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
November 13, 2015


Melvin Browning

L18146/mb

Exhibit 1

REPORT ON THE STATUS OF THE LIQUIDATION OF PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA

Anthony J. Albanese, Acting Superintendent of Financial Services of the State of New York (“Superintendent”) as court-appointed liquidator (“Liquidator”) of Professional Liability Insurance Company of America (“PLICA”) has appointed Scott D. Fischer as Special Deputy Superintendent and Agent of the Liquidator and other agents, to carry out, through the New York Liquidation Bureau (“NYLB”), the responsibilities of the Liquidator. The Liquidator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent (“Assistant Special Deputy”), hereby submits this Liquidator’s report (“Report”) on the status of the PLICA liquidation proceeding (“Liquidation Proceeding”).

INTRODUCTION

This Court entered an order (“Rehabilitation Order”) on April 30, 2010, placing PLICA into rehabilitation (the “Rehabilitation”). In October 2012, the Superintendent petitioned this Court to convert the Rehabilitation into a liquidation proceeding, which was granted by an order (the “Liquidation Order”) dated February 10, 2014 (the “Liquidation Order Date”). As described more fully below, PLICA was primarily a medical malpractice liability insurance carrier, incorporated in New York, but did not provide medical malpractice liability insurance in New York. Substantially all of PLICA’s insurance policies were underwritten in Illinois, Missouri, Connecticut and Texas. Since PLICA’s entry into liquidation, the Liquidator arranged for claims under policies to be handled by the Guaranty Funds (defined below) in four states and has otherwise been winding-up PLICA’s affairs. As of September 30, 2015 (the most recent date for which comprehensive financial information is available), PLICA had assets of approximately \$19,239,688 as compared to liabilities of approximately \$26,430,852.

The Liquidator is providing this Report to advise the Court on the status of the Liquidation Proceeding and to seek the Court's (i) approval of the Report and the financial transactions delineated herein; (ii) authorization for the continued payment of administrative expenses; and (iii) provision of such other and further relief as this Court deems appropriate and just.

BACKGROUND

PLICA was incorporated in the State of New York on or about March 6, 1958. PLICA was licensed in the State of New York to provide several different types of property/casualty insurance. PLICA was also licensed to transact business in twenty-nine other states and the District of Columbia. Although permitted to provide multiple types (referred to as "lines") of insurance, by the time it was placed into rehabilitation, PLICA was exclusively a medical malpractice liability insurance provider. PLICA underwrote no insurance in New York, despite it being domiciled in New York. Nearly all of PLICA's insurance was underwritten in Illinois, Missouri, Connecticut and Texas; approximately 80% of PLICA's business was written in Illinois.

A. Grounds for Rehabilitation and Liquidation Proceedings

In 2009, the State of Illinois suspended PLICA from writing new business to Illinois customers. By an amended order of conservation of assets, entered by the Illinois Circuit Court, on March 16, 2010, the Director of Insurance of the State of Illinois was appointed as statutory conservator of PLICA, and was authorized to take possession of and conserve the property and all other assets of PLICA (the "Illinois Order"). In granting the Illinois Order, the Illinois Circuit Court found that certain of PLICA's shareholders effected an unauthorized change in control of PLICA in contravention of the insurance laws of Illinois and New York. Soon thereafter, those

shareholders became embroiled in internecine litigation in the Missouri courts over control of the company. The Illinois court found that the legal violations and the corporate governance dispute posed a danger to PLICA's policyholders, creditors and the public.

Approximately one month after Illinois took action, this Court issued the Rehabilitation Order placing PLICA into Rehabilitation. This Court appointed the then-Superintendent of Insurance¹ and his successors in office as rehabilitator of PLICA ("Rehabilitator"). The Rehabilitation Order, among other things, directed the Rehabilitator to immediately take possession of PLICA's property, conduct its business and take such steps as the Rehabilitator determined to be necessary to remove the causes and conditions that made the proceeding necessary.

The hazardous conditions that lead to the Rehabilitation could not be eliminated. During the Rehabilitation Proceeding, PLICA's Illinois conservation proceeding remained pending. After two years, the ownership dispute remained unresolved and criminal and civil proceedings were brought against certain of PLICA's owners, which placed PLICA in a further hazardous condition to its policyholders, creditors and the public.

