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At Part 19 of the Supreme Court of the State of New York, County of New York, 60 Centre Street, New York, New York on the day of OCT 24, 2000.

PRESENT:

HON. **EDWARD H. LEHNER**

JUSTICE.

-----X

In the Matter of

The Liquidation of

COSMOPOLITAN MUTUAL INSURANCE COMPANY

-----X

Index No.: 42638/80

ORDER ESTABLISHING NOTICE AND HEARING DATE FOR CONSIDERATION OF THE LIQUIDATOR'S PETITION FOR CONFIRMATION AND APPROVAL OF HIS REPORT ON THE STATUS OF THE LIQUIDATION OF COSMOPOLITAN MUTUAL INSURANCE COMPANY

OCT 31 2000

UPON the annexed petition of Richard S. Karpin, Assistant Special Deputy Superintendent and Agent of NEIL D. LEVIN, Superintendent of Insurance of the State of New York as Liquidator (the "Liquidator") of Cosmopolitan Mutual Insurance Company, duly verified the 21st day of September, 2000, for an order confirming and approving the Liquidator's report on the status of the Cosmopolitan Mutual liquidation and establishing a cut-off date for the development of claims.

IT IS HEREBY ORDERED:

1. A hearing (the "Hearing") is hereby scheduled for JANUARY 12, 2001 at 9:30 A.M. at the courthouse, 60 Centre Street, New York, New York, Courtroom 252 to determine whether the Liquidator's Report on the status of the

Cosmopolitan liquidation proceeding and the claims cut-off date proposed therein should be confirmed and approved by the Court;

2. A notice in substantially the form annexed hereto as Exhibit "1" shall be mailed by the Liquidator at least 45 days prior to the Hearing to all creditors. The notice shall advise the creditors of the submission of the Report and summarize its contents and recommendations.

3. The form and method of notice specified herein is the best notice practicable and shall constitute due and sufficient notice of the Hearing to all persons and entities entitled to receive such notice. The Liquidator shall, at or before the Hearing date, file proof of mailing of the notices required hereunder.


4. Any creditor who wishes to object to the petition must serve a written statement setting forth the objections and all supporting documentation upon the Liquidator and Clerk of the Court at least ten (10) business days prior to the Hearing. Service on the Liquidator shall be made by first class mail at the following address:

The Superintendent of Insurance of the State of New York as Liquidator
of Cosmopolitan Mutual Insurance Company
123 William Street
New York, New York 10038-3889
Attention: Stephen Ungar, Special Counsel

5. Unless the court otherwise directs, no person or entity will be entitled to object to the petition or otherwise be heard, except by serving and filing a written objection as described above. Any person or entity who fails to object in the manner described above will be deemed to have waived any objections and will be barred from raising objections in this or any other action.

OCT 31 2000

ENTER



J. S. C.

**IN THE MATTER OF THE LIQUIDATION OF
COSMOPOLITAN MUTUAL INSURANCE COMPANY
New York County Supreme Court
Index No.: 42638/80**

TO: _____

NOTICE

September 30, 2002

The Superintendent of Insurance of the State of New York as Liquidator (the "Liquidator") of Cosmopolitan Mutual Insurance Company ("Cosmopolitan") hereby gives you notice that he has presented the Supreme Court of the State of New York a petition for confirmation and approval ("Petition") of his report on the status of the Cosmopolitan liquidation proceeding and the proposed ~~December 31, 2000~~ claims cut-off date. A hearing is scheduled on the Petition on _____, 2000 at 9:30 A.M. at the Courthouse, 60 Centre Street, New York, New York, Courtroom _____. If you wish to object to the Report, you must serve a written statement setting forth your objections and all supporting documentation upon the Liquidator and Clerk of the Court, at least ten (10) business days prior to the hearing. Service on the Liquidator shall be made by first class mail at the following address:

**The Superintendent of Insurance of the State of New York as
Liquidator of Cosmopolitan Mutual Insurance Company
123 William Street
New York, New York 10038-3889
Attention: Stephen Ungar, Special Counsel**

The Petition and Report are available for inspection at the above address. The Report is summarized below. In the event of any discrepancy between the summary herein and the documents, the documents control.

The Report

To date, 3,075 claims have been allowed in this proceeding and 1,530 claims have been disallowed. There are 338 open workers' compensation claims, 8 open property/casualty claims and 87 open reinsurance claims.

As of December 31, 1998, collections of assets totaled \$80,408,848 against administrative expenses of \$20,199,855. Distributions of assets have been made to creditors with allowed claims, except reinsurance claims, at a 60% dividend rate. The total amount of \$85,176,795 was paid to creditors through December 31, 1998.

As of December 31, 1998, Cosmopolitan's assets totaled \$52,081,981 and its liabilities totaled \$96,088,024.

Cut-Off Date

In order to make a final distribution of assets and wind-up the Cosmopolitan liquidation, Cosmopolitan's reinsurance claims, which continue to develop despite the passage of 20 years, and Cosmopolitan's liability for open workers' compensation claims must be finally determined.

Cosmopolitan's open workers' compensation claims are paid out of the workers' compensation security fund. The Liquidator proposes to commute Cosmopolitan's obligations to the fund by allowing the fund's claim for the present value of workers' compensation reserves. This will finalize the fund's claim in the Cosmopolitan proceeding and Cosmopolitan's workers' compensation liabilities.

The Liquidator proposes to fix all reinsurance claims in the amount of paid and outstanding losses reported through December 31, 2000. No losses reported after December 31, 2000 will be considered in this proceeding. The proposed cut-off date will also bar policyholders and other creditors who currently have the right to present claims from presenting any claims after December 31, 2000.

The cut-off-date will enable the Liquidator to finalize Cosmopolitan's reinsurance liabilities, pay the 60% dividend to reinsurance claimants, and, to the extent that there are sufficient assets, pay an additional dividend to all creditors.

Requests for further information should be directed to Stephen Ungar, Special Counsel, at (212) 341-6768.

NEIL D. LEVIN
Superintendent of Insurance of the State of
New York as Liquidator of Cosmopolitan
Mutual Insurance Company

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

-----X

In the Matter of

Index No. 42638/80

The Liquidation of

PETITION

COSMOPOLITAN MUTUAL INSURANCE COMPANY

-----X

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

RICHARD S. KARPIN, Assistant Special Deputy Superintendent of Insurance and Agent of NEIL D. LEVIN, Superintendent of Insurance of the State of New York as Liquidator (the "Liquidator") of Cosmopolitan Mutual Insurance Company ("Cosmopolitan") hereby petitions this court, pursuant to Article 74 of the New York insurance laws, for an order (the "Order") confirming and approving the Liquidator's Report on the Status of the Liquidation of Cosmopolitan Mutual Insurance Company and the transactions set forth therein and authorizing the Liquidator to establish a cut-off date ("bar date") for the development of claims.

