

EISNERAMPER

**THE DOMESTIC ESTATES IN
LIQUIDATION**

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

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



THE DOMESTIC ESTATES IN LIQUIDATION

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| | <u>Page(s)</u> |
|--|----------------|
| Independent Auditors' Report | 1 – 2 |
| Combined Financial Statements of the Domestic Estates In Liquidation – Modified Cash Basis | |
| • Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis As of December 31, 2017 and 2016 | 3 – 4 |
| • Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis For the Years Ended December 31, 2017 and 2016 | 5 |
| Notes to Combined Financial Statements of the Domestic Estates in Liquidation – Modified Cash Basis For the Years Ended December 31, 2017 and 2016 | 6 – 57 |
| Independent Auditors' Report on Supplementary Information | 58 |
| Supplementary Schedules | |
| • Appendix A: December 31, 2017 and 2016: The Domestic Estates in Liquidation Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis | A1 – A23 |

INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying combined financial statements – modified cash basis of the Domestic Estates in Liquidation managed by the New York Liquidation Bureau, which comprise the combined statements of assets, liabilities and deficit of assets over liabilities – modified cash basis as of December 31, 2017 and 2016, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended (collectively referred to as “Combined Domestic Estates Financial Statements”) and the related notes to the Combined Domestic Estates Financial Statements.

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

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

Auditor’s Responsibility

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

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



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

Opinion

In our opinion, the Combined Domestic Estates Financial Statements referred to above present fairly, in all material respects, the combined financial position (modified cash basis) of the Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2017 and 2016, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

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

Emphasis of Matter

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

Restriction on Use

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

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
July 25, 2018



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

| | 2017 | 2016 |
|--|----------------|----------------|
| Combined Assets | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | \$ 20,218,607 | \$ 27,289,110 |
| Invested Assets: | | |
| Certificates of Deposit | - | 140 |
| Bonds, at fair market value | 634,396,908 | 588,629,253 |
| Common Stocks, Unaffiliated at fair market value | 163,411 | 163,411 |
| Investment in Subsidiary | 544,446 | 730,084 |
| Limited Partnerships | - | 368 |
| Real Estate | 386,206 | 536,418 |
| Buildings | 3,213,794 | 4,463,582 |
| Total Invested Assets | 638,704,765 | 594,523,256 |
| Total Cash, Cash Equivalents and Invested Assets (Unrestricted) | 658,923,372 | 621,812,366 |
| Reinsurance Recoverables on Paid Losses and LAE | 325,561,468 | 336,340,800 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (319,656,896) | (293,820,141) |
| Net Reinsurance Recoverables on Paid Losses and LAE | 5,904,572 | 42,520,659 |
| Reinsurance Recoverables on Unpaid Losses and LAE | 106,412,337 | 97,830,198 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (90,704,176) | (74,059,672) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | 15,708,161 | 23,770,526 |
| Receivables from Others | 4,938,384 | 5,697,993 |
| Accrued Investment Income | 2,510,499 | 1,921,687 |
| Other Assets | 3,489,118 | 3,871,388 |
| Total Unrestricted Assets | 691,474,106 | 699,594,619 |
| Restricted Assets: | | |
| Statutory Deposits in New York or Other States | 23,934,513 | 26,300,024 |
| Other Restricted Assets | 30,082,359 | 34,160,118 |
| Total Restricted Assets | 54,016,872 | 60,460,142 |
| Total Combined Assets | \$ 745,490,978 | \$ 760,054,761 |

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

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

| | 2017 | 2016 |
|--|------------------------|------------------------|
| Combined Liabilities | | |
| Secured Claims | \$ 18,559,212 | \$ 22,651,425 |
| Unsecured Claims: | | |
| Class One - Administrative Claims | 48,544,967 | 44,453,536 |
| Class Two - Claims and Related Costs | | |
| Allowed | 2,408,661,514 | 2,561,372,441 |
| Non-Allowed | 676,481,070 | 632,176,112 |
| Total Class Two - Claims and Related Costs | 3,085,142,584 | 3,193,548,553 |
| Class Three - Federal Government Claims | 46,416,081 | 46,416,081 |
| Class Four - Employee Claims | 10,647 | 7,041 |
| Class Five - State and Local Government Claims | 28,477,522 | 28,802,895 |
| Class Six - General Creditor Claims | 632,771,805 | 700,937,484 |
| Class Seven - Late Filed Claims | 320,475,137 | 324,418,183 |
| Class Eight - Section 1307 (Shareholder) Loans | 160,391,143 | 160,474,321 |
| Class Nine - Shareholder Claims | 126,216,066 | 126,145,038 |
| Total Combined Liabilities | 4,467,005,164 | 4,647,854,557 |
| Deficit of Combined Liabilities over Combined | (3,721,514,186) | (3,887,799,796) |
| Total Combined Liabilities and Deficit of Combined Assets over Combined Liabilities | \$ 745,490,978 | \$ 760,054,761 |

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

THE DOMESTIC ESTATES IN LIQUIDATION
Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash
Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis
For the Years Ended December 31,

| | 2017 | 2016 |
|--|-----------------------|-----------------------|
| Combined Receipts: | | |
| Net Investment Income Received | \$ 8,137,205 | \$ 4,868,260 |
| Reinsurance Recovered | 23,511,777 | 26,548,213 |
| Premiums Collected | 11,783 | 10,504 |
| Salvage and Subrogation Recoveries | 1,753,416 | 639,157 |
| Reimbursement from Central Disbursement Account | 405,000 | - |
| Release from Statutory Deposits | 5,600,584 | 329,925 |
| Second Injury Claim Refunds | - | 134,902 |
| Transfer from Segregated Accounts | 955,206 | 1,031,000 |
| Miscellaneous | 1,926,388 | 365,145 |
| Total Combined Receipts | 42,301,359 | 33,927,106 |
| Combined Disbursements: | | |
| Distributions | \$ 16,436,801 | \$ 62,879,781 |
| Large Deductible | 659,845 | - |
| Transfer to Segregated Account | 128,845 | 904,889 |
| Loss>Returns Premiums | - | 6,667 |
| Loss Adjustment Expense | 81,480 | 231,128 |
| Reimbursement of Allocated Expenses: | - | - |
| Salaries | 6,014,686 | 6,586,755 |
| Employee relations & Welfare | 6,804,956 | 4,603,578 |
| Rent and Related Expenses | 3,081,919 | 3,061,384 |
| Professional Fees | 1,661,080 | 1,616,957 |
| General and Administrative Expenses | 538,960 | 416,095 |
| Salvage and Subrogation Fees | 159,172 | 118,596 |
| Miscellaneous | 1,905,333 | 1,894,792 |
| Total Combined Disbursements | 37,473,077 | 82,320,622 |
| Combined Receipts over Combined Disbursements / (Combined Disbursements over Combined Receipts) | 4,828,282 | (48,393,516) |
| Cash, Cash Equivalents and Invested Assets (Unrestricted), Beginning of Year | 621,812,363 | 664,092,036 |
| Opening Cash, Cash Equivalents and Invested Assets (Unrestricted), | | |
| Balances of New Estates | 35,715,693 | - |
| Closed Estates - Cash | (267,253) | (289,525) |
| Unrealized (Loss) Gain on Investments | (3,165,713) | 6,403,371 |
| Cash, Cash Equivalents and Invested Assets (Unrestricted), End of Year | \$ 658,923,372 | \$ 621,812,366 |

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

The Combined Domestic Estates Financial Statements (as defined in Note 2) as of December 31, 2017 and 2016 pertain to the financial statements for each domestic Estate in liquidation set forth below:

| | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| American Medical and Life Insurance Company | X | |
| Atlantic Mutual Insurance Company | X | X |
| Centennial Insurance Company | X | X |
| Colonial Cooperative Insurance Company | | X |
| Cosmopolitan Mutual Insurance Company | X | X |
| Drivers Insurance Company | X | X |
| Eveready Insurance Company | X | X |
| Fiduciary Insurance Company of America | X | |
| First Central Insurance Company | X | X |
| Frontier Insurance Company | X | X |
| Group Council Mutual Insurance Company | X | X |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

| | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| ICM Insurance Company | X | X |
| Ideal Mutual Insurance Company | X | X |
| The Insurance Corporation of New York | X | X |
| Long Island Insurance Company | | X |
| Midland Insurance Company | X | X |
| Nassau Insurance Company | | X |
| Professional Liability Insurance Company | X | X |
| Realm National Insurance Company | X | X |
| Union Indemnity Insurance Company of New York | X | X |
| United Community Insurance Company | | X |

The NYLB hereinafter refers to each of the foregoing Estates as a “Domestic Estate in Liquidation” and all of the Domestic Estates in Liquidation collectively, as the “Combined Domestic Estates in Liquidation.”

The following Domestic Estates in Liquidation were placed into liquidation in 2017:

Fiduciary Insurance Company of America

The liquidation proceedings of the following estates were terminated during the period ended December 31, 2017, however, activity and residual liabilities for all two Domestic Estates in Liquidation is included through the date of termination.

Cosmopolitan Mutual Insurance Company
 ICM Insurance Company

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

The financial statements for the following estates are not included in the Combined Estates Financial Statements for the years ended December 31, 2017 and 2016: (i) Executive Life Insurance Company of New York which was placed into rehabilitation on April 23, 1991 and converted to a liquidation on August 8, 2013; (ii) Health Republic Insurance of New York, Corp., which was placed into liquidation on May 11, 2016; (iii) fraternal associations; (iv) ancillary estates.

American Medical and Life Insurance Company was placed into liquidation on December 29, 2016 and not included in the 2016 Audited Financial Statements due to the timing of its liquidation.

NYLB's Role With Respect to the Security Funds

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

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

Once a PMV Fund or P/C Fund eligible claim has been tried or settled, the NYLB is charged with: (i) preliminarily approving the payment amount; (ii) processing the claim for the proposed payment in accordance with Insurance Law 7428; (iii) securing an order directing the payment; (iv) forwarding the order, with the directive to disburse funds, to the Commissioner of Taxation and Finance (“Commissioner”); and (v) upon receiving wire payment from the Commissioner, processing the funds, issuing a check from the appropriate Security Fund account, and forwarding same.

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

Guaranty Funds

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

(1) American Medical and Life Insurance Company

American Medical and Life Insurance Company ("AMLI") was incorporated under the laws of New York on December 17, 1964. On January 13, 2006, the stockholders of AMLI sold 100% of AMLI's common stock to Trek Holdings Inc. a newly formed Delaware corporation. AMLI was licensed to carry out the business of insurance in 40 states and the District of Columbia. AMLI wrote life insurance, annuities and accident and health insurance.

AMLI was placed into liquidation by order December 28, 2016 ("Liquidation Order") and the Superintendent was appointed Liquidator. A bar date of September 28, 2007 for the submission of all claims against AMLI or its insureds as established by the Liquidation Order.

(2) Atlantic Mutual Insurance Company

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

(3) Centennial Insurance Company

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

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

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

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

(4) Colonial Cooperative Insurance Company

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

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

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

(5) Cosmopolitan Mutual Insurance Company

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

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

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

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

The liquidation proceeding was closed by court order on November 2, 2017.

(6) Drivers Insurance Company

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

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

(7) Eveready Insurance Company

Eveready Insurance Company ("Eveready") was incorporated in the State of New York on or about August 8, 1963. Eveready was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs (13) Personal Injury Liability, (14) Property Damage Liability, and (19) Motor Vehicle and Aircraft Physical Damage.

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

(8) Fiduciary Insurance Company of America

Fiduciary Insurance Company of America ("FIC") was incorporated under the laws of the State New York on October 24, 1977. FIC was licensed to transact business as an insurer on January 1, 1978.

Effective January 1, 2005, the NYS Insurance Department (a predecessor to NYS Department of Finance) converted FIC's license to conduct business in the State of New York from that of an accident and health insurance company to that of a property and casualty insurance company.

FIC wrote commercial automobile insurance exclusively in New York. FIC was placed into liquidation by order dated July 25, 2017 ("Liquidation Order") and the Superintendent was appointed liquidator. A bar date of September 24, 2018 for the submission of claims against FIC was established by the Liquidation Order.

(9) First Central Insurance Company

First Central Insurance Company ("First Central") was incorporated under the laws of the State of New York as Central State Insurance Company on November 30, 1978.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

(9) First Central Insurance Company (continued)

The company was licensed to transact business as an insurer on May 22, 1979. In March, 1984, the company adopted its present name.

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

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

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

(10) Frontier Insurance Company

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

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

Frontier was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident & Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers' Compensation and Employers' Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity), 22 (Residual Value), 24 (Credit Employment) and 29 (Legal Services).

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Frontier was placed into rehabilitation on October 15, 2001. On November 16, 2012, the rehabilitation was converted to a liquidation and the Superintendent was appointed liquidator.

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

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

(11) Group Council Mutual Insurance Company

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

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

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

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

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

(12) ICM Insurance Company

On September 23, 1981, Baltica-Skandinavia Reinsurance Company was incorporated and licensed to transact insurance business in New York. This insurer’s name was changed to ICM Insurance Company (“ICM”) in February 2001.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

(12) ICM Insurance Company (continued)

ICM was licensed to transact the kinds of business specified in Insurance Law Section 1113(a) paragraphs 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 9 (Boiler and Machinery), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine) and 21 (Marine Protection and Indemnity).

On December 24, 2013, ICM was placed into liquidation and the Superintendent was appointed liquidator.

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

The liquidation proceeding was closed by court order entered on December 22, 2017.