Based on these facts, the Superintendent deemed further efforts to rehabilitate PLICA to be futile and made an application, in October 2012, to this Court for the Liquidation Order. On February 6, 2014, this Court granted the application and an order placing PLICA into liquidation was entered on February 10, 2014. In granting the Liquidation Order, this Court found that PLICA was insolvent.

¹ The predecessor of the Superintendent of Financial Services.

CONDUCT OF THE LIQUIDATION PROCEEDING

A. Liquidator's Obligations

The Liquidation Order and Insurance Law Article 74 charged the Liquidator with, among other things, the responsibility for:

- a. Identifying PLICA's policyholders and claimants;
- b. Notifying PLICA's creditors, claimants and interested persons to present their claims;
- c. Adjudicating the claims presented and establishing the total amount of PLICA's liabilities;
- d. Marshaling PLICA's assets;
- e. Distributing PLICA's assets to creditors with allowed claims; and
- f. Otherwise liquidating PLICA's business pursuant to Insurance Law Article 74.

B. Identification and Notification

As a result of the Rehabilitation Proceeding, the Rehabilitator began collecting all of PLICA's files. The claims files were transitioned over a matter of months from the third-party administrator handling the claims in Missouri to the Rehabilitator. The Rehabilitator transitioned the files in an orderly fashion to protect the insureds, as most of the claims were in active litigation outside of New York.

Pursuant to this Court's order, notice of the Liquidation was (i) mailed on November 21, 2012, by first class and certified mail, to the Director of Insurance of the State of Illinois as Conservator of PLICA; John Higgins as attorney for Brent, Rhonda and J. Tyler Cassity; Joseph Gasperetti as attorney for Howard Wittner and Howard Nathan, and Danielle de Benedictis on behalf of herself and as attorney for Stephen Kraysler; (ii) posted on December 3, 2012, on the

Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org>; and (iii) published on December 3, 2012 and December 10, 2012 in *Business Insurance*.

C. Claim Handling and Guaranty Funds

The Liquidator arranged for policyholder claims to be handled by state “Guaranty Funds.” Guaranty Funds are organizations created to protect policyholders from financial loss due to their insurers’ insolvency. The Guaranty Funds, created in all 50 states, assume responsibility for the payment of the full value of covered claims up to the limits set by the insurance policy or state law. In most cases, the Guaranty Funds, not the Liquidator, are handling the eligible claims of PLICA’s policyholders.² The Guaranty Funds analyze the claim and determine whether and to what extent coverage is available under the policy. The Guaranty Funds are able to immediately make required payments on covered claims to the insureds of insolvent insurance companies, as compared to payments from the liquidating estate which occur over a far longer time period and usually at a fraction of the allowed claim amount.

The Guaranty Fund that made the payment then holds a claim in the equal amount, plus the expenses of handling such claim, against PLICA’s liquidating estate. *See, e.g.*, N.Y. Ins. L. §§ 7434; 7602; 7609. The claim of a Guaranty Fund against the insolvent insurer is treated at the same level of priority in the distribution of estate assets as a claim under the policy in respect of which the Guaranty Fund made its payment. *See infra* at “E”; *see also, e.g.*, N.Y. Ins. L. §§ 7434; 7609.

Because PLICA wrote insurance policies in the states of Illinois, Missouri, Connecticut and Texas, claims made under those policies are eligible for payment from the Guaranty Funds of those states, which were potentially “triggered” by PLICA’s insolvency and liquidation. The

² Some policyholder claims are not covered by the Guaranty Funds and may be handled by the Liquidator as non-fund-covered claims.

bulk of the Liquidator's work after receiving the Liquidation Order was to arrange to send claim files – electronic and paper – to the triggered Guaranty Funds. At liquidation, however, there were open claims only in Illinois and Missouri. The process of sending claims files to the Illinois and Missouri Guaranty Funds was completed within four weeks of the Liquidation Order Date. The Liquidator sent a total of 32 claims files to the Illinois and Missouri Guaranty Funds. Thereafter, no new claims were presented to the Liquidator that required forwarding to the Guaranty Funds.