1. By order (the "Liquidation Order") entered October 24, 1980, Cosmopolitan, a New York-domiciled mutual casualty insurer, was adjudged insolvent and placed into liquidation. A copy of the liquidation order is annexed hereto as Exhibit "A".

2. The Liquidation Order appointed then Superintendent of Insurance Albert B. Lewis and his successor(s) in office to act as Liquidator(s).

3. The Liquidation Order charged the Liquidator with, among other things, responsibility for:

- a) taking possession of Cosmopolitan's property and assets;
- b) providing notice to Cosmopolitan's creditors, as disclosed by Cosmopolitan's books and records, to present proofs of claim;

- c) marshalling Cosmopolitan's assets
- d) adjudicating the claims presented and otherwise liquidating Cosmopolitan's business pursuant to Article XVI (now Article 74) of the New York Insurance Laws; and
- e) distributing Cosmopolitan's assets, pro-rata, to creditors with allowed claims.

4. Annexed hereto as Exhibit "B" is the Liquidator's Report on the Status of the Liquidation of Cosmopolitan Mutual Insurance Company (the "Report"). The Report sets forth the results, to date, of the Liquidator's efforts to identify creditors, adjudicate claims and collect assets. The Report recommends that December 31, 2000 be designated as the cut-off date, i.e., the bar date, for the development of claims reported by Cosmopolitan's creditors.

Report

5. Cosmopolitan's receipts from date of inception through December 31, 1998, totaled \$181,269,474. Total disbursements, including dividends paid to creditors, from date of inception to December 31, 1998, were 200,319,926, leaving a balance of cash and invested assets in the amount \$39,374,410.

6. Dividends on allowed claims in the amount of \$85,176,795 were distributed to creditors through December 31, 1998. The dividend rate is 60%, which means that creditors receive 60 cents on the dollar for the amount allowed for their claims.

7. As of December 31, 1998, Cosmopolitan's assets totaled \$52,081,981 while its liabilities were \$96,088,024, based on claims reported through December 31, 1998. At 1998's year's end, Cosmopolitan's insolvency amounted to \$44,006,043.

8. As of June 30, 1999, three hundred forty-six (346) claims, exclusive of reinsurance claims, were pending in this proceeding. These include three hundred thirty eight (338) open workers' compensation claims.

9. There are eighty-seven (87) open reinsurance claims. Eighty-three have been allowed in the interim amount of \$14,652,501, subject to further development.

10. One thousand fifty three 1,053 general creditor claims have been allowed in the amount of \$2,043,141.

Bar Date

11. Cosmopolitan's remaining liabilities consist primarily of open workers' compensation claims and reinsurance claims.

12. The workers' compensation claims require bi-weekly indemnity payments that are likely to continue for many years. The payments are made by the Workers' Compensation Security Fund (the "WCSF"). Thus, the WCSF's claim against Cosmopolitan will continue to develop as it makes payments. In order to finalize the WCSF's claim and the Cosmopolitan estate's Workers' Compensation liabilities, the Liquidator proposes to "commute" with the WCSF by allowing its claim for the projected loss and loss adjustment expenses on the open claims.

13. Similarly, Cosmopolitan's reinsurance claimants continue to report notices of loss on business that was reinsured by Cosmopolitan prior to liquidation. Such "long tail" claims continue to develop despite the Liquidation Order's cessation of Cosmopolitan's liability, fixed as of 12:01 a.m., Eastern Standard Time, January 1, 1981, the date upon which coverage for New York policyholders was terminated (Non-New York coverage terminated as of September 4, 1980). The last day for filing all proofs of claim was October 23, 1981.

14. The Liquidator will update each reinsurance claimant's claim based on reports received through December 31, 2000. Cosmopolitan's creditors' best interest will be served by cutting off claim development as of that date.

15. Without such a bar date, Cosmopolitan's claims, particularly reinsurance claims, will continue to develop for several years. The Liquidator will have to continue updating each reinsurance claimant's claim as it reports the payment of losses and provides notice of new losses. Approval of the cut-off date will enable the Liquidator to recommend for allowance the net amount due to Cosmopolitan's insureds and cedents, and, subsequent thereto, to make a final distribution of assets to creditors.

Hearing

16. I respectfully request that the court schedule a hearing on this petition in accordance with the accompanying ORDER ESTABLISHING NOTICE AND HEARING DATE FOR CONSIDERATION OF THE LIQUIDATOR'S REPORT ON THE STATUS OF THE LIQUIDATION OF COSMOPOLITAN MUTUAL INSURANCE COMPANY (the "Hearing Order"). It provides for a hearing date on the petition and establishes a procedure for the provision of notice to the creditors with allowed and/or open claims.


17. Based on the foregoing, the Liquidator requests that the court issue an order that:

- a) confirms and approves the Report;
- b) ratifies and approves the transactions reported in the Report;
- c) provides that only paid losses and outstanding reserves reported through December 31, 2000 will be considered for allowance;
- d) provides claims for losses and loss adjustment expenses reported after December 31, 2000 be barred and/or discharged;
- e) authorizes the Liquidator to make further pro-rata distributions of assets to Cosmopolitan's general creditors for allowed claims to the extent that sufficient funds are available;
- f) provides for such other relief as is just.

18. No previous application has been made for the relief requested herein.

WHEREFORE, Petitioner respectfully requests that the Hearing Order be granted and that, upon the hearing, the court issue an order granting the relief sought in this petition.

Dated: New York, New York
September 21, 2000


RICHARD S. KARPIN
Assistant Special Deputy Superintendent
and Agent of Neil D. Levin,
Superintendent of Insurance of the State of
New York as Liquidator of Cosmopolitan
Mutual Insurance Company

SU/ma
cosmo/pet

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

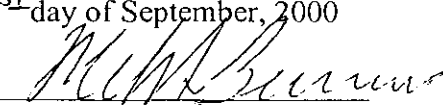
RICHARD S. KARPIN, being duly sworn, deposes and says:

That he has read the foregoing Verified Petition and knows the contents thereof, and that the same is true to his own knowledge except as to the matters therein stated to be alleged upon information and belief, and as to those matters he believes it to be true; that the reason this petition is verified by this deponent rather than by the Superintendent of Insurance is that deponent is the duly appointed Assistant Special Deputy Superintendent of Insurance to take possession of the property of and liquidate the business of Cosmopolitan Mutual Insurance Company and as such is acquainted with the facts alleged therein.

Deponent further says that the sources of his information and the grounds of his belief as to the matters stated in said Verified Petition to be alleged upon information and belief are records, books and papers of said company in the possession of the Liquidator and communications made to the deponent by employees and attorneys of the Liquidator.