(13) Ideal Mutual Insurance Company

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

(14) The Insurance Corporation of New York

The Insurance Corporation of New York (“Inscorp”) was incorporated under the laws of the State of New York on May 29, 1968 and was licensed to transact business as an insurer on July 11, 1968. Inscorp is a wholly-owned subsidiary of Trenwick America Reinsurance Corporation, a Connecticut company wholly-owned by Trenwick America LLC, a Delaware limited liability company.

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

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

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

(15) Long Island Insurance Company

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

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

(16) Midland Insurance Company

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

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

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

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

(17) Nassau Insurance Company

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

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

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

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

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

(18) Professional Liability Insurance Company of America

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Background (continued)

Profiles of Combined Domestic Estates In Liquidation (continued)

(19) Realm National Insurance Company

Realm National Insurance Company (“Realm”) was incorporated under the laws of the State of New York as Lloyd’s, New York (“LNY”) and licensed to transact business as an insurer on March 12, 1892. On July 1, 1992, LNY was converted to a stock company and changed its name to Lloyd’s New York Insurance Company. On September 5, 1996, Stirling Cooke North American Holdings, Ltd. (“Stirling Cooke”), a Delaware corporation, purchased 100% of Realm’s capital stock. The company adopted its present name on September 26, 1996. Stirling Cooke, a wholly-owned by AlphaStar Insurance Group Ltd. (Bermuda), filed for Chapter 11 bankruptcy protection on December 15, 2003.

Realm was licensed to transact the kinds of insurance specified in Insurance Law Section 1113(a) paragraphs 3 (Accident and Health), 4 (Fire), 5 (Miscellaneous Property), 6 (Water Damage), 7 (Burglary and Theft), 8 (Glass), 9 (Boiler and Machinery), 10 (Elevator), 11 (Animal), 12 (Collision), 13 (Personal Injury Liability), 14 (Property Damage Liability), 15 (Workers’ Compensation and Employers’ Liability), 16 (Fidelity and Surety), 17 (Credit), 19 (Motor Vehicle and Aircraft Physical Damage), 20 (Marine and Inland Marine), 21 (Marine Protection and Indemnity) and 24 (Credit Unemployment).

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

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

(20) Union Indemnity Insurance Company of New York

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 1: Nature of Operations of the Combined Domestic Estates in Liquidation
Background (continued)
Profiles of Combined Domestic Estates In Liquidation (continued)
(20) Union Indemnity Insurance Company of New York (continued)

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

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

(21) United Community Insurance Company

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

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

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis and Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis (collectively, “Combined Domestic Estates Financial Statements”) reflect the combined financial position and combined cash receipts and disbursements of the Combined Domestic Estates in Liquidation. The Combined Domestic Estates Financial Statements have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America (“US GAAP”). This modified cash basis presentation differs from US GAAP in that the unrealized gains or losses on invested assets are reported on the combined statements of cash receipts and disbursements, revenues are recognized when received, rather than when earned, and certain expenses are recognized when paid, rather than when the obligation is incurred. This modified cash basis presentation is cash basis accounting that incorporates the following accruals: (i) investment income earned but not yet received; ; (ii) post-retirement medical benefits; (iii) unpaid claims and related expenses; (iv) reinsurance; (v) other administrative expenses defined as Class One – Administrative Expenses and presented on a US GAAP equity basis; and (vi) unrealized gains and losses on investments. Effective January 1, 2017, the Company changed its modified cash basis presentation to no longer incorporate earned unused vacation benefits. The Company no longer includes accruals for vacation benefits to better match actual payout experience. The Company has elected to apply the change prospectively.

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

The following Supplementary Schedules are attached hereto as Appendix A:

- December 31, 2017 and 2016: The Domestic Estates in Liquidation Combining Schedules of the Estates’ Assets, Liabilities, and (Deficit) Surplus of Assets Over Liabilities, and Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

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

Cash and Cash Equivalents

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

The NYLB maintains the cash balances of the Combined Domestic Estates in Liquidation in investments and at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). These institutions currently have short-term ratings of P-2 (Moody's), A-2 (S&P) for JP Morgan Chase, and P-1 (Moody's), A-1+ (S&P) and F1+ (Fitch) for Bank of New York Mellon. As of December 31, 2017 and 2016, the FDIC insured accounts up to \$250,000 at the above named institutions. Management monitors balances of cash in excess of insured limits and believes that such balances do not represent a material credit risk to the Combined Domestic Estates in Liquidation.

Invested Assets

Certificates of deposits ("CDs") include investments with maturities greater than 6 months and are expected to be held to maturity. These investments are recorded at fair market value based on quoted market prices.

Bonds include short-term and long-term U.S. Treasury and agency securities that are generally held until maturity, some of which may be subject to demand features. These investments are recorded at estimated fair market value based on quoted market prices. The unrealized gains or losses on these securities are recorded in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis. Long-term investments also include CDs with maturities in excess of one year from the date of acquisition. These are also generally held to maturity.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Invested Assets (continued)

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

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

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

Investments in Subsidiaries represent ownership interests in wholly owned subsidiaries carried at fair market value based on underlying audited equity, with unrealized gain or loss shown in the Combined Statements of Cash Receipts and Disbursements and Changes in Cash, Cash Equivalents, and Invested Assets (Unrestricted) – Modified Cash Basis.

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

Reinsurance

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

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

Receivables from Others

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

As of December 31, 2017 and 2016, the Receivables from Others are as follows:

| | 2017 | 2016 |
|----------------------------|--------------|--------------|
| Receivable From Affiliates | \$ 198,384 | \$ 197,993 |
| Cash on Deposit with CDA | 4,740,000 | 5,500,000 |
| Total | \$ 4,938,384 | \$ 5,697,993 |

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

Other Assets

As of December 31, 2017, Other Assets held by certain Domestic Estates in Liquidation were \$3,489,118 compared to \$3,871,388 at December 31, 2016.

Investment in Subsidiaries

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

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

By virtue of the Deconsolidation Agreement entered April 2014, Centennial repurchased all of its capital stock from ACHC terminating the parent subsidiary relationship. This also terminated the need to file consolidated tax returns for the group. Thus, AMIC and Centennial file separate tax returns on a going forward basis inclusive of their respective subsidiaries.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

As of December 31, 2017 and 2016, the Combined Domestic Estates in Liquidation had Investments in Subsidiaries with a cost of \$544,446 and an estimated fair value as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|-------------------|
| AMIC's investments in subsidiaries | \$ 544,446 | \$ 730,084 |
| Total Investments in Subsidiaries | <u>\$ 544,446</u> | <u>\$ 730,084</u> |

AMIC's Investment in Subsidiary

AMIC's investment in its non-consolidated wholly-owned subsidiary at December 31, 2017 and December 31, 2016 were as follows and is presented as Investment in Subsidiary in the Combined Statements of Assets, Liabilities, and Deficit of Assets Over Liabilities – Modified Cash Basis:

| | <u>Underlying US GAAP Equity as of 12/31/17</u> | <u>Underlying US GAAP Equity as of 12/31/16</u> |
|--|---|---|
| AMIL | \$ 544,446 | \$ 730,084 |
| Total AMIC's investments in subsidiaries | <u>\$ 544,446</u> | <u>\$ 730,084</u> |

In 2017 and 2016, ACHC (dissolved in February 2016) is presented using the underlying net assets on a US GAAP basis and AMIL is presented using the underlying net assets on a US GAAP basis, after foreign exchange translation adjustments.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

The components of AMIL at December 31, 2017 and 2016 are as follows:

| | <u>As of 12/31/2017</u> | <u>As of 12/31/2016</u> |
|--|-------------------------|-------------------------|
| Assets: | | |
| Cash and investments | \$ 3,070,678 | \$ 2,819,724 |
| Other assets | 6,881 | 6,284 |
| Total assets | <u>\$ 3,077,559</u> | <u>\$ 2,826,008</u> |
| Liabilities: | | |
| Other liabilities | 2,533,113 | 2,095,924 |
| Total liabilities | <u>\$ 2,533,113</u> | <u>\$ 2,095,924</u> |
| Surplus | 896,792 | 1,151,744 |
| Loss on currency conversion | (352,346) | (421,660) |
| Total surplus | <u>544,446</u> | <u>730,084</u> |
| Total liabilities and surplus | <u>\$ 3,077,559</u> | <u>\$ 2,826,008</u> |
| | | |
| <u>Net Loss for the year ended:</u> | | |
| | 2017 | 2016 |
| Administrative expenses incurred | \$ (276,549) | \$ (198,720) |
| Net investment income and realized gains | 21,597 | 46,980 |
| Underwriting Loss | - | - |
| Loss before income taxes | <u>(254,952)</u> | <u>(151,740)</u> |
| Income tax expense | - | - |
| Net loss | <u>\$ (254,952)</u> | <u>\$ (151,740)</u> |

See footnote 13 Subsequent Events regarding the transfer of AMIL's assets and liabilities to Bothnia International Insurance Company Limited.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Restricted Assets

Statutory Deposits in New York or Other States

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

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

Other Restricted Assets

Security Fund Cash:

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

Funds Held for Secured Claims:

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

Other Assets:

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

As of December 31, 2017, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below (estates without restricted assets are excluded):

Other Restricted Assets

| Domestic Estate in Liquidation | Statutory Deposits | Security Fund Cash | Funds Held for Secured Claims | Other Assets | Total |
|---|-------------------------------|-------------------------------|--|-------------------------|--------------|
| AMIC | \$ 6,724,502 | - | \$14,420,721 | \$688,613 | \$21,833,836 |
| Centennial | 3,731,386 | - | 780,338 | 229,538 | 4,741,262 |
| Cosmopolitan | - | - | - | 31,832 | 31,832 |
| First Central | | | | 7,740 | 7,740 |
| Frontier | 11,405,376 | - | 1,709,640 | 7,547 | 13,122,563 |
| Ideal | - | - | 2,571,122 | 361,397 | 2,932,519 |
| Inscorp | 231,290 | - | 601,936 | 967,581 | 1,800,807 |
| Midland | | 250 | 1,093,796 | 431,009 | 1,525,055 |
| PLICA | 1,252,776 | - | | - | 1,252,776 |
| Realm | 205,000 | - | | - | 205,000 |
| Union | - | - | 5,637,564 | 541,735 | 6,179,299 |
| AMLI | 384,183 | - | | | 384,183 |
| Total | \$ 23,934,513 | \$250 | \$26,815,117 | \$3,266,992 | \$54,016,872 |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

As of December 31, 2016, the details of the Restricted Assets for each Domestic Estate in Liquidation are set forth in the table below (estates without restricted assets are excluded):

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

Secured Claims

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Unsecured Claims

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

(i) Allowed Claims

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

The details for dividends distributed from the Domestic Estates in Liquidation listed below for the years ended December 31, 2017 and 2016, are as follows, and reported as an offset to Class Two – Allowed liabilities on the balance sheets:

| | <u>2017</u> | | <u>2016</u> |
|----------------------|----------------------|-----------|-------------------|
| Atlantic Mutual | \$ 1,986,719 | \$ | 4,236,431 |
| Colonial Cooperative | - | | 2,821,155 |
| Cosmopolitan | 5,731,097 | | 12,296,444 |
| First Central | - | | 6,081,776 |
| ICM | 965,489 | | - |
| Ideal | 615,962 | | 874,857 |
| Inscorp | 424,938 | | 3,123,961 |
| Long Island | - | | 490,188 |
| Midland | 5,009,762 | | 25,721,581 |
| PLICA | - | | 2,041,195 |
| Realm | 1,693,617 | | 5,126,622 |
| Transtate | | | 65,574 |
| Union | 9,217 | | - |
| Total | <u>\$ 16,436,801</u> | <u>\$</u> | <u>62,879,784</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Unsecured Claims (continued)

(ii) Non-Allowed Claims

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

1. Established Reserves

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

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Unsecured Claims (continued)

(ii) Non-Allowed Claims (continued)

2. Reserves for Amounts Claimed

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

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

Distribution of Assets

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

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

- (i) Class One – Administrative Claims
Claims with respect to the actual and necessary costs and expenses of administration incurred by the liquidator or rehabilitator.
- (ii) Class Two – Claim and Related Costs
All claims under policies including claims of federal, state or local government for losses incurred, third party claims, claims for unearned premiums, and all claims of security funds or guaranty associations, but excluding claims under reinsurance contracts.
- (iii) Class Three – Federal Government Claims
Claims of the federal government, except those stated above in Class two.
- (iv) Class Four – Employee Claims
Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law.
- (v) Class Five – State and Local Government Claims
Claims of state and local governments, except those stated above in Class two.
- (vi) Class Six – General Creditor Claims
Claims of general creditors, including, but not limited to, claims arising under reinsurance contracts.
- (vii) Class Seven – Late Filed Claims
Claims filed late or any other claims other than claims stated in Class eight or Class nine below.
- (viii) Class Eight – Section 1307 Shareholder’s Loans
Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307.
- (ix) Class Nine – Shareholder Claims
Claims of shareholders or other owners in their capacity as shareholders.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

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

Provided below is a detailed description of the creditor classes.

Class One – Administrative Claims

Claims with respect to the actual and necessary expenses of administration incurred by the Receiver. Included in administrative claims are accruals for vacation benefits and post-retirement medical benefits that have been allocated among the Combined Domestic Estates in Liquidation as of December 31, 2017 and post-retirement medical benefits as of December 31, 2016.