D. Adjudication of Claims

The Liquidator is responsible for adjudicating all classes of claims presented to PLICA. A claim is “adjudicated” upon the Liquidator's recommendation to the Court that the claim be either “allowed” or “disallowed.” *See* N.Y. Ins. L. §§7432-7433. 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. In order to effectuate this process, the Rehabilitator sought from this Court an order which established “adjudication procedures” during the Rehabilitation. As of its entry date, the Liquidation Order stayed any claims pending under the Rehabilitation “adjudication procedures.” By order entered January 14, 2015, this Court established modified adjudication procedures for the Liquidation Proceeding. Pursuant to that order, claimants who object to the Liquidator's recommendations are entitled to a hearing before the Court or a court-appointed referee.

E. Marshalling of Assets

During PLICA's Rehabilitation Proceeding the Rehabilitator brought an action against various officers and directors of PLICA (“Defendants”) alleging that the Defendants allowed

PLICA to engage in self-dealing transactions with insider entities, transfer assets to and invest in insider entities and pay excessive compensation to insiders in contravention of the New York Insurance Law and their duties of care, loyalty and candor to PLICA. The Rehabilitator settled the action in exchange for a payment by the Defendants' D&O insurance provider of \$1,500,000.

Since the entry of the Liquidation Order, the Liquidator has been actively engaged in seeking out advantageous commutation agreements with PLICA's reinsurers. As of September 30, 2015, the Liquidator entered into and received payment in respect of six (6) commutation agreements, recovering approximately \$2,257,767 for the estate.

F. Distribution of Assets

The financial affairs of PLICA are such that the Liquidator has not been in a position to distribute assets to PLICA's creditors since PLICA was placed into liquidation.

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.

Since the start of the Liquidation Proceeding, the Liquidator has incurred and paid on a current basis the administrative expenses of the proceeding (Class one). The Liquidator works on an ongoing basis with the triggered Guaranty Funds to obtain all necessary claim information

from them. Currently, because there is no bar date on the presentation of claims to the Liquidator and there are extended reporting period endorsements in a number of PLICA policies, it would be imprudent for the Liquidator to pay claims below Class one at this time.

G. Current Status of Claims Presented

As described above, the Liquidator adjudicates, in accordance with the Liquidation Order, those claims that are presented to him. As of the Liquidation Order Date, there were 32 unresolved policyholder claims and no resolved but unpaid policyholder claims under PLICA policies. Those claims were sent to the Illinois and Missouri Guaranty Funds for handling within one month of the Liquidation Order Date. As mentioned above, since the Liquidation Order Date, no additional claims were presented to the Liquidator and forwarded to the triggered Guaranty Funds for handling (except for one closed claim that was re-opened). As of September 30, 2015, 16 claims were open and being handled by the Illinois Guaranty Fund and the one re-opened claim is being handled by the Missouri Guaranty Fund. The Illinois and Missouri Guaranty Funds each have one Class 2 claim. Additionally, there are no Class three claims, 2 Class four claims, 10 Class five claims and 28 Class six claims filed in the Liquidation Proceeding.³ The claims below Class two have not been adjudicated in the Liquidation Proceeding and are likely to remain unadjudicated unless and until the Liquidator has cause to believe that there will be adequate funds to pay all Class one and Class two claims in full.

³ This Report covers PLICA's financial and claims information as of September 30, 2015. On October 28, 2015, the Liquidator received a Class 9 claim from the Texas Special Deputy Receiver of Lincoln Memorial Life Insurance Company, Memorial Life Insurance Company and National Prearranged Services asserting sole ownership of "all shares and other equity interests, if any, of PLICA."