RICHARD S. KARPIN

Sworn to before me this
21st day of September, 2000


Notary Public

MELVIN A. BURRUSS
Notary Public, State of New York
No. 02BU5090148
Qualified in Westchester County
Commission Expires October 2, 2001

At a Special Term, Part I of the
Supreme Court of the State of
New York, held in and for the
County of New York, at the
Courthouse, 60 Centre Street
in the Borough of Manhattan,
City and State of New York,
the 24th day of October, 1980

P R E S E N T :

HON.

Richard W. Wallach

JUSTICE.

-----x
In the Matter of
the Application of

Index No. 42638/1980

ALBERT B. LEWIS, Superintendent of
Insurance of the State of New York,
for an order to take possession and
liquidate the business of and dissolve

ORDER OF LIQUIDATION

COSMOPOLITAN MUTUAL INSURANCE COMPANY
-----x

Petitioner, ALBERT B. LEWIS, Superintendent of Insurance
of the State of New York, having moved this Court for an order
to take possession of the property and to liquidate the business
and affairs and to dissolve the corporate existence of COSMO-
POLITAN MUTUAL INSURANCE COMPANY, and such motion having duly
come on before this Court on the 24th day of October, 1980,

NOW, upon reading and filing the order to show cause made
on the 20th day of October, 1980 by Hon. CHARLES G. TIERNEY,
one of the Justice of the Supreme Court of the State of New York

and the petition of ALBERT B. LEWIS, Superintendent of Insurance of the State of New York, verified the 17th day of October, 1930, and the exhibits annexed thereto, with proof of due service thereof, in support of said motion, and it appearing to my satisfaction that COSMOPOLITAN MUTUAL INSURANCE COMPANY was incorporated under the laws of the State of New York on December 11, 1923 and licensed as a mutual casualty insurer in the State of New York on April 19, 1924; that its principal office is located in the County, City and State of New York; that it is amenable to the Insurance Law of the State of New York and particularly to Article XVI thereof, and upon reading the order of rehabilitation entered in the New York County Clerk's office on the 5th day of August, 1930, Exhibit "A" annexed to the petition herein, and it appearing to my satisfaction that further efforts to rehabilitate COSMOPOLITAN MUTUAL INSURANCE COMPANY would be futile and that the rehabilitation proceeding of the said corporation should be terminated; that it is impossible to reinsure in whole or in part the existing policy obligations of COSMOPOLITAN MUTUAL INSURANCE COMPANY pursuant to the provisions of Section 514 (2a), Insurance Law, and that the Liquidator should be relieved of the requirements of said section; that COSMOPOLITAN MUTUAL INSURANCE COMPANY is insolvent; that it is in such condition that its further transaction of business would be hazardous to its policyholders, creditors or to the public; that it is to the best interests of

all persons concerned that this application should be granted and COSMOPOLITAN MUTUAL INSURANCE COMPANY should be liquidated under and pursuant to Article XVI of the Insurance Law; that it should be dissolved and its corporate charter annulled and forfeited; and petitioner having appeared by HON. ROBERT ABRAHAM Attorney General of the State of New York, in support of said motion, and there being no appearance in opposition thereto, and after due deliberation having been had thereon and upon filing the opinion of the Court;

NOW, on motion of HON. ROBERT ABRAHAM, Attorney General of the State of New York, it is

ORDERED, that the petition of ALBERT B. LEWIS, Superintendent of Insurance of the State of New York, be and the same hereby is in all respects granted; and it is further

ORDERED, that COSMOPOLITAN MUTUAL INSURANCE COMPANY be and it hereby is adjudged to be insolvent; and it is further

ORDERED, that ALBERT B. LEWIS, Superintendent of Insurance of the State of New York, and his successors in office as Superintendents of Insurance of the State of New York, be and he is and they are hereby appointed Liquidator of COSMOPOLITAN MUTUAL INSURANCE COMPANY, and are hereby authorized and directed forthwith to take possession of the property and liquidate the business of COSMOPOLITAN MUTUAL INSURANCE COMPANY under and pursuant to the provisions of Article XVI of the Insurance Law

of the State of New York and to deal with the property and business of COSMOPOLITAN MUTUAL INSURANCE COMPANY in his or their names as Superintendents of Insurance and he is and they are vested with title to all of the property, contracts and rights of action of COSMOPOLITAN MUTUAL INSURANCE COMPANY, pursuant to Section 514 of the New York Insurance Law; and it is further

ORDERED, that formal notice of the making and entry of this order be given by the Superintendent of Insurance, as Liquidator, by mail to all policyholders, creditors and all other persons having any unsatisfied claim or demand of any character against the corporation as disclosed by the books and records of the corporation in the possession of the Superintendent of Insurance, as Liquidator, at the last known address of such persons as disclosed by said records and in such other manner and form as he in his discretion may find desirable, demanding that all persons indebted to COSMOPOLITAN MUTUAL INSURANCE COMPANY render accounts of their indebtedness and pay any sums due to the Superintendent of Insurance, as Liquidator; and giving notice to present proofs of claim with the Superintendent of Insurance, as Liquidator, at a place specified in such notice within twelve months from the date of the entry of this order and no later than the 23rd day of October, 1981; and that such notice may contain such other and

regulations, and information as the Superintendent of Insurance as Liquidator, may deem necessary for the purpose of this proceeding in fixing and determining all lawful and valid claims and demands against the corporation; and it is further

ORDERED, that in the event one or more Insurance Departments and/or Guaranty Funds or Associations of foreign states that have adopted the Uniform Insurers Liquidation Act in which respondent was licensed to do business, desire to give formal notice to policyholders and creditors in their respective states to present proofs of claim to the respective State Insurance Department or Guaranty Fund or Association, the Superintendent of Insurance, as Liquidator, may permit the giving of such notice as he in his discretion may find desirable; and it is further

ORDERED, that the notice aforesaid be given by publication in the national editions of the New York Times and The Journal of Commerce, commencing on or about the 11th day of November, 1980; and thereafter once a week for two successive weeks; and it is further

ORDERED, that notice of liquidation be given to those who may not otherwise receive notice, by publication of such notice in one newspaper in each of the following cities:

Miami and Tallahassee, Florida;

Newark, New Jersey;

and in the newspapers in other cities to be selected by the Liquidator in his discretion, by publication of such notice once a week for two successive weeks within the period allowed for the filing of claims; and it is further

ORDERED, that the notice hereinbefore prescribed is sufficient notice to all persons interested in the assets of COSMOPOLITAN MUTUAL INSURANCE COMPANY; and it is further

ORDERED, that all outstanding policy and other insurance obligations of COSMOPOLITAN MUTUAL INSURANCE COMPANY terminate and all liability thereunder cease and be fixed as of 12:01 A. Eastern Standard Time, on the 1st day of January, 1931, or prior thereto upon the procurement by policyholders, respectively, of new insurance covering their risks insured thereby, and notice thereof shall be given as hereinabove set forth; and it is further