Class Two – Claims and Related Costs

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

Class Three through Class Nine – Subordinate Class of Creditor Claims

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

Allocation of Expenses

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

Taxes

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (continued)

Reclassification

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

Note 3: Investments

The components of net investment income received for the years ended December 31, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Interest on Bonds | \$ 8,968,125 | \$ 9,650,856 |
| Interest on Short-Term Investments and Cash Equivalents | 41,508 | 16,941 |
| Realized Gain/(Loss) on Sale of Investments | 104,982 | (42,256) |
| Dividends | 162,413 | - |
| Unrealized loss on Partnerships | (368) | (335,447) |
| Dissolution of affiliate | - | (2,990,717) |
| Total Gross Investment Income | 9,276,660 | 6,299,377 |
| Net Amortization of Bond Premium and Discount | (1,139,455) | (1,431,117) |
| Net Investment Income Received | <u>\$ 8,137,205</u> | <u>\$ 4,868,260</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 3: Investments (continued)

As of December 31, 2017 and December 31, 2016, respectively, the cost or amortized cost and fair market value of bonds, for each Domestic Estate in Liquidation are as follows (estates with no bonds are excluded):

| Domestic Estates in Liquidation | December 31, 2017 | | | |
|---------------------------------|------------------------|------------------------|-------------------------|-----------------------|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Market Value |
| AMLI | \$ 843,513 | - | (1,217) | 842,296 |
| AMIC | 77,764,945 | 86,492 | (602,498) | 77,248,939 |
| Centennial | 34,275,551 | 80,323 | (324,757) | 34,031,117 |
| Frontier | 28,813,765 | 25 | (144,044) | 28,669,746 |
| Eveready | 316,057 | 4,533 | - | 320,590 |
| Fiduciary | 35,159,856 | 47,754 | (262,496) | 34,945,114 |
| Group Council | 1,492,027 | - | (4,588) | 1,487,439 |
| Ideal | 47,675,211 | 578 | (115,812) | 47,559,977 |
| Inscorp | 22,004,421 | 327 | (107,760) | 21,896,988 |
| Midland | 355,855,340 | 27,713 | (1,760,380) | 354,122,673 |
| PLICA | 14,940,216 | 311 | (77,725) | 14,862,802 |
| Union | 18,490,257 | 170 | (81,200) | 18,409,227 |
| Total | \$ 637,631,159 | \$ 248,226 | \$ (3,482,477) | \$ 634,396,908 |

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 3: Investments (continued)

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

| | | December 31, 2017 | | | | | |
|--|--------------|----------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
| | | Less than 12 Months | | Greater than 12 Months | | Total | |
| | | Fair Market Value | Unrealized Losses | Fair Market Value | Unrealized Losses | Fair Market Value | Unrealized Losses |
| U.S. Treasury and Agency Securities held to Maturity | | \$ 259,155,927 | \$ 776,612 | \$ 335,823,216 | \$ 2,705,866 | \$ 594,979,143 | \$ (3,482,478) |
| | Total | \$ 259,155,927 | \$ 776,612 | \$ 335,823,216 | \$ 2,705,866 | \$ 594,979,143 | \$ (3,482,478) |

| | | December 31, 2016 | | | | | |
|--|--------------|----------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
| | | Less than 12 Months | | Greater than 12 Months | | Total | |
| | | Fair Market Value | Unrealized Losses | Fair Market Value | Unrealized Losses | Fair Market Value | Unrealized Losses |
| U.S. Treasury and Agency Securities held to Maturity | | \$ 418,756,349 | \$ (2,041,607) | \$ 13,075,943 | \$ (226,939) | \$ 431,832,292 | \$ (2,268,546) |
| | Total | \$ 418,756,349 | \$ (2,041,607) | \$ 13,075,943 | \$ (226,939) | \$ 431,832,292 | \$ (2,268,546) |

The NYLB's portfolio of bonds is sensitive to interest rate fluctuations which affect the fair market value of individual securities. Management has the intent and ability to hold the securities until recovery and/or maturity. Management does not consider the unrealized losses on the NYLB's portfolio of short-term investments and bonds as other-than-temporary impairments as of December 31, 2017 and 2016.

The amortized cost and fair market value of bonds held to maturity at December 31, 2017 are shown below by the date of contractual maturity. Actual maturity dates may differ from contractual maturity dates because borrowers may have the right to call or prepay obligations.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 3: Investments (continued)

| Combined Estates in Liquidation | 2017 | |
|---|-----------------------|-----------------------|
| | Fair Market Value | Amortized Cost |
| Due within one year | \$ 278,451,733 | \$ 279,224,637 |
| Due after one year and before five years | 326,385,125 | 328,622,856 |
| Due after five years and before ten years | 17,886,681 | 18,093,605 |
| Due after ten years and before fifteen years | 9,703,413 | 9,875,990 |
| Due after fifteen years | 1,969,956 | 1,814,072 |
| Total Combined Domestic Estates | \$ 634,396,908 | \$ 637,631,160 |

Proceeds received from sales and maturities of bonds and gross gains (losses) at December 31, 2017 and 2016 are as follows:

| | Proceeds Received | | Net gains (losses) on Called or Sold | |
|---------------|----------------------|-----------------------|--------------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| AMIC | \$12,972,437 | \$ 53,770,059 | \$ 4,380 | \$ 38,429 |
| AMLI | 2,550,472 | - | (2,562) | - |
| Centennial | 5,203,308 | 21,125,326 | 1,866 | 22,597 |
| Cosmopolitan | 4,999,819 | 24,253,950 | 4 | 1,746 |
| Drivers | 1,640,229 | 1,212,035 | (3,206) | 174 |
| Fiduciary | 24,711,601 | - | 54,313 | - |
| Frontier | 2,198,498 | 29,791,807 | 351 | 9,708 |
| Group Council | 99,852 | 1,542,000 | (313) | - |
| Ideal | 28,247,946 | 30,731,185 | 779 | 3,312 |
| Inscorp | 21,970,082 | 13,987,535 | 1,117 | 1,372 |
| Midland | 93,569,926 | 223,372,239 | 47,131 | 79,855 |
| PLICA | 6,125,898 | 7,041,895 | 167 | 7,593 |
| Realm | 2,019,915 | 15,981,038 | 8 | 366 |
| Union | 16,423,596 | 4,911,119 | 947 | (10) |
| TOTALS | \$222,733,579 | \$ 427,720,188 | \$104,982 | \$165,142 |

Mortgage-Backed Securities

In 2017 and 2016, Management identified 105 and 40 mortgage-backed securities, respectively, with amortized costs of approximately \$53,320,080 and \$43,993,314, respectively. They are carried at a fair market value of \$53,037,558 and \$43,802,012, respectively.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 3: Investments (continued)
Mortgage-Backed Securities (continued)

After reviewing these securities, Management has determined that, based on the information currently available to it, at December 31, 2017, there were no mortgage-backed securities with indirect subprime exposure.

Note 4: Fair Value Measurement

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

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

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

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

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 4: Fair Value Measurement (continued)

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

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

The following table summarizes the invested assets carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2017:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|------------------------------|---|--|--|----------------------|
| As of December 31, 2017: | | | | |
| Unrestricted Assets: | | | | |
| U.S. Government | \$ - | \$151,294,066 | \$ - | \$ - |
| U.S. Government Agencies | | 97,012,421 | - | 248,306,487 |
| Mortgage Backed Securities | | 53,037,558 | - | 53,037,558 |
| Corporate Bonds | | 333,052,863 | - | 333,052,863 |
| Common Stocks - Unaffiliated | - | - | 163,411 | 163,411 |
| Investment in Subsidiaries | - | - | 544,446 | 544,446 |
| Real Estate | - | - | 3,600,000 | 3,600,000 |
| Restricted Assets: | | | | |
| U.S. Government | - | 1,361,248 | - | 1,361,248 |
| Total | <u>\$ -</u> | <u>\$635,758,156</u> | <u>\$ 4,307,857</u> | <u>\$640,066,013</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 4: Fair Value Measurement (continued)

The following table summarizes the invested assets carried at fair value or where fair value is disclosed using the fair value level hierarchy above as of December 31, 2016:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|----------------------------|---|--|--|-----------------------|
| As of December 31, 2016: | | | | |
| Unrestricted Assets: | | | | |
| U.S. Government | \$ - | \$171,085,972 | \$ - | \$171,085,972 |
| U.S. Government Agencies | - | 139,894,591 | - | 139,894,591 |
| Mortgage Backed Securities | - | 43,802,012 | - | 43,802,012 |
| Corporate Bonds | - | 233,844,462 | - | 233,844,462 |
| Limited Partnerships | - | - | 368 | 368 |
| | - | - | 163,411 | 163,411 |
| Investment in Subsidiaries | - | - | 730,084 | 730,084 |
| Real Estate | - | - | 536,418 | 536,418 |
| Buildings | - | - | 4,463,582 | 4,463,582 |
| Restricted Assets: | | | | |
| U.S. Government | - | 1,296,632 | - | 1,296,632 |
| U.S. Government Agencies | - | - | - | - |
| Mortgage Backed Securities | - | - | - | - |
| Corporate Bonds | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ 589,923,669</u> | <u>\$ 5,893,863</u> | <u>\$ 595,817,532</u> |

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

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 4: Fair Value Measurement (continued)

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

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

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

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

Securities classified as Level 1 included primarily corporate bonds and common stocks. Unadjusted quoted prices for these securities are provided to the Domestic Estates in Liquidation by independent pricing services. There were no securities classified as Level 1 at 2017 and 2016.

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

Securities classified as Level 3 include primarily investments in limited partnerships and investments in subsidiaries carried at underlying US GAAP equity and real estate and buildings carried at current market appraisals.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 4: Fair Value Measurement (continued)

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

| | Beginning Balance January 1, 2017 | Transfers at time of Liquidation | Realized gains/ (losses) | Unrealized gains/ (losses) | Issuances | Transfer to Non-New York Liquidator | Sales, Maturities, Settlements | Transfer In or Out of Level 3 | Ending Balance December 31, 2017 |
|----------------------------|--|--|--------------------------------|-------------------------------|-----------|--|--------------------------------------|--|---|
| Assets: | | | | | | | | | |
| Real estate | \$ 536,418 | | \$ | \$ (150,212) | \$ | \$ | \$ | | \$ 386,206 |
| Buildings | 4,463,582 | | | (1,249,788) | | | | | 3,213,794 |
| Limited Partnerships | 368 | | (368) | | | | | | |
| Common stocks | 163,411 | | | | | | | | 163,411 |
| Investment in subsidiaries | 730,084 | | | (185,638) | | | | | 544,446 |
| | <u>\$ 5,893,863</u> | | <u>\$ (368)</u> | <u>\$ (1,585,638)</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | | <u>\$ 4,307,857</u> |

There were no significant transfers into or transfers out of Level 1 or 2. There were no changes in valuation techniques during 2017 and 2016.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 5: Real Estate and Building

Invested Assets includes a building and real estate. The building is owned by Frontier in Rock Hill, New York, with an estimated fair value of \$3,213,794 and \$4,463,582 as of December 31, 2017 and 2016, respectively.

Real Estate includes the land on which the Frontier building was annexed. Its estimated fair value was \$386,206 and \$536,418 as of December 31, 2017 and 2016, respectively.

Note 6: Reinsurance

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

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

Because the Combined Domestic Estates in Liquidation are not relieved of their primary obligation to their policyholders, allowance accounts for reinsurance recoverables have been established for each Domestic Estate in Liquidation. Valuation allowances are maintained and determined based on several factors, such as a reinsurer's current payment history, aging and solvency.

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 6: Reinsurance (continued)

Letters of Credit (“LOC”)

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

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

Note 7: Related-Party Transactions

For the years ended December 31, 2017 and 2016, NYLB personnel performed certain administrative and investment functions, such as accounting, data processing, human resources and treasury management, for the Combined Domestic Estates in Liquidation.

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

As of December 31, 2017 and 2016, the amounts remaining due to the NYLB are approximately \$1.0 million and \$0.9 million, respectively, and are included in Class One - Administrative Claims. During 2017 and 2016, the Combined Domestic Estates in Liquidation paid approximately \$18.1 million and \$16.2 million, respectively, of allocated expenses, detailed as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------------|----------------------|----------------------|
| Salaries | \$ 6,014,686 | \$ 6,586,755 |
| Employee Relations & Welfare | 6,804,956 | 4,603,578 |
| Rent and Related Expenses | 3,081,919 | 3,061,384 |
| Professional Fees | 1,661,080 | 1,616,957 |
| General and Administrative | 538,960 | 416,095 |
| | <u>\$ 18,101,601</u> | <u>\$ 16,284,769</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 8: Expense Reimbursement

The NYLB manages the CDA which is a pooled cash account funded solely by cash advances from the Estates and/or Security Funds. Any excess funds in the CDA may be invested in overnight investment options including RepoNet, a repurchase agreement facility, and Liquidity Direct, a facility that allows for the purchase of various U.S. Government related money market funds. The NYLB uses the money in the CDA to pay administrative expenses such as employee relations and welfare, payroll, rent and related expenses, and office expenses. Such administrative expenses are allocated on a monthly basis among the Domestic Estates in Liquidation, Security Funds, ancillary estates, conservations and fraternal associations and rehabilitation estates.

Note 9: Asbestos and Environmental Reserves

A Major Policyholder (“MPH”) is an insured with a substantial exposure to long-tail industry-wide tort claims and is generally recognized within the insurance industry as a major policyholder, having assorted asbestos, environmental and product claims against one of the Midland estates. Two other estates, AMIC and Centennial, also have exposure to asbestos and environmental claims. In establishing the liability for unpaid claims and claim adjustment expenses related to asbestos, environmental and product claims on these estates, Management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and Management can reasonably estimate the estate’s liability. Estimates of liabilities are reviewed and updated continually and as needed based on developed case law, claim history, and experience.