1. Value and Payment of Claims

a) Class One Claims

From the Liquidation Order Date through September 30, 2015, the Liquidator has incurred and paid administrative expenses in the amount of \$1,476,453. Additionally, as of September 30, 2015, the Liquidator has incurred, but not paid, administrative expenses in the amount of \$983,315 and therefore has set a reserve equal to that amount.

b) Class Two Claims

i. Total Value of all Class Two Claims

All of the Class two claims that have been filed in the Liquidation Proceeding as of September 30, 2015, amount to \$5,621,819.⁴ Such claims will remain unpaid until all other Class two claims reported prior to an established bar date have been resolved, or until authority for an interim distribution of estate assets is sought by the Liquidator and granted by the Court.

ii. Non-Guaranty Fund Eligible Claims of Policyholders

One Class two claim in the amount of \$200,000 has been filed in the Liquidation Proceeding as of September 30, 2015, that is not eligible for payment from a Guaranty Fund. This is an “over-cap” claim returned from the Illinois Guaranty Fund. By statute, the Illinois Guaranty Fund is only liable for up to \$500,000 on a claim and if there is any judgment against or settlement on behalf of an insured that exceeds that amount, the balance, or the amount “over-cap,” returns to the Liquidator for adjudication as a non-fund-covered Class two claim.

iii. Guaranty Funds Claims

As of September 30, 2015, there are two claims, including LAE, of the triggered Guaranty Funds, which have been reserved in the amount of \$5,621,819.

⁴ This number is comprised of actual claim amounts, reserves established by the Liquidator and the triggered Guaranty Funds for claims submitted but not yet resolved and their administrative expenses.

iv. Incurred But Not Reported (“IBNR”) Reserve

As of September 30, 2015, the IBNR totaled \$11,435,000, based upon the actuarial analysis performed by Oliver Wyman Actuarial Consulting, Inc. as of December 31, 2011.

c) The Remaining Classes of Claims

The remaining claims are: 2 Class four claims in the amount of \$2,400; 10 Class five claims in the amount of \$50,619; 28 Class six general unsecured non-reinsurance claims in the total amount of \$4,065,854 and Class six general unsecured reinsurance claims in the total amount of \$4,071,845.

Reinsurance claims against the PLICA estate derive from the type of reinsurance obtained by PLICA while a going concern. At that time, PLICA entered into reinsurance agreements which included a retrospectively rated premium feature. In general, the amount of premium charged for the reinsurance is subject to a periodic calculation by which the premium charged for reinsurance provided may increase after the period for which PLICA’s obligations were reinsured. For example, if PLICA obtained reinsurance for claims made in the 2009 calendar year, at some point in 2012, the premium due for such reinsurance would be recomputed. Any premium determined to be owed based upon such a recomputation is a claim under a reinsurance agreement and is, therefore, a Class six claim.

FINANCIAL CONDITION OF PLICA

A. Financial Condition as of the Liquidation Order Date

PLICA’s most recent financial records prior to the Liquidation Order Date showed that PLICA had assets totaling \$25,835,470 and liabilities totaling \$26,937,452, making it insolvent in the amount of \$1,101,982.

1. Assets

Based upon the Liquidator's investigation and review of PLICA's books and records after the Liquidation Order Date, the Liquidator determined that PLICA had total cash and invested assets in the amount of \$12,597,229. PLICA's other assets consisted of an income tax recoverable of \$1,174,245 and \$12,151 in accrued investment income. Additionally, PLICA was carrying reinsurance recoverables on paid losses and paid LAE in the amount of \$2,430,052, reinsurance recoverables on unpaid losses and unpaid LAE in the amount of \$5,111,000 and statutory deposits held by New York and other states in the amount of \$4,510,793.

2. Liabilities

The Liquidator's analysis of PLICA's books and records, including its reserves and reinsurance liabilities, discloses that, as of the Liquidation Order Date, PLICA had total liabilities in the amount of \$26,937,452, which consisted of \$999,203 for accrued expenses, \$6,805,500 in loss reserves for the triggered Guaranty Funds⁵, \$2,809,000 reported as LAE for the triggered Guaranty Funds, \$7,026,000 for IBNR, \$2,400 for employee claims, \$393 for state and local government claims and \$9,294,956 for Class six general unsecured claims, including \$5,213,146, in reinsurance related claims.

PLICA'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, 2015 (collectively, "Financial Statements") are attached hereto as Exhibit A.

B. Financial Condition of PLICA as of September 30, 2015

The Liquidator conducted a review of PLICA's financial position and found that as of September 30, 2015, PLICA had total assets of \$19,239,688 and total liabilities of \$26,430,852

⁵ The liabilities attributable to the Guaranty Funds are based on the claims for losses for which PLICA was liable as of the Liquidation Order Date, but which were paid by the Guaranty Funds at a later date.

leaving PLICA insolvent in the amount of \$7,191,164. PLICA's Financial Statements reflect the steps taken by the Liquidator since the Liquidation Order Date to collect assets and process claims as described in this Report. *See* Exhibit A.