ORDERED, that all other subsisting contracts and other obligations of COSMOPOLITAN MUTUAL INSURANCE COMPANY terminate and all liability thereunder cease and be fixed as of the date of the entry of this order; and it is further

ORDERED, that the Superintendent of Insurance, as Liquidator, be and he hereby is relieved of the provisions set forth in Section 514 (2a), Insurance Law, to wit: to reimburse in whole or in part the policy obligations of COSMOPOLITAN

MUTUAL INSURANCE COMPANY; and it is further

ORDERED, that ALBERT B. LEWIS, Superintendent of Insurance of the State of New York, and his successors in office as Superintendents of Insurance of the State of New York, he and he is and they are hereby authorized, permitted and allowed to sell, assign and transfer any and all of the stocks, bonds and securities in his possession or which may hereafter come into his possession belonging to COSMOPOLITAN MUTUAL INSURANCE COMPANY, in liquidation, at market price or better, or when there is no market price, at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interests of the creditors of COSMOPOLITAN MUTUAL INSURANCE COMPANY, in liquidation, and that he be authorized, permitted and allowed to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments; and it is further

ORDERED, that said COSMOPOLITAN MUTUAL INSURANCE COMPANY its officers, directors, trustees, policyholders, agents and employees and all other persons having any property or records belonging to the said COSMOPOLITAN MUTUAL INSURANCE COMPANY, be hereby directed to assign, transfer and deliver to the Superintendent of Insurance, as Liquidator, all of such property in whomsoever name the same may be, and that any persons, firms or corporations having any books, papers or records relating to the

business of said corporation shall preserve the same and submit them to the Superintendent of Insurance, as Liquidator, for examination at all reasonable times; and it is further

ORDERED, that the officers, directors, trustees, policyholders, agents and employees of said COSMOPOLITAN MUTUAL INSURANCE COMPANY, and all other persons be and they hereby are enjoined and restrained from the further transaction of business or from dealing with or disposing of the property or assets of said corporation, or doing or permitting to be done any act or thing which might waste its property or assets or allow or suffer the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against said corporation, or its estate while in the possession and control of the Superintendent of Insurance, as Liquidator; and it is further

ORDERED, that the officers, directors, trustees, policyholders, agents and employees of said COSMOPOLITAN MUTUAL INSURANCE COMPANY, and all other persons, including but not limited to claimants, plaintiffs and petitioners who have claim against the said COSMOPOLITAN MUTUAL INSURANCE COMPANY, be and they hereby are permanently enjoined and restrained from bringing or further prosecuting any action at law, suit in equity, special or other proceeding against the said corporation or its estate, or the Superintendent of Insurance of the State of New York and his successors in office, as Liquidator thereof, or for

making or executing any levy upon the property or estate of said corporation, or from in any way interfering with the Superintendent of Insurance of the State of New York, or his successors in office, in his or their possession, control or management of the property of said corporation, or in the discharge of his or their duties as Liquidator thereof, or in the liquidation of the business of said corporation; and it is further

ORDERED, that all parties to law suits in this state are hereby enjoined and restrained from proceeding with any trial, application for judgment, or proceeding on judgments or settlements in such actions at law, suits in equity, special or other proceedings in which COSMOPOLITAN MUTUAL INSURANCE COMPANY is obligated to defend a party insured or any other person it is legally obligated to defend by virtue of its insurance contract for a period of 90 days from the date hereof; and it is further

ORDERED, that the corporate charter of said COSMOPOLITAN MUTUAL INSURANCE COMPANY be and the same hereby is forfeited, surrendered and annulled and the said COSMOPOLITAN MUTUAL INSURANCE COMPANY is hereby dissolved; and it is further

ORDERED, that all further papers in this proceeding shall bear the caption and be entitled:

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

In the Matter of
the Liquidation of
COSMOPOLITAN MUTUAL INSURANCE COMPANY"

in place and stead of the caption as heretofore used; and it
is further

ORDERED, that the Superintendent of Insurance, as
Liquidator, may at any time make further application at the
foot of this order for such further and different relief as
he sees fit.

E N T E R

J. R. W. W.
J.S.C.

F. J. J.
8/24/80

DATE OCT 24 1980

Shirley Gentry Clerk of the Court
County of New York

OCT 24 1980

Lee

Clerk of the Court of the
County of New York

**REPORT ON THE STATUS OF
THE LIQUIDATION OF
COSMOPOLITAN MUTUAL INSURANCE COMPANY
AND PROPOSAL FOR
ESTABLISHMENT OF A BAR DATE
AND THE DISTRIBUTION OF ASSETS**

INTRODUCTION

Richard S. Karpin, Assistant Special Deputy Superintendent of Insurance and Agent of Neil D. Levin, Superintendent of Insurance of the State of New York as Liquidator (the "Liquidator") of Cosmopolitan Mutual Insurance Company ("Cosmopolitan" and alternately, "the estate") hereby reports on the status of the Cosmopolitan liquidation proceeding and respectfully sets forth the Liquidator's proposal for the establishment of a bar date for the presentation of claims in this proceeding and for the distribution of assets.

By order (the "Liquidation Order") of the Supreme Court of the State of New York, County of New York, entered on October 24, 1980, Cosmopolitan was adjudged to be insolvent and placed into liquidation. The Liquidation Order appointed the then Superintendent Albert B. Lewis and his successor(s) in office as Liquidator(s) of Cosmopolitan.

The Liquidation Order directed the Superintendent of Insurance to perform his duties as Liquidator, including the following:

- a) take possession of Cosmopolitan's property and assets;
- b) provide notice to Cosmopolitan's creditors, as disclosed by Cosmopolitan's books and records, to present proofs of claim;
- c) marshal Cosmopolitan's assets;

- d) adjudicate the claims presented and otherwise liquidate Cosmopolitan's business pursuant to Article XVI (now Article 74) of the New York Insurance Law; and
- e) distribute Cosmopolitan's assets, pro rata, to creditors with allowed claims.

In his fiduciary role, the Liquidator has performed duties on behalf of Cosmopolitan and its creditors since the commencement of the proceeding 20 years ago. To date, the Liquidator has adjudicated 5,440 claims, but reinsurance claims and workers' compensation claims remain open. At present, allowed claims are paid at a 60% dividend rate. The Liquidator has determined that the best interest of Cosmopolitan's creditors will be served if the winding-up of the proceeding proceeds in accordance with the proposal set forth in the "Recommendations and Proposal", Section IV, in this Report and recommends that the Court establish December 31, 2000 as the bar date for the final presentation of claims.

Without a bar date, the estate will remain open for many more years. Significant claim and administrative expense will be incurred as the Liquidator processes all losses (including those yet to be reported) covered by insurance/reinsurance contracts which were cancelled by operation of the Liquidation Order nearly 20 years ago. A bar date would benefit all creditors of Cosmopolitan as it would permit the Liquidator to set all liabilities, particularly reinsurance liabilities, as of December 31, 2000, and expedite the distribution of assets and wind-up this long standing proceeding.