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 9: Asbestos and Environmental Reserves (continued)

As of December 31, 2017 and 2016, the reserves for Midland, AMIC, Centennial and the corresponding reinsurance, if any, are as follows and reported as a Class II – Non-Allowed Liability:

| | <u>2017</u> | <u>2016</u> |
|----------------------|---------------------|---------------------|
| Midland | | |
| Gross Reserves | | |
| Asbestos | \$ 15,000,414 | \$ 15,000,774 |
| Environmental | 1,500,495 | 1,500,855 |
| Products | <u>2,000,432</u> | <u>2,000,792</u> |
| Total Gross Reserves | 18,501,341 | 18,502,421 |
| Less Ceded Reserves | <u>(11,975,337)</u> | <u>(12,468,421)</u> |
| Net Reserves | <u>\$ 6,526,004</u> | <u>\$ 6,034,000</u> |
| | | |
| | <u>2017</u> | <u>2016</u> |
| Atlantic | | |
| Gross Reserves | | |
| Asbestos | \$ 1,178,401 | \$ 1,178,420 |
| Environmental | 544 | 553 |
| Product | - | 17,492 |
| Total Gross Reserves | <u>1,178,945</u> | <u>1,196,465</u> |
| Less Ceded Reserves | - | - |
| Net Reserves | <u>\$ 1,178,945</u> | <u>\$ 1,196,465</u> |
| | | |
| | <u>2017</u> | <u>2016</u> |
| Centennial | | |
| Gross Reserves | | |
| Asbestos | \$ 45 | \$ 221 |
| Environmental | 81 | 260,640 |
| Product | <u>46</u> | <u>46</u> |
| Total Gross Reserves | 172 | 260,907 |
| Less Ceded Reserves | - | - |
| Net Reserves | <u>\$ 172</u> | <u>\$ 260,907</u> |

The Midland gross reserve increase relates to the 2016 adjudications of the Major Policyholder (“MPH”) claims. The decrease in ceded reinsurance reserves for Midland was due primarily to commutations finalized in 2017 together with direct claims being paid and the direct outstanding reserves being reduced accordingly. The decrease in Centennial reserves reflects the payment of claims during the year and the reduction of claim reserves.

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 10: Taxes

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

The Combined Domestic Estates in Liquidation are subject to New York State franchise tax and Metropolitan Transit Authority local tax. Each Domestic Estate in Liquidation's tax is generally calculated at the minimum because the estates are in liquidation and do not generate premium income. State and local taxes paid on a combined basis were \$5,274 in 2017, compared to \$5,902 in 2016.

At December 31, 2017, certain Domestic Estates in Liquidation had unused NOL carry-forwards available to offset against future taxable income as follows:

| Estate | Year NOL Carry- forward Begins Expiring | NOL Carry-forward @ 12/31/16 | New Estate Carryover | Expired NOL and FINAL RETURN | Taxable Income (Loss) for 2017 | Section Reduction of (NOL) Form 982 | NOL Carry- forward @ 12/31/2017 |
|---|--|---------------------------------------|-------------------------|---------------------------------------|---|--|---------------------------------------|
| American Medical & Life Insurance Company | 2029 | \$ - | \$ (9,665,999) | \$ - | \$ (4,867,272) | \$ - | \$ (14,533,271) |
| Atlantic Mutual | 2025 | (658,376,247) | - | - | (1,102,148) | 16,007,157 | (643,471,238) |
| Centennial | 2020 | (336,619,662) | - | - | (1,326,093) | - | (337,945,755) |
| Cosmopolitan | 2019 | (28,891,934) | - | 29,020,432 | (128,498) | - | - |
| Drivers | 2034 | (7,211,310) | - | - | (418,751) | - | (7,630,061) |
| Eveready | 2034 | (33,991,466) | - | - | (903,281) | - | (34,894,747) |
| Fiduciary | 2034 | - | (131,735,482) | - | (117,969,583) | - | (249,705,065) |
| First Central | 2018 | (136,672,409) | - | - | (211,042) | 2,012,928 | (134,870,523) |
| Frontier | 2033 | (116,023,146) | - | - | (1,694,929) | 9,676,534 | (108,041,541) |
| Group Council | 2024 | (347,585,937) | - | - | (300,220) | - | (347,886,157) |
| ICM | 2018 | (74,919,315) | - | 72,058,945 | (218,247) | 3,078,617 | - |
| Ideal | 2018 | (430,699,112) | - | - | (6,532,953) | - | (437,232,065) |
| Midland | 2024 | (1,158,797,555) | - | - | (24,118,497) | - | (1,182,916,052) |
| PLICA | 2034 | (9,186,328) | - | - | 36,817 | 454,104 | (8,695,407) |
| Realm | 2025 | (147,869,870) | - | - | (949,424) | - | (148,819,294) |
| Union | 2018 | (587,002,879) | - | - | (254,284) | - | (587,257,163) |
| Totals | | <u>\$ (4,073,847,170)</u> | <u>\$ (141,401,481)</u> | <u>\$ 101,079,377</u> | <u>\$ (160,958,405)</u> | <u>\$ 31,229,340</u> | <u>\$ (4,243,898,339)</u> |
| Valuation Allowance | | <u>\$ 4,073,847,170</u> | <u>\$ 141,401,481</u> | <u>\$ (101,079,377)</u> | <u>\$ 160,958,405</u> | <u>\$ (31,229,340)</u> | <u>\$ 4,243,898,339</u> |
| Operating Loss Carry Forward, Net of Valuation Allowance | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

As of December 31, 2017, the Combined Domestic Estates in Liquidation have accumulated NOLs of approximately \$4.3 billion. Because the estates are in liquidation, Management believes, based on the information currently available to it, that uncertainty exists as to whether these NOLs will be realized and whether the carry-forwards will expire unused.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 11: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans

FASB ASC Topic 715, *Compensation – Retirement Benefits* (“Topic 715”) requires an employer who sponsors a defined benefit plan to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur. Accordingly, defined benefit plans that are overfunded are shown as assets and defined benefit plans that are underfunded are shown as liabilities.

Since December 31, 2006, the NYLB has recorded the post-retirement benefit liability for each Domestic Estate in Liquidation as a Class One claim.

The Estates and Security Funds have accrued as liabilities approximately \$107 million and \$104 million, as of December 31, 2017 and 2016, respectively, relating to post-retirement medical benefit plan expenses. This liability is allocated among the Estates and Security Funds based on allocated salary expense. As of December 31, 2017 and 2016, the Combined Domestic Estates in Liquidation share of the estimated liability was approximately \$46 million and \$40 million, respectively, and included in Class One – Administrative Claims.

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

An independent actuarial firm conducted a valuation of the post-retirement plan for the years ended December 31, 2017 and 2016, using Topic 715 and reported its conclusions in reports dated February 2017 and February 2016, respectively (collectively, “Actuarial Reports”). Pursuant to the Actuarial Reports, discount rates of 3.50% and 4.00% were selected by Management and used to determine the initial accumulated post-retirement benefit obligation (“APBO”) and discount rates of 3.50% and 4.00% were applied to determine the APBO as of December 31, 2017 and 2016, respectively.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 11: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

The post-retirement benefit liability which is included in Class I liabilities on the Combined Statements of Assets, Liabilities, and Deficit of Assets over Liabilities – Modified Cash Basis is as follows:

| | <u>2017</u> | | <u>2016</u> |
|--|---------------|--|---------------|
| APBO (Initial Accrual) as of January 1, 2017: | \$ 43,633,251 | APBO (Initial Accrual) as of January 1, 2016: | \$ 41,813,385 |
| APBO as of December 31, 2017: | \$ 46,290,133 | APBO as of December 31, 2016: | \$ 40,288,445 |
| Net Periodic Benefit Cost for the fiscal year 2017: | \$ 2,403,186 | Net Periodic Benefit Cost for the fiscal year 2016: | \$ 2,218,965 |

The following presentation was extracted from the Actuarial Reports for the years ended December 31, 2017 and 2016:

| Reconciliation of benefit obligation | <u>Post-Retirement Benefits</u> | |
|---|---------------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> |
| Obligation at beginning of year | \$ 43,633,251 | \$ 41,813,385 |
| Service cost including expenses | 683,666 | 645,988 |
| Interest cost | 1,642,066 | 1,572,976 |
| Actuarial gain | 1,780,350 | (2,531,174) |
| Benefit payments and expected expenses | (1,449,200) | (1,212,731) |
| Obligation at end of year | <u>\$ 46,290,133</u> | <u>\$ 40,288,444</u> |

Reconciliation of fair value of plan assets

| | | |
|--|------------------------|------------------------|
| Fair value of plan assets at beginning of year | \$ - | \$ - |
| Employer contributions | 1,449,200 | 1,212,731 |
| Benefit payments and actual expenses | (1,449,200) | (1,212,731) |
| Fair value of plan assets at end of year | <u>-</u> | <u>-</u> |
| Unfunded status at end of year | <u>\$ (46,290,133)</u> | <u>\$ (40,288,445)</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 11: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

The effect of a 1% increase in the assumed health care cost trend rates for each future year on the accumulated post-retirement benefit obligation for health care benefits and the aggregate of the service and interest cost components of net periodic post-retirement healthcare benefit cost is shown below:

| | Post-Retirement Benefits | |
|-------------------|--|------------------------------------|
| | Accumulated Post-Retirement Benefit Obligation | Service Cost Plus Interest Cost |
| At Trend | \$ 46,290,133 | \$ 2,325,732 |
| At trend + 1% | 54,807,206 | 2,793,598 |
| Dollar Impact | 8,517,073 | 467,866 |
| Percentage Impact | 18.40% | 20.12% |
| At Trend – 1% | 39,537,767 | 1,960,102 |
| Dollar Impact | (6,752,366) | (365,630) |
| Percentage Impact | (14.59%) | (15.72%) |

Amounts recognized in unrestricted net assets consist of:

| | Post-Retirement Benefits | |
|---------------------------|--------------------------|--------------|
| | 2017 | 2016 |
| Transition | | |
| asset/obligations | \$ - | \$ - |
| Prior service credit/cost | - | - |
| Gain/(Loss) | 2,133,185 | 3,864,584 |
| | \$ 2,133,185 | \$ 3,864,584 |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 11: Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans (continued)

Cash Flows

Expected Future Benefit Payments

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

| <u>Fiscal Year Ending:</u> | <u>2017</u> |
|----------------------------|---------------|
| 2018 | \$ 3,456,365 |
| 2019 | \$ 3,744,322 |
| 2020 | \$ 3,936,868 |
| 2021 | \$ 4,173,540 |
| 2022 | \$ 4,366,397 |
| Years 2023-2026 | \$ 24,553,244 |

Employee Retirement Plans

New York State and Local Employees' Retirement System –

Defined Benefit Plan

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

New York State Deferred Compensation Plan – 457b

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

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 12: Legal Matters, Commitments and Contingencies

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

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

Note 13: Subsequent Events

Subsequent events have been reviewed through July 25, 2018, the date which these audited Combined Domestic Estates Financial Statements were available to be issued. Management is aware of the following subsequent events that may have a material impact on the financial condition or results of operations of the Combined Domestic Estates in Liquidation.

Reinsurance Collected

The amount of reinsurance collected for each Domestic Estate in Liquidation subsequent to December 31, 2017, is listed in the table below. This table represents all cash collected relating to reinsurance recoverable balances open at December 31, 2017, and billed and subsequently received in 2018.

| Domestic Estate in Liquidation | Collections of Reinsurance Recoverable on Paid Losses and LAE |
|---|--|
| (1) INSCORP | \$196,330 |
| (2) First Central | 179,577 |
| (3) Atlantic Mutual | 96,256 |
| (4) Midland | 80,050 |
| (5) Ideal Mutual | 53,038 |
| (6) Centennial | 43,933 |
| (7) Union | 5,546 |
| Total | \$ 654,730 |

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 13: Subsequent Events (continued)

Dividends Distributed

The following Domestic Estates in Liquidation made dividend distributions subsequent to December 31, 2017:

| | |
|---------|--------------------|
| Midland | \$1,599,850 |
| Inscorp | 602,740 |
| Ideal | 444,374 |
| Union | <u>3,586</u> |
| Total | <u>\$2,650,550</u> |

New Liquidation

The following estate came into liquidation subsequent to December 31, 2017:

Touchstone Health HMO

Estate Closures

The following estates were closed subsequent to December 31, 2017:

None

Sale of Real Estate

On February 15, 2008, the United States Bankruptcy Court issued a Decision after Trial finding that two of three parcels (2.7 acres and 12.9 acres) that had been consolidated to form the Frontier property in Rock Hill, New York, were the property of Frontier's former owner, Frontier Insurance Group, LLC ("FIGL"), under a Chapter 11 Bankruptcy Reorganization Plan confirmed in 2005. The Bankruptcy Court directed that ownership of the two parcels be transferred to FIGL. The Liquidator filed a notice of appeal and perfected the appeal on June 25, 2018. The Bankruptcy Court decision did not affect Frontier's ownership of the balance of the Frontier property (15.2 acres) or the Frontier headquarters building located thereon.

In March 2018, an offer was received to purchase the Frontier headquarters building and the balance of the Frontier property (15.2 acres) for \$3.6 million. After due diligence, a contract of sale was negotiated and signed, subject to approval of the Supervising Court of the Frontier liquidation. An Order to Show Cause seeking the Supervising Court's approval was signed with a return date of September 7, 2018.