1. Assets

As of September 30, 2015, PLICA had total assets of \$19,239,688, which consisted of: cash and investments in the amount of \$17,948,420; reinsurance recoverables on paid losses and paid LAE in the amount of \$14,138; accrued investment income in the amount of \$31,105 and statutory deposits held by New York and other states in the amount of \$1,246,025.

2. Liabilities

As of September 30, 2015, PLICA's total liabilities were \$26,430,852, of which \$983,315 were Class one liabilities for administrative expenses; \$17,256,819 were Class two liabilities, which included an IBNR of \$11,435,000 for policy-related claims; \$2,400 were Class four liabilities, *i.e.*, employee claims, \$50,619 were Class five liabilities, *i.e.*, state and local government claims; and \$8,137,699 were Class six general unsecured claims, including \$4,071,845, in reinsurance-related claims. *See* Exhibit B.

3. Collection of Assets

a) Cash Receipts

As of September 30, 2015, the Liquidator had collected assets in the amount of \$3,658,209, consisting of \$172,066 in investment income, \$2,257,767 in reinsurance recoveries, an income tax refund of \$1,194,972, and \$33,404 in miscellaneous receipts.

b) Receipts from Statutory Deposits

As of September 30, 2015, the Liquidator had received \$3,266,526 from the release of statutory deposits held by New York and other states.

4. Disbursement of Assets

a) Expenses

The functions of the Superintendent as statutory liquidator under Article 74 of the Insurance Law are carried out by the NYLB, which maintains facilities and staff to conduct all receiverships under the Superintendent's administration. The administrative expenses of the NYLB are divided proportionately among the companies in receivership, including PLICA. *See* N.Y. Ins. L. §7422(b). Administrative expenses include salaries and payroll taxes, employee benefits (such as contributions to employee health insurance and pension costs), rent and other office overhead, such as insurance, office equipment and supplies, printing, postage and telephone and internet service (collectively, "Administrative Expenses"). More specifically, the Administrative Expenses incurred to liquidate PLICA are calculated by an electronic timekeeping system used to record the amount of time that each NYLB employee works directly on the PLICA liquidation. Based on the amount of direct time charged by the NYLB's staff to individual estates, including PLICA, the NYLB allocates Administrative Expenses on a *pro-rata* basis to all estates.

In addition, there are certain direct expenses allocable to the estate such as the cost of publishing the Liquidation Order and direct work billed by the NYLB staff to the PLICA liquidation, including the in-take, review and inventory of the books and records of the estate, taking control of and managing the estate's assets, preparing financial statements, review of the status of claims against the estate, the preparation and filing of legal documents, effecting required legal notices, and related administrative tasks.

As of September 30, 2015, the Liquidator has incurred and paid \$1,476,453 in Administrative Expenses, which include: \$293,712 for the Rehabilitation expenses, \$23,770 for

LAE, \$446,359 for the salaries of the Liquidator's staff; \$277,341 for employee relations and welfare (*e.g.*, payroll taxes, health insurance and pension contributions); \$104,814 for rent and related expenses; \$38,053 for general and administrative expenses (*e.g.*, IT services and general office maintenance); \$245,517 for professional fees (*e.g.*, accountants and other consultants) and \$46,887 for other miscellaneous expenses (*e.g.*, insurance and bank fees).

5. Payments to Claimants

No distribution has yet been made to any class of claimant other than Class one. The Liquidator has established reserves for the Class two claims which have yet to be adjudicated, as well as a reserve for projected Administrative Expenses. These reserves are necessary to ensure that at the time of any distribution there will be sufficient assets to pay all Administrative Expenses incurred as of that time and then all Class two creditors in parity. However, in order to allow for the expeditious payment of distributions of estate assets as required by Insurance Law Section 7434, a bar date must be obtained. The bar date will ensure that no further claims can be asserted, including claims by policyholders who obtained extended reporting period endorsements. Because no new claims have been asserted against PLICA for more than four and one half years, the Liquidator intends to seek a bar date from this Court as soon as is practical and will also, at that time, seek the Court's permission to begin distributing assets to the estate's allowed claimants after the established bar date has passed.