I. HISTORY

Cosmopolitan, incorporated under the laws of the State of New York on December 11, 1923, was licensed as a New York mutual casualty insurer on April 19, 1924, then known as Butchers Mutual Casualty Company of New York. Its corporate name was

changed to Cosmopolitan Mutual Casualty Company of New York on January 21, 1947, and to its present form, Cosmopolitan Mutual Insurance Company, on January 1, 1956. Cosmopolitan was authorized to transact the business of insurance in the states of New Jersey, Florida, Georgia and Connecticut, as well as New York. Cosmopolitan also engaged in the business of reinsurance¹ by assuming and ceding risk.

Prior to liquidation, and pursuant to then §511(L) of the Insurance Law, Cosmopolitan was placed into rehabilitation by order of the Honorable Thomas J. Hughes, Justice of the Supreme Court of the State of New York, County of New York, on August 5, 1980. The Rehabilitation Order on consent was predicated on a New York State Insurance Department Report on Examination dated January 25, 1980. The application for rehabilitation divulged the New York Insurance Department's findings: As of December 31, 1978, Cosmopolitan was insolvent in the amount of \$12,350,679, thus indicating a total impairment of capital of \$13,850,679.

Following further review by an independent public accounting firm retained by then Superintendent Albert B. Lewis, Cosmopolitan's insolvency as of December 31, 1979 was reported to be \$32 million. Attempts to rehabilitate Cosmopolitan proved futile; it was impossible to cure the insolvency.

As a result, the Superintendent concluded that the further transaction of Cosmopolitan's business would be hazardous to the policyholders, creditors, and to the public. On October 20, 1980, he petitioned the Court for an order of liquidation on the

¹ Succinctly stated, reinsurance is insurance for the insurance/reinsurance industry. The industry spreads or transfers the risk of loss covered by its insurance policies or groups of policies. The original or primary insurer (the "cedent") cedes a portion or all of a risk it underwrites to a reinsurer who agrees to indemnify the cedent for a portion of the premium on the risk transferred. The cedent submits losses it incurs under reinsured policies to the reinsurer. The reinsurer then indemnifies the cedent for the portion of loss that the former assumed.

grounds that Cosmopolitan was impaired and insolvent. The Liquidation Order, signed by the Honorable Richard W. Wallach, Justice of the Supreme Court of the State of New York, County of New York, was entered on October 24, 1980.

II. COSMOPOLITAN'S FINANCIAL CONDITION AS OF THE DATE OF LIQUIDATION

Upon entry of the Liquidation Order, Cosmopolitan's books and records recorded total assets of \$64,397,827 and total liabilities of \$89,895,208 rendering it insolvent in the amount of \$25,497,381. (Comparative Balance Sheets as of December 31, 1998, and October 24, 1980, attached hereto as Exhibit "A").

A. Cosmopolitan's Assets

Cosmopolitan's total assets of \$64,397,827 at the date of liquidation included invested, free assets of \$55,600,567 consisting of cash and equivalents of \$471,093 and stocks and bonds (substantially junk bonds) in the amount of \$25,000 and \$55,104,474, respectively. Cosmopolitan's total assets also included invested, restricted assets comprised of an expense deposit of \$50,000 and \$2,774,295 on deposit with other state regulatory authorities.

Other assets of \$5,972,965 represent premiums in the course of collection in the amount of \$3,986,286; funds held by ancillary receivers in the amount of \$1,312,006; equity of \$572,435 invested in a mutual corporation reinsurance fund; and miscellaneous assets representing accrued interest of \$102,238.

B. Cosmopolitan's Liabilities

Cosmopolitan's reported liabilities as of October 24, 1980 totaled \$89,895,208. Claim liabilities amounted to \$59,739,604, comprised of \$323,577 then due to the New

York Security Funds², and outstanding New York claims reserves³ of \$59,416,027. Claim expense liabilities on outstanding New York claims were \$7,447,400. In addition, reinsurance liabilities then consisted of \$2,705,321 in payments due for paid losses covered by reinsurance contracts, and \$814,028 in funds held under reinsurance treaties.

Cosmopolitan's liability for the paid reinsurance losses, \$2,705,321, represented Cosmopolitan's obligation as an assuming reinsurer to pay under certain reinsurance contracts for losses already paid by its cedents. As of the date of liquidation, however, Cosmopolitan posted no claim reserves for outstanding or unpaid reinsurance obligations on its assumed business.

Despite the cancellation of all contracts prior to and/or on the date of liquidation, "long tail" claims (e.g., casualty, environmental, reinsurance claims) originally covered by Cosmopolitan's reinsurance contracts may continue to be reported. Thus, Cosmopolitan's ultimate liability for losses covered by its reinsurance contracts was neither known nor developed by the date of liquidation and is not fully known or developed to this very date.

The balance of Cosmopolitan's other liabilities as of October 24, 1980, totaling \$19,188,855, consisted of return premium obligations in the amount of \$14,160,102; funds held as collateral in the amount of \$263,035; \$3,571,790 due to the National Workers Compensation Reinsurance Pool; and \$1,193,928 in taxes, licenses and fees.

² In New York, the Property/Casualty Insurance Security Fund, the Public Motor Vehicle Liability Security Fund and the Workers' Compensation Security Fund are maintained to pay certain claims arising under policies that are unpaid due to the insolvency of a licensed insurer. The Security Funds had been triggered upon Cosmopolitan's placement into rehabilitation.

³ Outstanding claims reserves are estimates of the company's liability under insurance contracts.

III. THE LIQUIDATION PROCEEDING

A. Notice to Creditors

All policyholders, creditors and all other persons having any unsatisfied claim or demand against Cosmopolitan as disclosed by the books and records of Cosmopolitan as of October 24, 1980, were notified of the liquidation of Cosmopolitan by mail and by publication. All outstanding policies and other insurance obligations of Cosmopolitan were terminated, and liabilities ceased and were fixed at 12:01 a.m. (EST), January 1, 1981. The notice to creditors also set the fixed date for the filing of proofs of claim. Proofs of claim were to be presented by all persons having claim against Cosmopolitan within 12 months from the date of entry of the Order and no later than October 23, 1981.

B. Proofs of Claim

To date, 5,440 proofs of claim (exclusive of workers' compensation) have been recorded. Of this total, 2,222 were paid by the New York Security Funds ("NYSF") and 16 were filed by Guaranty Funds⁴ of sister states; 189 were withdrawn; 60 were voided as duplicates. The total also includes 74 policyholder protection proofs of claim⁵, one (1) finalized reinsurance claim, 196 deferred claims, i.e., deemed untimely filed; 99 open, 12 of which are NYSF claims; 1,530 disallowed and 1,053 general creditor claims allowed⁶ in the court proceeding.