THE DOMESTIC ESTATES IN LIQUIDATION
Notes to Combined Financial Statements of the Domestic Estates In Liquidation
- Modified Cash Basis
For the Years Ended December 31, 2017 and 2016

Note 13: Subsequent Events (continued)
Atlantic Mutual Insurance Limited (“AMIL”)

AMIL scheme to transfer its assets and liabilities to Bothnia International Insurance Company Limited was approved by The Business & Property Courts of England and Wales on May 8, 2018. On May 21, 2018 approximately £1.6 million were transferred to Bothnia International Insurance Company Limited.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the combined statements of assets, liabilities and deficit of assets over liabilities – modified cash basis of the Combined Domestic Estates in Liquidation managed by the New York Liquidation Bureau as of December 31, 2017 and 2016, and the related combined statements of cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis for each of the years then ended (collectively referred to as "Combined Domestic Estates Financial Statements"), and have issued our report thereon dated July 25, 2018, which expressed an unmodified opinion on those Combined Domestic Estates Financial Statements. Our audits were performed for the purpose of forming an opinion on the Combined Domestic Estates Financial Statements as a whole. The supplementary combining schedules of the Combined Domestic Estates in Liquidation's assets, liabilities and (deficit) surplus of assets over liabilities, and cash receipts and disbursements and changes in cash, cash equivalents and invested assets (unrestricted) – modified cash basis as of and for the years ended December 31, 2017 and 2016 are presented for purposes of additional analysis and are not a required part of the Combined Domestic Estates Financial Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Combined Domestic Estates Financial Statements. The information has been subjected to the auditing procedures applied in the audits of the Combined Domestic Estates Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Combined Domestic Estates Financial Statements or to the Combined Domestic Estates Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Combined Domestic Estates Financial Statements as a whole.



EISNERAMPER LLP
New York, New York
July 25, 2018



Supplementary Schedules
Appendix A
December 31, 2017 and 2016
The Domestic Estates in Liquidation
Combining Schedules of the Estates' Assets, Liabilities and (Deficit) Surplus of Assets Over
Liabilities, and Cash Receipts and Disbursements and Changes
in Cash, Cash Equivalents and Invested Assets (Unrestricted) – Modified Cash Basis

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Assets</u> | <u>AMERICAN MEDICAL</u> | | <u>ATLANTIC MUTUAL</u> | | <u>CENTENNIAL</u> | |
|---|--------------------------------|--------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 996,191 | \$ - | \$ 2,506,797 | \$ 1,907,305 | \$ 2,401,770 | \$ 2,856,396 |
| Investments | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - |
| Bonds, at fair market value | 842,296 | - | 77,248,939 | 70,418,280 | 34,031,117 | 31,593,424 |
| Common Stocks, Unaffiliated at fair market value | - | - | 120,508 | 120,508 | 42,903 | 42,903 |
| Total Investments | 842,296 | - | 77,369,447 | 70,538,788 | 34,074,020 | 31,636,327 |
| Total Cash, Cash Equivalents and Investments | 1,838,487 | - | 79,876,244 | 72,446,093 | 36,475,790 | 34,492,723 |
| Other Invested Assets: | | | | | | |
| Investment in Subsidiaries | - | - | 544,446 | 730,084 | - | - |
| Limited Partnerships | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | 1,838,487 | - | 80,420,690 | 73,176,177 | 36,475,790 | 34,492,723 |
| Reinsurance Recoverables on Paid Losses and LAE | - | - | 14,128,046 | 13,583,380 | 5,251,766 | 4,390,165 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | (11,891,518) | (10,414,512) | (4,513,331) | (3,483,260) |
| Net Reinsurance Recoverables on Paid Losses and LAE | - | - | 2,236,528 | 3,168,868 | 738,435 | 906,905 |
| Reinsurance Recoverables on Unpaid Losses and LAE | - | - | 19,361,553 | 25,224,029 | 29,627,647 | 29,663,014 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | (15,873,289) | (17,946,819) | (24,165,614) | (21,017,969) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | - | - | 3,488,264 | 7,277,210 | 5,462,033 | 8,645,045 |
| Receivables from Others | - | - | 613 | 613 | 206 | 206 |
| Accrued Investment Income | 2,265 | - | 376,505 | 299,011 | 143,385 | 124,705 |
| Other Assets | 19,380 | - | 1,171,885 | 1,455,633 | 608,310 | 593,888 |
| Total Unrestricted Assets | 1,860,132 | - | 87,694,485 | 85,377,512 | 43,428,159 | 44,763,472 |
| Restricted Assets: | | | | | | |
| Statutory Deposits in New York or Other States | 384,183 | - | 6,724,502 | 8,010,459 | 3,731,386 | 4,134,948 |
| Other Restricted Assets | - | - | 15,109,334 | 17,482,516 | 1,009,876 | 1,637,253 |
| Total Restricted Assets | 384,183 | - | 21,833,836 | 25,492,975 | 4,741,262 | 5,772,201 |
| Total Assets | \$ 2,244,315 | \$ - | \$ 109,528,321 | \$ 110,870,487 | \$ 48,169,421 | \$ 50,535,673 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

Assets

| | <u>COSMOPOLITAN MUTUAL</u> | | <u>DRIVERS</u> | | <u>EVEREADY</u> | | <u>FIDUCIARY</u> | |
|---|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ 5,146,478 | \$ 871,828 | \$ 13,396 | \$ 243,759 | \$ 333,764 | \$ 879,383 | \$ - |
| Investments | | | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - | - | - |
| Bonds, at fair market value | - | - | - | 1,220,365 | 320,590 | 336,446 | 34,945,114 | - |
| Common Stocks, Unaffiliated at fair market value | - | - | - | - | - | - | - | - |
| Total Investments | - | - | - | 1,220,365 | 320,590 | 336,446 | 34,945,114 | - |
| Total Cash, Cash Equivalents and Investments | - | 5,146,478 | 871,828 | 1,233,761 | 564,349 | 670,210 | 35,824,497 | - |
| Other Invested Assets: | | | | | | | | |
| Investment in Subsidiaries | - | - | - | - | - | - | - | - |
| Limited Partnerships | - | - | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - | - | - |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | - | 5,146,478 | 871,828 | 1,233,761 | 564,349 | 670,210 | 35,824,497 | - |
| Reinsurance Recoverables on Paid Losses and LAE | - | 122,094 | - | - | - | - | 4,999,397 | - |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | - | - | - | - | (4,999,397) | - |
| Net Reinsurance Recoverables on Paid Losses and LAE | - | 122,094 | - | - | - | - | - | - |
| Reinsurance Recoverables on Unpaid Losses and LAE | - | 1,155,665 | - | - | - | - | 19,962,775 | - |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | (404,759) | - | - | - | - | (19,962,775) | - |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | - | 750,906 | - | - | - | - | - | - |
| Receivables from Others | - | 159,609 | - | - | - | - | - | - |
| Accrued Investment Income | - | - | - | 3,952 | - | 1,917 | 144,109 | - |
| Other Assets | - | 964,741 | - | - | - | - | 843,282 | - |
| Total Unrestricted Assets | - | 7,143,828 | 871,828 | 1,237,713 | 564,349 | 672,127 | 36,811,888 | - |
| Restricted Assets: | | | | | | | | |
| Statutory Deposits in New York or Other States | - | - | - | - | - | - | - | - |
| Other Restricted Assets | 31,832 | 945,477 | - | - | - | - | - | - |
| Total Restricted Assets | 31,832 | 945,477 | - | - | - | - | - | - |
| Total Assets | \$ 31,832 | \$ 8,089,305 | \$ 871,828 | \$ 1,237,713 | \$ 564,349 | \$ 672,127 | \$ 36,811,888 | \$ - |

**THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016**

Assets

| | <u>FIRST CENTRAL</u> | | <u>FRONTIER</u> | | <u>GROUP COUNCIL</u> | | <u>ICM</u> | |
|---|----------------------|---------------------|----------------------|----------------------|----------------------|---------------------|-------------------|---------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | | | |
| Cash and Cash Equivalents | \$ 1,795,910 | \$ 830,011 | \$ 1,084,941 | \$ 470,267 | \$ 103,593 | \$ 122,504 | \$ - | \$ 1,417,541 |
| Investments | | | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - | - | - |
| Bonds, at fair market value | - | - | 28,669,745 | 28,217,432 | 1,487,439 | 1,551,695 | - | - |
| Common Stocks, Unaffiliated at fair market value | - | - | - | - | - | - | - | - |
| Total Investments | - | - | 28,669,745 | 28,217,432 | 1,487,439 | 1,551,695 | - | - |
| Total Cash, Cash Equivalents and Investments | 1,795,910 | 830,011 | 29,754,686 | 28,687,699 | 1,591,032 | 1,674,199 | - | 1,417,541 |
| Other Invested Assets: | | | | | | | | |
| Investment in Subsidiaries | - | - | - | - | - | - | - | - |
| Limited Partnerships | - | - | - | 368 | - | - | - | - |
| Real Estate | - | - | 386,206 | 536,418 | - | - | - | - |
| Buildings | - | - | 3,213,794 | 4,463,582 | - | - | - | - |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | 1,795,910 | 830,011 | 33,354,686 | 33,688,067 | 1,591,032 | 1,674,199 | - | 1,417,541 |
| Reinsurance Recoverables on Paid Losses and LAE | 150,082 | 6,131,727 | 11,667,041 | 12,017,918 | 23,008,616 | 23,008,616 | 303,658 | 146,944 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | (11,610,566) | (10,214,030) | (23,008,616) | (23,008,616) | (303,658) | (146,944) |
| Net Reinsurance Recoverables on Paid Losses and LAE | 150,082 | 6,131,727 | 56,475 | 1,803,888 | - | - | - | - |
| Reinsurance Recoverables on Unpaid Losses and LAE | 6,454,893 | - | 7,281,171 | 9,580,358 | - | - | 754,360 | 815,232 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | (7,222,740) | (7,221,795) | - | - | (754,360) | (815,232) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | 6,454,893 | - | 58,431 | 2,358,563 | - | - | - | - |
| Receivables from Others | - | - | - | - | 100,000 | 100,000 | - | - |
| Accrued Investment Income | - | - | 94,542 | 87,931 | 783 | 814 | - | - |
| Other Assets | 1 | 1 | 221,304 | 232,169 | - | - | - | - |
| Total Unrestricted Assets | 8,400,886 | 6,961,739 | 33,785,438 | 38,170,618 | 1,691,815 | 1,775,013 | - | 1,417,541 |
| Restricted Assets: | | | | | | | | |
| Statutory Deposits in New York or Other States | - | - | 11,405,376 | 12,469,321 | - | - | - | - |
| Other Restricted Assets | 7,740 | - | 1,717,187 | 1,714,632 | - | - | - | 97,352 |
| Total Restricted Assets | 7,740 | - | 13,122,563 | 14,183,953 | - | - | - | 97,352 |
| Total Assets | \$ 8,408,626 | \$ 6,961,739 | \$ 46,908,001 | \$ 52,354,571 | \$ 1,691,815 | \$ 1,775,013 | \$ - | \$ 1,514,893 |

**THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016**

| <u>Assets</u> | <u>IDEAL MUTUAL</u> | | <u>INSCORP</u> | | <u>MIDLAND</u> | |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 752,193 | \$ 585,129 | \$ 1,157,839 | \$ 2,806,046 | \$ 5,273,655 | \$ 4,517,160 |
| Investments | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - |
| Bonds, at fair market value | 47,559,977 | 48,810,574 | 21,896,988 | 19,271,322 | 354,122,674 | 354,301,640 |
| Common Stocks, Unaffiliated at fair market value | - | - | - | - | - | - |
| Total Investments | 47,559,977 | 48,810,574 | 21,896,988 | 19,271,322 | 354,122,674 | 354,301,640 |
| Total Cash, Cash Equivalents and Investments | 48,312,170 | 49,395,703 | 23,054,827 | 22,077,368 | 359,396,329 | 358,818,800 |
| Other Invested Assets: | | | | | | |
| Investment in Subsidiaries | - | - | - | - | - | - |
| Limited Partnerships | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | 48,312,170 | 49,395,703 | 23,054,827 | 22,077,368 | 359,396,329 | 358,818,800 |
| Reinsurance Recoverables on Paid Losses and LAE | 55,689,686 | 55,861,678 | 27,953,193 | 30,823,799 | 134,402,952 | 141,995,883 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (55,516,436) | (49,797,300) | (26,134,204) | (23,439,470) | (133,672,139) | (128,946,831) |
| Net Reinsurance Recoverables on Paid Losses and LAE | 173,250 | 6,064,378 | 1,818,989 | 7,384,329 | 730,813 | 13,049,052 |
| Reinsurance Recoverables on Unpaid Losses and LAE | 6,204,221 | 6,315,668 | 1,703,686 | 1,703,686 | 13,788,149 | 22,098,664 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (6,156,376) | (4,824,354) | (1,583,533) | (1,290,064) | (13,711,607) | (19,304,874) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | 47,845 | 1,491,314 | 120,153 | 413,622 | 76,542 | 2,793,790 |
| Receivables from Others | 660,000 | 660,000 | 447,565 | 447,565 | 3,260,000 | 3,260,000 |
| Accrued Investment Income | 157,117 | 115,900 | 77,456 | 67,343 | 1,399,067 | 1,128,065 |
| Other Assets | - | - | 464,000 | 464,000 | - | - |
| Total Unrestricted Assets | 49,350,382 | 57,727,295 | 25,982,990 | 30,854,227 | 364,862,751 | 379,049,707 |
| Restricted Assets: | | | | | | |
| Statutory Deposits in New York or Other States | - | - | 231,290 | 229,888 | - | - |
| Other Restricted Assets | 2,932,519 | 2,931,196 | 1,569,517 | 1,568,959 | 1,525,055 | 1,524,489 |
| Total Restricted Assets | 2,932,519 | 2,931,196 | 1,800,807 | 1,798,847 | 1,525,055 | 1,524,489 |
| Total Assets | \$ 52,282,901 | \$ 60,658,491 | \$ 27,783,797 | \$ 32,653,074 | \$ 366,387,806 | \$ 380,574,196 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Assets</u> | <u>PLICA</u> | <u>Elimination of IBNR</u> | <u>PLICA (Adjusted)</u> | <u>PLICA</u> | <u>Elimination of IBNR</u> | <u>PLICA (Adjusted)</u> | <u>REALM NATIONAL</u> | |
|---|----------------------|---------------------------------------|------------------------------------|----------------------|---------------------------------------|------------------------------------|------------------------------|--------------------------|
| | | <u>12/31/2017</u> | | | <u>12/31/2016</u> | | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | | | |
| Cash and Cash Equivalents | \$ 987,658 | \$ - | \$ 987,658 | \$ 1,165,916 | \$ - | \$ 1,165,916 | \$ 413,103 | \$ 1,616,054 |
| Investments | | | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - | - | - |
| Bonds, at fair market value | 14,862,803 | - | 14,862,803 | 14,681,962 | - | 14,681,962 | - | 2,019,926 |
| Common Stocks, Unaffiliated at fair market value | - | - | - | - | - | - | - | - |
| Total Investments | 14,862,803 | - | 14,862,803 | 14,681,962 | - | 14,681,962 | - | 2,019,926 |
| Total Cash, Cash Equivalents and Investments | 15,850,461 | - | 15,850,461 | 15,847,878 | - | 15,847,878 | 413,103 | 3,635,980 |
| Other Invested Assets: | | | | | | | | |
| Investment in Subsidiaries | - | - | - | - | - | - | - | - |
| Limited Partnerships | - | - | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - | - | - |
| Buildings | - | - | - | - | - | - | - | - |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | 15,850,461 | - | 15,850,461 | 15,847,878 | - | 15,847,878 | 413,103 | 3,635,980 |
| Reinsurance Recoverables on Paid Losses and LAE | - | - | - | (6,036) | - | (6,036) | 7,700,709 | 9,535,597 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | - | 6,036 | - | 6,036 | (7,700,709) | (5,646,179) |
| Net Reinsurance Recoverables on Paid Losses and LAE | - | - | - | - | - | - | - | 3,889,418 |
| Reinsurance Recoverables on Unpaid Losses and LAE | - | - | - | - | - | - | 155,997 | 155,997 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | - | - | - | - | - | - | (155,997) | (115,921) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | - | - | - | - | - | - | - | 40,076 |
| Receivables from Others | - | - | - | - | - | - | - | 600,000 |
| Accrued Investment Income | 63,801 | - | 63,801 | 55,664 | - | 55,664 | - | 3,972 |
| Other Assets | - | - | - | - | - | - | 160,956 | 160,956 |
| Total Unrestricted Assets | 15,914,262 | - | 15,914,262 | 15,903,542 | - | 15,903,542 | 574,059 | 8,330,402 |
| Restricted Assets: | | | | | | | | |
| Statutory Deposits in New York or Other States | 1,252,776 | - | 1,252,776 | 1,250,408 | - | 1,250,408 | 205,000 | 205,000 |
| Other Restricted Assets | - | - | - | - | - | - | - | 40,651 |
| Total Restricted Assets | 1,252,776 | - | 1,252,776 | 1,250,408 | - | 1,250,408 | 205,000 | 245,651 |
| Total Assets | \$ 17,167,038 | \$ - | \$ 17,167,038 | \$ 17,153,950 | \$ - | \$ 17,153,950 | \$ 779,059 | \$ 8,576,053 |

**THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF ESTATES' ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016**

| <u>Assets</u> | <u>UNION INDEMNITY</u> | | <u>CLOSED ESTATES</u> | | <u>ESTATE TOTALS</u> | |
|---|------------------------|----------------------|-----------------------|-------------------|-----------------------|-----------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Unrestricted Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 749,987 | \$ 3,233,890 | \$ - | \$ 267,253 | \$ 20,218,607 | \$ 27,289,110 |
| Investments | | | | | | |
| Certificate of Deposit | - | - | - | - | - | - |
| Bonds, at fair market value | 18,409,226 | 16,206,327 | - | - | 634,396,908 | 588,629,393 |
| Common Stocks, Unaffiliated at fair market value | - | - | - | - | 163,411 | 163,411 |
| Total Investments | 18,409,226 | 16,206,327 | - | - | 634,560,319 | 588,792,804 |
| Total Cash, Cash Equivalents and Investments | 19,159,213 | 19,440,217 | - | 267,253 | 654,778,926 | 616,081,914 |
| Other Invested Assets: | | | | | | |
| Investment in Subsidiaries | - | - | - | - | 544,446 | 730,084 |
| Limited Partnerships | - | - | - | - | - | 368 |
| Real Estate | - | - | - | - | 386,206 | 536,418 |
| Buildings | - | - | - | - | 3,213,794 | 4,463,582 |
| Total Cash, Cash Equivalents, Investments and Other Invested Assets (unrestricted) | 19,159,213 | 19,440,217 | - | 267,253 | 658,923,372 | 621,812,366 |
| Reinsurance Recoverables on Paid Losses and LAE | 40,306,322 | 40,307,835 | - | (1,578,800) | 325,561,468 | 336,340,800 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (40,306,322) | (40,307,835) | - | 1,578,800 | (319,656,896) | (293,820,141) |
| Net Reinsurance Recoverables on Paid Losses and LAE | - | - | - | - | 5,904,572 | 42,520,659 |
| Reinsurance Recoverables on Unpaid Losses and LAE | 1,117,885 | 1,117,885 | - | - | 106,412,337 | 97,830,198 |
| Less: Allowance for Uncollectible Reinsurance Recoverables | (1,117,885) | (1,117,885) | - | - | (90,704,176) | (74,059,672) |
| Net Reinsurance Recoverables on Unpaid Losses and LAE | - | - | - | - | 15,708,161 | 23,770,526 |
| Receivables from Others | 470,000 | 470,000 | - | - | 4,938,384 | 5,697,993 |
| Accrued Investment Income | 51,469 | 32,413 | - | - | 2,510,499 | 1,921,687 |
| Other Assets | - | - | - | - | 3,489,118 | 3,871,388 |
| Total Unrestricted Assets | 19,680,682 | 19,942,630 | - | 267,253 | 691,474,106 | 699,594,619 |
| Restricted Assets: | | | | | | |
| Statutory Deposits in New York or Other States | - | - | - | - | 23,934,513 | 26,300,024 |
| Other Restricted Assets | 6,179,299 | 6,176,389 | - | 41,204 | 30,082,359 | 34,160,118 |
| Total Restricted Assets | 6,179,299 | 6,176,389 | - | 41,204 | 54,016,872 | 60,460,142 |
| Total Assets | \$ 25,859,981 | \$ 26,119,019 | \$ - | \$ 308,457 | \$ 745,490,978 | \$ 760,054,761 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>AMERICAN MEDICAL</u> | | <u>ATLANTIC MUTUAL</u> | | <u>CENTENNIAL</u> | |
|---|-------------------------|-------------------|------------------------|-----------------------|----------------------|----------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ - | \$ - | \$ 3,696,695 | \$ 6,030,534 | \$ 1,087,931 | \$ 1,618,719 |
| Class I - Administrative Claims | 50,963 | - | 3,333,115 | 2,466,984 | 2,011,803 | 1,437,606 |
| Class II - Claims and Related Costs: | | | | | | |
| Allowed | - | - | 62,306,035 | 57,837,206 | 47,141,212 | 38,690,308 |
| Non Allowed | 225 | - | 185,033,188 | 203,285,107 | 121,546,613 | 132,584,750 |
| IBNR | - | - | - | - | - | - |
| Total Class II - Claims and Related Costs | 225 | - | 247,339,223 | 261,122,313 | 168,687,825 | 171,275,058 |
| Class III - Federal Government Claims | - | - | 39,418,405 | 39,418,405 | 6,839,598 | 6,839,598 |
| Class IV - Employee Claims | 2,400 | - | - | - | - | - |
| Class V - State and Local Government Claims | 338,997 | - | 3,698,287 | 3,698,287 | 2,501,026 | 2,501,026 |
| Class VI - General Creditor Claims | 2,087,421 | - | 9,825,660 | 9,246,923 | 18,235,972 | 15,982,374 |
| Class VII - Late Filed Claims | - | - | - | - | 500,000 | 500,000 |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | 159,398,946 | 159,398,946 | - | - |
| Class IX - Shareholder Claims | 5,000,000 | - | - | - | - | - |
| Total Liabilities | 7,480,006 | - | 466,710,331 | 481,382,392 | 199,864,155 | 200,154,381 |
| (Deficit) Surplus of Assets over Liabilities | (5,235,691) | - | (357,182,010) | (370,511,905) | (151,694,734) | (149,618,705) |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | \$ 2,244,315 | \$ - | \$ 109,528,321 | \$ 110,870,487 | \$ 48,169,421 | \$ 50,535,676 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>COSMOPOLITAN MUTUAL</u> | | <u>DRIVERS</u> | | <u>EVEREADY</u> | | <u>FIDUCIARY</u> | |
|---|----------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|----------------------|-------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ 31,832 | \$ 974,651 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Class I - Administrative Claims | - | 1,258,315 | 20,631 | 81,058 | 151,630 | 105,419 | 362,516 | - |
| Class II - Claims and Related Costs: | | | | | | | | |
| Allowed | 17,788,450 | 20,420,202 | 3,697,635 | 1,666,274 | 15,904,817 | 12,467,350 | 561,023 | - |
| Non Allowed | 222 | 3,099,566 | 224,037 | 2,146,705 | 8,869,273 | 11,236,115 | 109,098,373 | - |
| IBNR | - | - | - | - | - | - | - | - |
| Total Class II - Claims and Related Costs | 17,788,672 | 23,519,768 | 3,921,672 | 3,812,979 | 24,774,090 | 23,703,465 | 109,659,396 | - |
| Class III - Federal Government Claims | - | - | - | - | 5,857 | 5,857 | - | - |
| Class IV - Employee Claims | - | - | - | - | - | - | 1,206 | - |
| Class V - State and Local Government Claims | 7,476 | 7,476 | 14,045 | 14,045 | 573,094 | 573,094 | - | - |
| Class VI - General Creditor Claims | 3,301,927 | 3,301,927 | 57,539 | 55,056 | 955,681 | 1,212,455 | 221,015 | - |
| Class VII - Late Filed Claims | 9,973,857 | 9,973,857 | - | - | - | - | - | - |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | - | - | - | - | 992,197 | - |
| Class IX - Shareholder Claims | - | - | - | - | - | - | - | - |
| Total Liabilities | 31,103,764 | 39,035,994 | 4,013,887 | 3,963,138 | 26,460,352 | 25,600,290 | 111,236,330 | - |
| (Deficit) Surplus of Assets over Liabilities | (31,071,932) | (30,946,689) | (3,142,059) | (2,725,425) | (25,896,003) | (24,928,161) | (74,424,442) | - |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | \$ 31,832 | \$ 8,089,305 | \$ 871,828 | \$ 1,237,713 | \$ 564,349 | \$ 672,129 | \$ 36,811,888 | \$ - |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>FIRST CENTRAL</u> | | <u>FRONTIER</u> | | <u>GROUP COUNCIL</u> | | <u>ICM</u> | |
|---|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|--------------------|---------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ 7,740 | \$ - | \$ 1,717,187 | \$ 1,714,632 | \$ - | \$ - | \$ - | \$ 97,352 |
| Class I - Administrative Claims | 17,571 | 380,311 | 4,262,106 | 3,500,247 | 584,994 | 477,859 | - | 326,163 |
| Class II - Claims and Related Costs: | | | | | | | | |
| Allowed | 78,780,220 | 78,780,220 | 133,470,274 | 127,949,375 | 242,553,286 | 242,262,434 | 173,743 | 39,231 |
| Non Allowed | - | - | 78,647,014 | 96,525,112 | 11,450,077 | 11,530,362 | - | 1,100,000 |
| IBNR | - | - | - | - | - | - | - | - |
| Total Class II - Claims and Related Costs | 78,780,220 | 78,780,220 | 212,117,288 | 224,474,487 | 254,003,363 | 253,792,796 | 173,743 | 1,139,231 |
| Class III - Federal Government Claims | - | - | - | - | - | - | 14,976 | 14,976 |
| Class IV - Employee Claims | - | - | - | - | 4,425 | 4,425 | - | - |
| Class V - State and Local Government Claims | 874,434 | 874,434 | 10,060,199 | 10,060,199 | 22,828 | 22,828 | 80,135 | 80,135 |
| Class VI - General Creditor Claims | 1,763,389 | 1,763,389 | 37,883,257 | 37,583,248 | 56,202,748 | 56,202,748 | 7,106,417 | 7,010,575 |
| Class VII - Late Filed Claims | - | - | 9 | 9 | - | - | - | - |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | - | - | - | - | - | - |
| Class IX - Shareholder Claims | 1 | 1 | 10,584 | 10,584 | - | - | - | - |
| Total Liabilities | 81,443,355 | 81,798,355 | 266,050,630 | 277,343,406 | 310,818,358 | 310,500,656 | 7,375,271 | 8,668,432 |
| (Deficit) Surplus of Assets over Liabilities | (73,034,729) | (74,836,617) | (219,142,629) | (224,988,835) | (309,126,543) | (308,725,643) | (7,375,271) | (7,153,539) |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | \$ 8,408,626 | \$ 6,961,738 | \$ 46,908,001 | \$ 52,354,571 | \$ 1,691,815 | \$ 1,775,013 | \$ - | \$ 1,514,893 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>IDEAL MUTUAL</u> | | <u>INSCORP</u> | | <u>MIDLAND</u> | |
|---|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ 2,846,166 | \$ 2,844,842 | \$ 1,348,853 | \$ 1,348,294 | \$ 1,480,524 | \$ 1,479,958 |
| Class I - Administrative Claims | 9,988,861 | 8,244,619 | 2,275,073 | 1,821,279 | 19,748,618 | 16,234,511 |
| Class II - Claims and Related Costs: | | | | | | |
| Allowed | 260,478,535 | 259,737,258 | 20,787,651 | 20,867,496 | 1,260,750,898 | 1,247,139,342 |
| Non Allowed | 24,651,095 | 27,103,100 | 6,460,267 | 6,143,940 | 129,220,490 | 135,720,783 |
| IBNR | - | - | - | - | - | - |
| Total Class II - Claims and Related Costs | 285,129,630 | 286,840,358 | 27,247,918 | 27,011,436 | 1,389,971,388 | 1,382,860,125 |
| Class III - Federal Government Claims | - | - | - | - | - | - |
| Class IV - Employee Claims | - | - | - | - | - | - |
| Class V - State and Local Government Claims | 280,887 | 280,887 | 1,516,794 | 1,516,794 | 8,317,575 | 8,317,575 |
| Class VI - General Creditor Claims | 66,132,030 | 66,238,954 | 69,252,552 | 139,379,696 | 179,740,621 | 179,875,676 |
| Class VII - Late Filed Claims | 70,962,026 | 70,962,026 | - | - | 169,550,639 | 169,550,639 |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | - | - | - | - |
| Class IX - Shareholder Claims | - | - | 107,467,599 | 107,467,599 | - | - |
| Total Liabilities | 435,339,600 | 435,411,686 | 209,108,789 | 278,545,098 | 1,768,809,365 | 1,758,318,484 |
| (Deficit) Surplus of Assets over Liabilities | (383,056,699) | (374,753,196) | (181,324,992) | (245,892,024) | (1,402,421,559) | (1,377,744,289) |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | \$ 52,282,901 | \$ 60,658,490 | \$ 27,783,797 | \$ 32,653,074 | \$ 366,387,806 | \$ 380,574,195 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>PLICA</u> | <u>Elimination</u> <u>of IBNR</u> <u>12/31/17</u> | <u>PLICA</u> <u>(Adjusted)</u> | <u>PLICA</u> | <u>Elimination</u> <u>of IBNR</u> <u>12/31/16</u> | <u>PLICA</u> <u>(Adjusted)</u> | <u>REALM NATIONAL</u> | |
|---|----------------------|---|-----------------------------------|----------------------|---|-----------------------------------|-----------------------|---------------------|
| | | | | | | | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 161,865 |
| Class I - Administrative Claims | 1,102,200 | - | 1,102,200 | 905,814 | - | 905,814 | 23,492 | 3,408,439 |
| Class II - Claims and Related Costs: | | | | | | | | |
| Allowed | 1,266,045 | - | 1,266,045 | 1,266,045 | - | 1,266,045 | 85,654,912 | 87,348,527 |
| Non Allowed | 1,144,121 | - | 1,144,121 | 1,547,529 | - | 1,547,529 | - | - |
| IBNR | <u>11,435,000</u> | <u>(11,435,000)</u> | <u>-</u> | <u>11,435,000</u> | <u>(11,435,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Class II - Claims and Related Costs | 13,845,166 | (11,435,000) | 2,410,166 | 14,248,574 | (11,435,000) | 2,813,574 | 85,654,912 | 87,348,527 |
| Class III - Federal Government Claims | - | - | - | - | - | - | - | - |
| Class IV - Employee Claims | - | - | - | - | - | - | 2,616 | 2,616 |
| Class V - State and Local Government Claims | 59,395 | - | 59,395 | 59,395 | - | 59,395 | 61,013 | 61,013 |
| Class VI - General Creditor Claims | 221,386 | - | 221,386 | 272,081 | - | 272,081 | 18,743,936 | 18,743,936 |
| Class VII - Late Filed Claims | - | - | - | - | - | - | 401 | 401 |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | - | - | - | - | - | - |
| Class IX - Shareholder Claims | 1,938,891 | - | 13,737,873 | 1,668,085 | - | - | - | - |
| Total Liabilities | <u>17,167,038</u> | <u>(11,435,000)</u> | <u>17,531,020</u> | <u>17,153,949</u> | <u>(11,435,000)</u> | <u>4,050,864</u> | <u>104,486,370</u> | <u>109,726,797</u> |
| (Deficit) Surplus of Assets over Liabilities | - | 11,435,000 | (363,982) | - | 11,435,000 | 13,103,085 | (103,707,311) | (101,150,745) |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | <u>\$ 17,167,038</u> | <u>\$ -</u> | <u>\$ 17,167,038</u> | <u>\$ 17,153,949</u> | <u>\$ -</u> | <u>\$ 17,153,949</u> | <u>\$ 779,059</u> | <u>\$ 8,576,052</u> |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' LIABILITIES AND (DEFICIT) SURPLUS OF ASSETS OVER LIABILITIES - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2017 AND 2016