RELIEF SOUGHT

The Liquidator submits this Report to describe to this Court the status of the PLICA Liquidation Proceeding and request authorization for continued payment of administrative expenses. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Affirmation of Melvin Browning. Based on the facts set forth in the Affirmation and herein, the Liquidator requests in the Affirmation that this Court issue an order which:

- a. Approves the Report and the financial transactions delineated herein;
- b. Authorizes the continued payment of administrative expenses; and
- c. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York
November 13, 2015

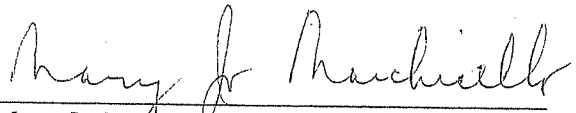

Mary Jo Marchisello
Assistant Special Deputy Superintendent
and Agent of Anthony J. Albanese, Acting
Superintendent of Financial Services of the
State of New York as Liquidator of
Professional Liability Insurance Company
of America

Exhibit A

PROFESSIONAL LIABILITY INSURANCE CORPORATION OF AMERICA
STATEMENT OF ASSETS

	<u>Sep. 30, 2015</u>	<u>Feb. 10, 2014</u> <u>Liquidation Date</u>
Unrestricted Assets		
Cash-Unrestricted	\$ 6,032,599	\$ 9,337,800
Bonds	11,915,821	2,418,934
Common Stock	-	840,495
Total Invested Assets	<u>11,915,821</u>	<u>3,259,429</u>
Total Cash and Invested Assets	\$ 17,948,420	\$ 12,597,229
Reinsurance Recoverables on Paid Losses and LAE	14,138	2,430,052
Less: Allowance for Uncollectible Reinsurance Recoverable	-	-
Net Reinsurance Recoverable on Paid Losses and LAE	14,138	2,430,052
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	4,092,142	\$ 5,111,000
Less: Allowance for Uncollectible Reinsurance Recoverable	<u>\$ (4,092,142)</u>	<u>-</u>
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	5,111,000
Accrued Investment Income	31,105	12,151
Income Tax Recoverable	-	1,174,245
Other Assets	-	-
Total Unrestricted Assets	<u>17,993,663</u>	<u>21,324,677</u>
Restricted Assets:		
Restricted - Statutory Deposits in This or Other States	1,246,025	4,510,793
Restricted - Other	-	-
Total Restricted Assets	<u>1,246,025</u>	<u>4,510,793</u>
Total Assets	<u>\$ 19,239,688</u>	<u>\$ 25,835,470</u>

PROFESSIONAL LIABILITY INSURANCE CORPORATION OF AMERICA
STATEMENT OF LIABILITIES

	<u>Sep. 30, 2015</u>	<u>Feb. 10, 2014</u> <u>Liquidation Date</u>
Secured Claims	-	-
Class I - Administrative Claims:	\$ 983,315	\$ 999,203
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	\$ 298,338	-
Loss Adjustment Expenses (LAE)	543,588	-
Loss Claims	175,000	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	1,016,926	-
Less Dividends	-	-
Total Allowed Claims	1,016,926	-
Non - Allowed Claims:		
Administrative Claims Expenses	560,174	-
Loss Adjustment Expenses (LAE)	1,158,933	\$ 2,809,000
Loss Claim Reserves	2,885,786	6,805,500
Unearned and Advance Premium Claims	-	-
Total Non-Allowed Claims	4,604,893	9,614,500
Total Guaranty Fund Claims:	5,621,819	9,614,500
General Creditor Claims:		
Allowed Claims:		
Loss Claims	-	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	-	-
Less Dividends	-	-
Total Allowed Claims	-	-
Non - Allowed Claims:		
Loss Claims Reserves	200,000	-
Unearned and Advance Premium Claims	-	-
Loss Adjustment Expenses (LAE)	-	-
Total Non-Allowed Claims	200,000	-
Total General Creditor Claims	200,000	-
IBNR	11,435,000	7,026,000
Total Class II Claims and Related Costs:	17,256,819	16,640,500
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	\$ 2,400	\$ 2,400
Total Class IV Claims	\$ 2,400	\$ 2,400