⁴ Sister state Guaranty Funds (also referred to as "ancillaries" in this Report) perform claims paying functions akin to the NYSF.

⁵ Distinguished from all other classes of proofs of claim, policyholder protection proofs of claims provide policyholders here the right to present claims covered by Cosmopolitan's policies that were incurred prior to the claim filing deadline but not asserted or reported until after the claim filing deadline, October 23, 1981.

⁶ Pursuant to New York Insurance Law §7602(g) an "allowed claim" is a claim allowed by a court in an Article 74 proceeding ("Rehabilitation, Liquidation, Conservation and Dissolution of Insurers").

C. Adjudication of Claims

A claim is adjudicated upon the entry of the Liquidation court's order allowing a claim for a specified amount or disallowing it. An "allowed" claim is permitted to share in the distribution of assets based on a specified amount allowed by the court.

Cosmopolitan's liabilities consist of claims which, in general, fall into broad categories: losses covered by policies [casualty, environmental, workers' compensation and employers liability (workers' compensation 1B)]; reinsurance; security funds/guaranty associations; and general creditor claims. All claims for return premium have been satisfied. Claims for losses arising under policies are claims by or against Cosmopolitan's policyholders for losses covered by Cosmopolitan's policies that were in effect prior to liquidation.

D. Claims by Category

1. New York Security Fund Covered Claims

As of December 31, 1998, three hundred seventy-eight (378) NYSF covered claims were pending in this proceeding. These include one (1) environmental claim, two (2) casualty claims, one (1) employers' liability (workers' compensation 1B) reserved at \$9.00⁷, \$70,000 and \$150,000 respectively; and three hundred seventy-four (374) workers' compensation claims amounting to \$7,813,495 in the aggregate.

The NYSF is entitled to a claim in this proceeding for reimbursement of the losses and expenses it has paid to Cosmopolitan claimants. As of December 31, 1998,

⁷ Cosmopolitan is an excess insurer on this environmental claim. The estate may not be obligated to pay this claim because it is highly unlikely that its layer of coverage will ever be pierced. Therefore, only a minimum reserve is posted.

Cosmopolitan's liability to the NYSF for paid losses and loss adjustment expenses amounts to \$39,253,036.

2. Reinsurance Claims

As of December 31, 1998, \$14,652,501 has been allowed for reinsurance claims. Eighty-seven (87) reinsurance proofs of claim are pending. Cosmopolitan's total liability for paid claims and assumed reserves covered by the proofs of claim totaled \$21,419,030.

Reinsurance claims here are claims for payment due from Cosmopolitan (as the assuming reinsurer) to insurance companies that ceded risks to Cosmopolitan pursuant to reinsurance contracts. Reinsurance claims would also have included claims for premium due to reinsurers who assumed risks from Cosmopolitan (as cedent) pursuant to reinsurance contracts.

Eighty-one (81) of the 87 reinsurance proofs of claim remaining against the estate are related to Cosmopolitan's participation in a reinsurance pool managed by ROM Reinsurance Management Co., Inc. (ROM). ROM manages the processing of losses and collection of reinsurance on behalf of all the pool participants, including Cosmopolitan.

As to procedural matters, ROM submits claims for allowance in the Cosmopolitan liquidation proceeding for losses covered by Cosmopolitan's reinsurance contracts. ROM's handling and reporting of claims also will be subject to the proposed bar date, if established by the Court. The Liquidator, then, will be in a better position in which to set all liabilities, especially reinsurance liabilities of this estate.

ROM is in possession of the claim files it is administering. A typical transaction by ROM is as follows: Insurer X bills ROM for a certain amount (e.g. \$50,000) for a loss sustained on a risk reinsured in whole or in part by Cosmopolitan as part of the AMI pool. ROM then files in the Cosmopolitan liquidation proceeding a proof of claim form so that the loss amount may be “allowed” in court. Thereafter, ROM bills Cosmopolitan’s retrocessionaires⁸ who, in effect, are reinsurers for Cosmopolitan’s assumed business on the instant risk. ROM collects the retrocessionaires’ proportionate shares of the loss and remits these retrocessional recoveries to the Liquidator. ROM handles these claims, collects retrocessional recoveries and reports to the Liquidator quarterly.

3. Ancillary Fund Claims

In addition to the NYSF covered claims, security/guaranty funds in other states perform a similar function on behalf of Cosmopolitan obligations in their states. Claims have been filed by guaranty/security funds in Connecticut, Florida, Illinois, Maryland, Massachusetts, New Jersey, North Carolina and Pennsylvania.

Ancillary security funds that paid claims and incurred expenses covered by Cosmopolitan policies are entitled to a claim in this proceeding for reimbursement for those losses and expenses. In essence, the Funds are subrogated to the rights of claimants whom they paid. As of December 31, 1998, Cosmopolitan’s liability to the ancillary security funds for paid losses and loss adjustment expenses amounts to \$14,121,259.

⁸ Retrocessionaires are reinsurers who assume risk or portions thereof from the original reinsurer (Cosmopolitan here) in order to spread the original risk among many companies (i.e., a pool) for the purpose of limiting loss exposure and protecting financial stability of each participating reinsurer.

4) **Miscellaneous General Creditor Claims**

General creditor claims include insurance claims that are not covered by the NYSF or ancillary security fund and non-insurance related claims such as claims by state governments for taxes, attorney legal fees, and vendors for supplies and services rendered. Disbursements to general creditors from the date of liquidation through December 31, 1998, were \$1,228,893. The net amount remaining to be paid to Cosmopolitan's general creditors is \$819,004.

E. **Collection of Assets**

The Liquidator collected assets in the total amount of \$80,408,848 through December 31, 1998. The collections consist of investment income, reinsurance recoveries, salvage and subrogation, premiums and miscellaneous receipts as follows:

Investment Income	\$57,515,983
Reinsurance	15,080,008
Salvage and Subrogation	2,380,933
Premiums	4,571,579
Miscellaneous	1,875,840

F. **Expenses**

The Liquidator has incurred administrative expenses in the total amount of \$20,199,855 on behalf of Cosmopolitan from the date of liquidation through December 31, 1998. The expense items are listed on the Statement of Cash Receipts and Disbursements (the "Statement of Cash Receipts and Disbursements", attached herein as Exhibit "B").

The expenses consist of salaries for the Liquidator's staff in the amount of \$17,565,135; claims adjustment expenses of \$8,099,110; \$3,340,920 for employee benefits; \$4,528,939 in rent; \$4,379,004 for overhead (insurance, office expense and equipment/supplies, postage, telephone); \$461,625 for fees to legal counsel; \$967,260 in fees to other consultants; \$135,290 in taxes; \$167,104 in investment expense; \$92,634 for travel; and \$176,288 for audits of insureds' records. The expenses total \$39,913,309. However, the NYSF has reimbursed the Cosmopolitan estate \$19,713,454 for NYSF covered expenses. Therefore, the estate's net expenses total \$20,199,855. As stated above, the NYSF has a claim against the estate for the expenses it has incurred on behalf of the estate.