| <u>Liabilities</u> | <u>UNION INDEMNITY</u> | | <u>CLOSED ESTATES</u> | | <u>ESTATE TOTALS</u> | |
|---|------------------------|----------------------|-----------------------|----------------------|------------------------|------------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Secured Claims | \$ 6,342,284 | \$ 6,339,375 | \$ - | \$ 41,204 | \$ 18,559,212 | \$ 22,651,426 |
| Class I - Administrative Claims | 4,611,394 | 3,805,195 | - | (281) | 48,544,967 | 44,453,538 |
| Class II - Claims and Related Costs: | | | | | | |
| Allowed | 177,346,778 | 177,341,040 | - | 187,560,134 | 2,408,661,514 | 2,561,372,442 |
| Non Allowed | 136,075 | 132,924 | - | 20,124 | 676,481,070 | 632,176,117 |
| IBNR | - | - | - | - | - | - |
| Total Class II - Claims and Related Costs | 177,482,853 | 177,473,964 | - | 187,580,258 | 3,085,142,584 | 3,193,548,559 |
| Class III - Federal Government Claims | 137,245 | 137,245 | - | - | 46,416,081 | 46,416,081 |
| Class IV - Employee Claims | - | - | - | - | 10,647 | 7,041 |
| Class V - State and Local Government Claims | 71,337 | 71,337 | - | 664,370 | 28,477,522 | 28,802,895 |
| Class VI - General Creditor Claims | 161,040,254 | 161,040,254 | - | 3,028,192 | 632,771,805 | 700,937,484 |
| Class VII - Late Filed Claims | 69,488,205 | 69,488,205 | - | 3,943,046 | 320,475,137 | 324,418,183 |
| Class VIII - Section 1307 (Shareholder) Loans | - | - | - | 1,075,375 | 160,391,143 | 160,474,321 |
| Class IX - Shareholder Claims | - | - | 9 | 18,666,854 | 126,216,066 | 126,145,038 |
| Total Liabilities | 419,173,572 | 418,355,575 | 9 | 214,999,018 | 4,467,005,164 | 4,647,854,566 |
| (Deficit) Surplus of Assets over Liabilities | (393,313,591) | (392,236,556) | (9) | (214,690,561) | (3,721,514,186) | (3,887,799,805) |
| Total Liabilities and (Deficit) Surplus of Assets over Liabilities | \$ 25,859,981 | \$ 26,119,019 | \$ - | \$ 308,457 | \$ 745,490,978 | \$ 760,054,761 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

| | <u>AMERICAN MEDICAL</u> | | <u>ATLANTIC MUTUAL</u> | | <u>CENTENNIAL</u> | |
|--|-------------------------|-------------------|------------------------|----------------------|----------------------|----------------------|
| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2017</u> | <u>12/31/2016</u> |
| Receipts: | | | | | | |
| Net Investment Income Received | \$ 9,822 | \$ - | \$ 1,102,373 | \$ (1,912,644) | \$ 555,709 | \$ 540,402 |
| Reinsurance Recovered | - | - | 9,482,770 | 3,381,809 | 2,286,482 | 3,048,252 |
| Premiums Collected | - | - | - | - | - | - |
| Salvage and Subrogation Recoveries | 5,000 | - | 423,938 | 10,523 | 701,316 | 152,562 |
| Reimbursement from Central Disbursement Account | - | - | - | - | - | - |
| Release from Statutory Deposits | 1,851,948 | - | 1,300,214 | - | 389,712 | 232,924 |
| Large Deductible | - | - | (659,845) | (29,509) | - | 29,509 |
| Second Injury Claim Refunds | - | - | - | 129,816 | - | 5,086 |
| Transfer from Segregated Accounts | - | - | 922,410 | 773,250 | - | 257,750 |
| Miscellaneous | 254,158 | - | 235,150 | 26,916 | 548 | 57,397 |
| Total Receipts | 2,120,928 | - | 12,807,010 | 2,380,161 | 3,933,767 | 4,323,882 |
| Disbursements: | | | | | | |
| Distributions | - | - | 1,986,719 | 4,236,431 | - | - |
| Transfer to Segregated Accounts | - | - | 128,845 | 678,667 | - | 226,222 |
| Loss/Return Premiums | - | - | - | - | - | - |
| Loss Adjustment Expense | - | - | - | 20,002 | - | - |
| Reimbursement of Allocated Expenses: | | | | | | |
| Salaries | 114,514 | - | 1,140,680 | 1,167,127 | 810,610 | 780,879 |
| Employee Relations & Welfare | 81,969 | - | 757,000 | 741,713 | 541,348 | 504,353 |
| Rent and Related Expenses | 41,721 | - | 596,067 | 568,112 | 253,100 | 219,991 |
| Professional Fees | 21,775 | - | 106,854 | 69,778 | 85,677 | 97,159 |
| General and Administrative Expenses | 29,196 | - | 74,735 | 104,973 | 49,862 | 50,608 |
| Salvage and Subrogation Fees | - | - | 118,082 | 71,629 | 533 | - |
| Miscellaneous | 11,313 | - | 168,202 | 190,679 | 95,901 | 101,730 |
| Total Disbursements | 300,488 | - | 5,077,184 | 7,849,111 | 1,837,031 | 1,980,942 |
| Net Disbursements Over of Receipts | 1,820,440 | - | 7,729,826 | (5,468,950) | 2,096,736 | 2,342,940 |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Beginning of Year | - | - | 73,176,177 | 75,565,709 | 34,492,723 | 32,119,326 |
| Opening Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Balances of New Estates | 19,264 | - | - | - | - | - |
| Closed Estates - Cash | - | - | - | - | - | - |
| Unrealized Gain / (Loss) on Investments | (1,217) | - | (485,313) | 3,079,418 | (113,669) | 30,457 |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), End of Period / Year | \$ 1,838,487 | \$ - | \$ 80,420,690 | \$ 73,176,177 | \$ 36,475,790 | \$ 34,492,723 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

| Receipts: | COSMOPOLITAN MUTUAL | | DRIVERS | | EVEREADY | | FIDUCIARY | |
|--|----------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|----------------------|-------------------|
| | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Net Investment Income Received | \$ 4,237 | \$ 146,155 | \$ 9,644 | \$ 11,036 | \$ 8,314 | \$ (195,980) | \$ 363,057 | \$ - |
| Reinsurance Recovered | 875,486 | 646,702 | - | - | - | - | - | - |
| Premiums Collected | - | - | - | - | - | 117 | 97 | - |
| Salvage and Subrogation Recoveries | - | - | 189 | 80,022 | 45,914 | 236,415 | 569,647 | - |
| Reimbursement from Central Disbursement Account | 105,000 | - | - | - | - | - | - | - |
| Release from Statutory Deposits | - | - | - | - | - | - | 756,096 | - |
| Large Deductible | - | - | - | - | - | - | - | - |
| Second Injury Claim Refunds | - | - | - | - | - | - | - | - |
| Transfer from Segregated Accounts | 32,796 | - | - | - | - | - | - | - |
| Miscellaneous | 935,302 | - | 6,782 | 33,620 | 3,477 | 120,314 | 32,939 | - |
| Total Receipts | 1,952,821 | 792,857 | 16,615 | 124,678 | 57,705 | 160,866 | 1,721,836 | - |
| Disbursements: | | | | | | | | |
| Distributions | 5,731,097 | 12,296,444 | - | - | - | - | - | - |
| Transfer to Segregated Accounts | - | - | - | - | - | - | - | - |
| Loss/Return Premiums | - | - | - | - | - | - | - | - |
| Loss Adjustment Expense | - | - | - | - | - | - | - | - |
| Reimbursement of Allocated Expenses: | | | | | | | | |
| Salaries | 35,254 | 138,154 | 128,672 | 122,215 | 86,629 | 135,557 | 614,567 | - |
| Employee Relations & Welfare | 1,065,796 | 87,666 | 153,600 | 77,666 | - | 395 | 296,752 | - |
| Rent and Related Expenses | 46,268 | 91,302 | 41,527 | 35,790 | - | - | 113,919 | - |
| Professional Fees | 27,020 | 43,781 | 38,394 | 25,282 | 37,276 | 25,674 | 125,445 | - |
| General and Administrative Expenses | 2,015 | 6,062 | 8,374 | 10,739 | 4,239 | 8,434 | 75,612 | - |
| Salvage and Subrogation Fees | - | - | 38 | 13,082 | 18,152 | 25,357 | 22,213 | - |
| Miscellaneous | 191,849 | 24,831 | 10,059 | 9,238 | 293 | 336 | 15,029 | - |
| Total Disbursements | 7,099,299 | 12,688,240 | 380,664 | 294,012 | 146,589 | 195,753 | 1,263,537 | - |
| Net Disbursements Over of Receipts | (5,146,478) | (11,895,383) | (364,049) | (169,334) | (88,884) | (34,887) | 458,299 | - |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Beginning of Year | 5,146,478 | 16,969,604 | 1,233,761 | 1,402,683 | 670,212 | 480,799 | - | - |
| Opening Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Balances of New Estates | - | - | - | - | - | - | 35,696,429 | - |
| Closed Estates - Cash | - | - | - | - | - | - | - | - |
| Unrealized Gain / (Loss) on Investments | - | 72,257 | 2,116 | 412 | (16,979) | 224,300 | (330,231) | - |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), End of Period / Year | \$ - | \$ 5,146,478 | \$ 871,828 | \$ 1,233,761 | \$ 564,349 | \$ 670,212 | \$ 35,824,497 | \$ - |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