PROFESSIONAL LIABILITY INSURANCE CORPORATION OF AMERICA
STATEMENT OF LIABILITIES (Continued)

	<u>Sep. 30, 2015</u>		<u>Feb. 10, 2014</u> <u>Liquidation Date</u>	
Class V - State and Local Government Claims:				
Allowed Claims:	-		-	
Less: Dividends	-		-	
Total Allowed Claims	-		-	
Non - Allowed Claims	\$ 50,619		\$ 393	
Total Class V Claims	\$ 50,619	\$ 50,619	\$ 393	\$ 393
 Class VI - General Creditors:				
Allowed General Unsecured Creditor Claims (Other than	-		-	
Less: Dividends	-		-	
Total Allowed Claims	-		-	
Non Allowed General Unsecured Creditor Claims (Other than				
Reinsurance Related)	4,065,854		4,081,810	
Total General Unsecured Creditor Claims (Other than Reinsurance	4,065,854		4,081,810	
 Reinsurance Related Unsecured Claims	4,071,845		5,213,146	
Less: Dividends	-		-	
Total Reinsurance Related Unsecured Claims	\$ 4,071,845		\$ 5,213,146	
Total Class VI Claims		8,137,699		9,294,956
 Class VII - Late Filed Claims:				
Allowed Claims:	-		-	
Less: Dividends	-		-	
Total Allowed Claims	-		-	
Non - Allowed Claims	-		-	
Total Class VII Claims	-		-	
Class VIII - Section 1307 (Shareholder) Loans:				
Allowed Claims:	-		-	
Less: Dividends	-		-	
Total Allowed Claims	-		-	
Non - Allowed Claims	-		-	
Total Class VIII Claims	-		-	
Class IX - Share Holder Claims:				
Allowed Claims:	-		-	
Less: Dividends	-		-	
Total Allowed Claims	-		-	
Non - Allowed Claims	-		-	
Total Class IX Claims	-		-	
 Other Liabilities				
	-		-	
Total Liabilities		26,430,852		26,937,452
Liquidator's Deficit		(7,191,164)		(1,101,982)
Total Liabilities and Liquidator's Deficit		\$ 19,239,688		\$ 25,835,470

PROFESSIONAL LIABILITY INSURANCE CORPORATION OF AMERICA
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS

	<u>Inception to</u> <u>Sep. 30, 2015</u>
Receipts:	
Investment Income Received	172,066
Reinsurance Recovered	2,257,767
Released from Statutory Deposits	3,266,526
Tax Refund	1,194,972
Miscellaneous	33,404
Total Receipts	6,924,735
Disbursements:	
Rehabilitation Expenses	293,712
Loss Adjustment Expense	23,770
Salaries	446,359
Employee Relations & Welfare	277,341
Rent and Related Expenses	104,814
Professional Fees	245,517
General and Administrative Expenses	38,053
Other Expense	46,887
Total Disbursements	1,476,453
Net Increase (Decrease) of Receipts Over Disbursements	5,448,282
Cash and Invested Assets (Unrestricted) as of Liquidation date February 10, 2014	12,597,229
Unrealized Gain / (Loss) on Investments	(97,091)
Cash and Invested Assets (Unrestricted), as of September 30, 2015	\$ 17,948,420

Index No. 400986

Year 2010

SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK

In the Matter of

the Liquidation of

PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA.

ORDER TO SHOW CAUSE AND AFFIRMATION

JOHN PEARSON KELLY

Attorney for the Acting Superintendent of Financial Services of the State of New York as Liquidator

Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: *November 13*, 2015
New York, New York

Melvin Browning
Melvin Browning

[] NOTICE OF ENTRY

that the within is a (*certified*) true copy of a
duly entered in the office of the clerk of the within named court on the day of 20

[] NOTICE OF SETTLEMENT

that an order
for settlement to the HON.

of which the within is a true copy will be presented
one of the judges of the within named court, at
20 at

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

Attorney for Acting Superintendent of Financial
Services of the State of New York as Liquidator
Office and Post Office Address, Telephone
New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398