The Statement of Cash Receipts and Disbursements includes the NYSF claim payments and expenses. It should be noted that the NYSF do not pay claimants directly. Upon the allowance of a NYSF-covered claim, the NYSF provides the settlement proceeds to the Liquidator for remittance to the claimant. Therefore, claims paid by the Security Funds appear as both a receipt and a disbursement on the cash statements.

G. Dividends/Distribution

From the liquidation date, October 24, 1980, through December 31, 1998, the Liquidator has distributed assets in the form of dividends totaling \$85,176,795 to creditors. The dividend represented a payment of sixty percent (60%) of Cosmopolitan's liabilities. Thirty percent (30%) was paid in June 1988; ten percent (10%) in November 1989; fifteen percent (15%) in June 1994; and five percent (5%) in August 1995. The Liquidator has been unable to make any additional distributions of assets to Cosmopolitan's creditors because of the continuing development of reinsurance claims, and the uncertainty of the

ultimate liabilities therefor. Reinsurance claims against the estate must be adjudicated and finalized.

H. Assets and Liabilities as of December 31, 1998

As of December 31, 1998, Cosmopolitan's assets total \$52,081,981, and liabilities, \$96,088,024, which render a Liquidator's deficit to the estate of \$44,006,043. This deficit is likely to grow if a cut-off date for the presentation of claims is not imposed. The spectre of reinsurance claims adding to the deficit is real, even at this late date in this long-standing proceeding: Reinsurance was written covering risks (in New York and in many other states, e.g., CT, FL, IL, MD, MA, NJ, NC, PA) for which claims have been made against the estate, and may continue to do so without a bar date.

1) Cosmopolitan's Assets as at December 31, 1998

Cosmopolitan's assets of \$52,081,981, are comprised of invested assets of \$39,374,410 and other assets of \$12,707,571.

Invested free assets in the amount of \$37,228,354 consist of cash and equivalents of 1,862,510 and bonds valued at \$35,365,844. Restricted assets in the amount of \$2,146,056 include the following: \$160,000 on deposit with the Liquidation Bureau's revolving fund; \$585,944 in a segregated funds account; escheatable funds of \$198,428; \$869,369 in funds held for others, and \$332,315 in ancillary funds.

Other assets include reinsurance recoverables of \$1,551,741 on paid losses, (Gross recoverables of \$4,636,244 less \$3,084,503 reserved for uncollectible amounts); reinsurance recoverables on unpaid losses, \$9,927,045, (Gross recoverables of \$10,098,138 less \$171,093 reserved for uncollectible amounts); amounts due from security funds for

claims and expenses, \$589,796; and \$638,989 recoverable from Workers' Compensation for second injury.

2) Cosmopolitan's Liabilities as at December 31, 1998

Cosmopolitan's liabilities for claims total \$63,470,657, including payments in the amount of \$30,998,063 and \$14,121,259, due to the NYSF and ancillary guaranty funds, respectively. The latter amount, due to ancillary Guaranty Funds, is calculated by adding the losses plus the total return premium and subtracting amounts already paid on allowed claims. Reserves of \$18,351,335 make up the balance of claim liabilities.

Also, claim expense liabilities due to the NYSF are \$8,254,973, while reserves of \$1,324,373 are posted for New York, and \$784,574 for ancillaries. Total claim expense liabilities, therefore, equal \$10,363,920 as of December 31, 1998.

Reinsurance balances payable of \$16,366,705, and claims reserves for assumed reinsurance outstanding in the amount of \$5,052,325, result in \$21,419,030 in reinsurance liabilities through December 31, 1998.

Outstanding expenses of \$50,045, escheatable funds of \$198,428 and collateral in the amount of \$585,944 are also the obligation of Cosmopolitan.

Total liabilities, therefore, equal \$96,088,024 as of December 31, 1998.

IV. RECOMMENDATIONS AND PROPOSAL

A. Bar Date

The Comparative Balance Sheet (Exhibit A herein) illustrates the serious deficit from which the Cosmopolitan estate and its creditors suffer. As of December 31, 1998, total assets equal \$52,081,981 and total liabilities are \$96,088,024.

The Liquidator's deficit is \$44,006,043, an insolvency from which Cosmopolitan will never emerge. As claims continue to develop, particularly reinsurance claims, the deficit may deepen.

The open reinsurance claims continue to develop as Cosmopolitan's cedents report the payment of additional losses covered by the reinsurance contracts. The Liquidator respectfully requests that this Court enter an order providing that all incurred claims that are not reported by December 31, 2000 are barred and discharged. This provision is necessary to enable the Liquidator to determine, with finality, the amount due to Cosmopolitan's reinsurance creditors. Although Cosmopolitan has been in liquidation since 1980, reinsurance creditors who filed timely proofs of claim continue to report the payment of claims and expenses and the establishment of reserves on outstanding claims covered by reinsurance contracts entered into prior to liquidation. Without a bar date, reinsurance claims could continue to develop for many years. Claims against direct policies issued by Cosmopolitan that have not been reported by the bar date will also be barred. Although it is possible that incurred non-reinsurance claims may yet be reported after 20 years, it is unlikely. Nevertheless, the possibility that an unreported claim can come to light does not justify keeping the proceeding open for any prolonged period into the future.

Approval of the bar date will have the beneficial effect of dramatically accelerating the distribution of assets. It will enable the Liquidator to quantify and finalize Cosmopolitan's liabilities, particularly, reinsurance liabilities. It will also eliminate the substantial expense that would be incurred if the Liquidator were required to further update Cosmopolitan's creditors' claims. Any gains in estate investment income or reinsurance

recoveries will be partially or fully offset by the substantial expense should the estate continue to amass reinsurance liabilities.

Without a bar date, creditors may actually receive a smaller absolute distribution. Distributions certainly will be delayed. Even if Cosmopolitan's assets increase in value, that increase would not cover the cost to creditors inherent in the delay required to finalize Cosmopolitan's liabilities.

The only claims that would not be considered are those NOT YET reported on contracts that were terminated 20 years ago. As stated above, to process such claims would not benefit Cosmopolitan's creditors. It would merely delay the winding-up of this proceeding.

Based on the foregoing, the Liquidator proposes that:

1. The actions of the Liquidator that are set forth in this Report regarding the collection of assets and payment of expenses be approved and ratified.
2. Claims be limited to paid and outstanding losses and expenses reported through December 31, 2000.
3. Claims for losses and loss adjustment expenses reported after December 31, 2000, including direct policy claims, be barred and discharged.