| Receipts: | FIRST CENTRAL | | FRONTIER | | GROUP COUNCIL | | ICM | |
|--|----------------------|--------------------|----------------------|----------------------|----------------------|---------------------|--------------------|---------------------|
| | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Net Investment Income Received | \$ 735 | \$ 3,999 | \$ 327,841 | \$ 419,290 | \$ 12,566 | \$ 17,870 | \$ 1,262 | \$ 761 |
| Reinsurance Recovered | 1,170,680 | - | 1,412,205 | 21,534 | - | - | 75,133 | 25,183 |
| Premiums Collected | - | - | 10,516 | 6,795 | - | - | 1,170 | 3,592 |
| Salvage and Subrogation Recoveries | - | - | 7,240 | 122,657 | - | - | - | 372 |
| Reimbursement from Central Disbursement Account | - | - | - | - | - | - | - | - |
| Release from Statutory Deposits | - | - | 1,302,614 | 97,001 | - | - | - | - |
| Large Deductible | - | - | - | - | - | - | - | - |
| Second Injury Claim Refunds | - | - | - | - | - | - | - | - |
| Transfer from Segregated Accounts | - | - | - | - | - | - | - | - |
| Miscellaneous | 255 | - | 360,012 | 124,486 | - | - | 97,081 | - |
| Total Receipts | 1,171,670 | 3,999 | 3,420,428 | 791,763 | 12,566 | 17,870 | 174,646 | 29,908 |
| Disbursements: | | | | | | | | |
| Distributions | - | 6,081,776 | - | - | - | - | 965,489 | - |
| Transfer to Segregated Accounts | - | - | - | - | - | - | - | - |
| Loss/Return Premiums | - | - | - | - | - | - | - | - |
| Loss Adjustment Expense | - | - | - | 45 | - | - | - | - |
| Reimbursement of Allocated Expenses: | | | | | | | | |
| Salaries | 44,933 | 81,295 | 503,157 | 616,865 | 21,136 | 38,151 | 132,124 | 239,136 |
| Employee Relations & Welfare | 30,038 | 52,945 | 349,414 | 400,611 | 15,109 | 23,520 | 367,038 | 144,720 |
| Rent and Related Expenses | 89,219 | 90,826 | 380,762 | 340,185 | 21,797 | 24,287 | 31,412 | 73,515 |
| Professional Fees | 32,595 | 27,466 | 222,031 | 225,509 | 32,776 | 30,151 | 48,540 | 53,725 |
| General and Administrative Expenses | 3,627 | 3,934 | 102,495 | 41,976 | 1,926 | 2,045 | 17,459 | 10,570 |
| Salvage and Subrogation Fees | - | - | 154 | 11 | - | - | - | - |
| Miscellaneous | 5,358 | 10,297 | 775,529 | 786,336 | 3,719 | 4,909 | 30,125 | 18,988 |
| Total Disbursements | 205,770 | 6,348,539 | 2,333,542 | 2,411,538 | 96,463 | 123,063 | 1,592,187 | 540,654 |
| Net Disbursements Over of Receipts | 965,900 | (6,344,540) | 1,086,886 | (1,619,775) | (83,897) | (105,193) | (1,417,541) | (510,746) |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Beginning of Year | 830,010 | 7,174,550 | 33,688,067 | 33,694,287 | 1,674,199 | 1,782,893 | 1,417,541 | 1,928,287 |
| Opening Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Balances of New Estates | - | - | - | - | - | - | - | - |
| Closed Estates - Cash | - | - | - | - | - | - | - | - |
| Unrealized Gain / (Loss) on Investments | - | - | (1,420,267) | 1,613,555 | 730 | (3,501) | - | - |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), End of Period / Year | \$ 1,795,910 | \$ 830,010 | \$ 33,354,686 | \$ 33,688,067 | \$ 1,591,032 | \$ 1,674,199 | \$ - | \$ 1,417,541 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

| Receipts: | IDEAL MUTUAL | | INSCORP | | MIDLAND | | PLICA | |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|
| | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Net Investment Income Received | \$ 486,159 | \$ 615,002 | \$ 231,810 | \$ 219,111 | \$ 4,635,757 | \$ 4,588,620 | \$ 175,042 | \$ 178,604 |
| Reinsurance Recovered | 311,218 | 1,498,893 | 2,580,260 | 4,393,471 | 5,258,024 | 12,312,942 | - | 457,415 |
| Premiums Collected | - | - | - | - | - | - | - | - |
| Salvage and Subrogation Recoveries | - | - | 172 | 172 | - | - | - | - |
| Reimbursement from Central Disbursement Account | - | - | - | - | - | - | - | - |
| Release from Statutory Deposits | - | - | - | - | - | - | - | - |
| Large Deductible | - | - | - | - | - | - | - | - |
| Second Injury Claim Refunds | - | - | - | - | - | - | - | - |
| Transfer from Segregated Accounts | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 2 | - | - | - | 794 | 541 | - |
| Total Receipts | 797,377 | 2,113,897 | 2,812,242 | 4,612,754 | 9,893,781 | 16,902,356 | 175,583 | 636,019 |
| Disbursements: | | | | | | | | |
| Distributions | 615,962 | 874,857 | 424,938 | 3,123,961 | 5,009,762 | 25,721,581 | - | 2,041,195 |
| Transfer to Segregated Accounts | - | - | - | - | - | - | - | - |
| Loss/Return Premiums | - | - | - | 6,667 | - | - | - | - |
| Loss Adjustment Expense | - | 6,500 | - | - | 81,480 | 141,503 | - | 63,078 |
| Reimbursement of Allocated Expenses: | | | | | | | | |
| Salaries | 424,429 | 670,261 | 524,584 | 962,580 | 1,116,232 | 1,050,393 | 42,979 | 181,756 |
| Employee Relations & Welfare | 287,888 | 413,096 | 332,804 | 607,718 | 767,306 | 667,289 | 27,162 | 107,295 |
| Rent and Related Expenses | 353,192 | 387,971 | 267,405 | 388,509 | 612,424 | 537,165 | 24,211 | 61,364 |
| Professional Fees | 59,564 | 61,599 | 67,705 | 74,834 | 644,607 | 667,414 | 33,655 | 97,078 |
| General and Administrative Expenses | 26,416 | 29,417 | 53,069 | 61,399 | 70,090 | 46,467 | 3,155 | 22,140 |
| Salvage and Subrogation Fees | - | - | - | 747 | - | - | - | - |
| Miscellaneous | 75,274 | 89,916 | 55,304 | 88,219 | 408,445 | 399,359 | 19,321 | 29,845 |
| Total Disbursements | 1,842,725 | 2,533,617 | 1,725,809 | 5,314,634 | 8,710,346 | 29,231,171 | 150,483 | 2,603,751 |
| Net Disbursements Over of Receipts | (1,045,348) | (419,720) | 1,086,433 | (701,880) | 1,183,435 | (12,328,815) | 25,100 | (1,967,732) |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Beginning of Year | 49,395,702 | 49,506,042 | 22,077,368 | 22,710,553 | 358,818,799 | 370,251,365 | 15,847,877 | 17,770,261 |
| Opening Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Balances of New Estates | - | - | - | - | - | - | - | - |
| Closed Estates - Cash | - | - | - | - | - | - | - | - |
| Unrealized Gain / (Loss) on Investments | (38,184) | 309,380 | (108,974) | 68,695 | (605,905) | 896,249 | (22,516) | 45,348 |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), End of Period / Year | \$ 48,312,170 | \$ 49,395,702 | \$ 23,054,827 | \$ 22,077,368 | \$ 359,396,329 | \$ 358,818,799 | \$ 15,850,461 | \$ 15,847,877 |

THE DOMESTIC ESTATES IN LIQUIDATION
COMBINING SCHEDULES OF THE ESTATES' CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTED ASSETS (UNRESTRICTED) - MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

| | REALM NATIONAL | | UNION INDEMNITY | | CLOSED ESTATES | | ESTATE TOTALS | |
|--|-----------------------|---------------------|------------------------|----------------------|-----------------------|--------------------|-----------------------|-----------------------|
| | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 | 12/31/2017 | 12/31/2016 |
| Receipts: | | | | | | | | |
| Net Investment Income Received | \$ 9,255 | \$ 33,826 | \$ 203,622 | \$ 201,197 | \$ - | \$ 1,011 | \$ 8,137,205 | \$ 4,868,260 |
| Reinsurance Recovered | 55,500 | 761,895 | 4,019 | - | - | 117 | 23,511,777 | 26,548,213 |
| Premiums Collected | - | - | - | - | - | - | 11,783 | 10,504 |
| Salvage and Subrogation Recoveries | - | 2,000 | - | - | - | 34,434 | 1,753,416 | 639,157 |
| Reimbursement from Central Disbursement Account | 300,000 | - | - | - | - | - | 405,000 | - |
| Release from Statutory Deposits | - | - | - | - | - | - | 5,600,584 | 329,925 |
| Large Deductible | - | - | - | - | - | - | (659,845) | - |
| Second Injury Claim Refunds | - | - | - | - | - | - | - | 134,902 |
| Transfer from Segregated Accounts | - | - | - | - | - | - | 955,206 | 1,031,000 |
| Miscellaneous | 143 | - | - | - | - | 1,616 | 1,926,388 | 365,145 |
| Total Receipts | 364,898 | 797,721 | 207,641 | 201,197 | - | 37,178 | 41,641,514 | 33,927,106 |
| Disbursements: | | | | | | | | |
| Distributions | 1,693,617 | 5,126,622 | 9,217 | 65,571 | - | 3,311,343 | 16,436,801 | 62,879,781 |
| Transfer to Segregated Accounts | - | - | - | - | - | - | 128,845 | 904,889 |
| Loss/Return Premiums | - | - | - | - | - | - | - | 6,667 |
| Loss Adjustment Expense | - | - | - | - | - | - | 81,480 | 231,128 |
| Reimbursement of Allocated Expenses: | | | | | | | | |
| Salaries | 127,479 | 218,864 | 146,707 | 143,272 | - | 40,250 | 6,014,686 | 6,586,755 |
| Employee Relations & Welfare | 1,642,005 | 143,043 | 89,727 | 85,620 | - | 545,928 | 6,804,956 | 4,603,578 |
| Rent and Related Expenses | 70,281 | 92,372 | 138,614 | 129,953 | - | 20,042 | 3,081,919 | 3,061,384 |
| Professional Fees | 36,670 | 32,933 | 40,496 | 40,077 | - | 44,497 | 1,661,080 | 1,616,957 |
| General and Administrative Expenses | 8,004 | 9,949 | 8,686 | 6,549 | - | 833 | 538,960 | 416,095 |
| Salvage and Subrogation Fees | - | - | - | - | - | 7,770 | 159,172 | 118,596 |
| Miscellaneous | 10,018 | 21,556 | 29,594 | 26,301 | - | 92,252 | 1,905,333 | 1,894,792 |
| Total Disbursements | 3,588,074 | 5,645,339 | 463,041 | 497,343 | - | 4,062,915 | 36,813,232 | 82,320,622 |
| Net Disbursements Over of Receipts | (3,223,176) | (4,847,618) | (255,400) | (296,146) | - | (4,025,737) | 4,828,282 | (48,393,516) |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Beginning of Year | 3,635,979 | 8,480,110 | 19,440,217 | 19,673,049 | 267,253 | 4,292,990 | 621,812,363 | 664,092,033 |
| Opening Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), Balances of New Estates | - | - | - | - | - | - | 35,715,693 | - |
| Closed Estates - Cash | - | - | - | - | (267,253) | - | (267,253) | (289,525) |
| Unrealized Gain / (Loss) on Investments | 300 | 3,487 | (25,604) | 63,314 | - | - | (3,165,713) | 6,403,371 |
| Cash, Cash Equivalents, Investments and Invested Assets (Unrestricted), End of Period / Year | \$ 413,103 | \$ 3,635,979 | \$ 19,159,213 | \$ 19,440,217 | \$ - | \$ 267,253 | \$ 658,923,372 | \$ 621,812,363 |