B. Resolution of Workers' Compensation Claims

As of June 30, 2000, 338 workers' compensation claims remained open. Biweekly indemnity payments payable on these claims will continue to be paid by the WCSF for many years. The Liquidator proposes to estimate the present value of these claims and administrative expenses and to finalize the WCSF's claim in the proceeding. The WCSF will continue to process the remaining claims outside of the Cosmopolitan proceeding until all such claims are satisfied.

C. Final Distribution

Following the finalization of all reinsurance claims, WCSF commutations and all other open claims including those of ancillary Guaranty Funds made as of December 31, 2000, the Liquidator will make a final distribution of assets, submit his final report and move for judgment terminating the proceeding.

V. CONCLUSION

Pursuant to the accompanying petition, the Liquidator is requesting that the Court schedule a hearing on the Liquidator's proposal and approve the form of notice attached to the petition. If the proposal is approved, the Liquidator will submit an appropriate order, which will provide for the following relief:

1. Approval of this Report;
2. Establishment of December 31, 2000 as the bar date for the presentation of claims, including the presentation of losses covered by reinsurance contracts;
3. The discharge of claims presented after December 31, 2000, including claims for losses covered by reinsurance contracts.

Dated: New York, New York
 September 21, 2000

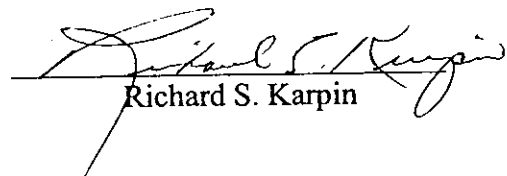

Richard S. Karpin

EXHIBIT "A"

COSMOPOLITAN MUTUAL INSURANCE COMPANY IN LIQUIDATION
COMPARATIVE BALANCE SHEET AT

	DEC. 31, 1998	OCT. 24, 1980
ASSETS		
INVESTED ASSETS		
FREE ASSETS		
Cash & equivalents	\$1,862,510	\$471,093
Bonds	35,365,844	55,104,474
Stock	0	25,000
Total free assets	37,228,354	55,600,567
RESTRICTED ASSETS		
Deposit with revolving fund	160,000	50,000
Segregated funds account	585,944	0
Escheatable funds	198,428	0
Funds held for others	869,369	0
Ancillary funds	332,315	2,774,295
Total restricted assets	2,146,056	2,824,295
Total invested assets	39,374,410	58,424,862
OTHER ASSETS		
Premiums in course of collection	0	3,986,286
Reins recoverables on paid losses (less \$3,084,503 Res for uncollectible)	1,551,741	0
Reins recoverables on unpaid losses (less \$171,093 Res for uncollectible)	9,927,045	0
Funds held by ancillary receivers	0	1,312,006
Equity in mutual corporation rein. fund	0	572,435
Due from security funds - claims & exp	589,796	0
Recoverable from W.C. second injury	638,989	0
Miscellaneous	0	102,238
Total other assets	12,707,571	5,972,965
TOTAL ASSETS	\$52,081,981	\$64,397,827

COSMOPOLITAN MUTUAL INSURANCE COMPANY IN LIQUIDATION
COMPARATIVE BALANCE SHEET AT

	DEC. 31, 1998	OCT. 24, 1980
LIABILITIES		
CLAIM LIABILITIES		
Due : New York security funds	\$30,998,063	\$323,577
Ancillary security funds	14,121,259	0
Reserve : New York	8,033,504	59,416,027
Ancillaries	9,498,827	0
General creditors	819,004	0
Total claim liabilities	63,470,657	59,739,604
CLAIM EXPENSE LIABILITIES		
Due : New York security fund	8,254,973	0
Reserve : New York	1,324,373	7,447,400
Ancillaries	784,574	0
General creditors	0	0
Total claim expense liabilities	10,363,920	7,447,400
REINSURANCE LIABILITIES		
Balances payable	16,366,705	2,705,321
Claim reserves - assumed	5,052,325	0
Funds held under rein. treaties	0	814,028
Total reinsurance liabilities	21,419,030	3,519,349
Due : Return premiums	0	14,160,102
Operating expense	50,045	0
Escheatable funds	198,428	0
Collateral	585,944	263,035
National Workers Comp. Rein. Pool	0	3,571,790
Taxes, licenses and fees	0	1,193,928
TOTAL LIABILITIES	96,088,024	89,895,208
LIQUIDATOR'S DEFICIT	(44,006,043)	(25,497,381)
TOTAL LIABILITIES, LESS LIQUIDATOR'S DEFICIT	\$52,081,981	\$64,397,827

EXHIBIT "B"

COSMOPOLITAN MUTUAL INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 1998

	CURRENT QUARTER	YEAR TO DATE	INCEPTION TO DATE (10/24/80)
BEGINNING CASH AND INVESTED ASSETS	\$39,298,585	\$40,863,706	\$58,424,862
Receipts			
Net investment income	388,809	2,375,280	57,515,983
Reinsurance recovered	201,402	909,308	15,080,008
Premium collected	0	0	4,571,579
Salvage and subrogation	0	2,055	2,380,933
Claims reimb from NYSF	326,353	1,076,906	79,742,307
Expense reimb from NYSF	30,908	222,036	19,713,454
Miscellaneous	91,184	472,632	1,875,840
Advance from revolving fund	4,573	0	389,370
Total Receipts	1,043,229	5,058,217	181,269,474
Disbursements			
NY security funds	140,265	1,075,896	58,057,731
Guaranty funds	411,340	3,433,611	21,476,587
General creditors	0	5,670	1,226,280
Reinsurers	0	0	4,416,197
Claimants	263,601	1,313,023	75,088,373
Reduction/increase in funds held	0	0	111,356
Commissions	0	0	30,093
Salaries	92,970	369,699	17,565,135
Employee relations & welfare	15,249	69,556	3,340,920
Rent & rent items	26,332	126,991	4,528,939
Consultants - legal	270	626	461,625
Consultants - accountants & other	3,377	35,924	967,260
Insurance	239	9,069	365,121
Travel	57	210	92,634
Equipment	3,733	17,308	885,882
Postage & telephone	1,297	5,444	540,740
Printing & stationery	881	3,495	384,272
Office expense	208	1,989	2,202,989
Claim adjustment expense	6,871	51,064	8,099,110
Audit of insured's records	0	0	176,288
Investment expenses	714	941	167,104
Taxes other than payroll	0	0	135,290
Payment to revolving fund	0	26,997	0
Total Disbursements	967,404	6,547,513	200,319,926
Net Increase (Decrease)	75,825	(1,489,296)	(19,050,452)
ENDING CASH AND INVESTED ASSETS	\$39,374,410	\$39,374,410	\$39,374,410

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

In the Matter of

The Liquidation of

COSMOPOLITAN MUTUAL INSURANCE COMPANY

ORDER ESTABLISHING NOTICE AND HEARING DATE FOR CONSIDERATION OF THE LIQUIDATOR'S PETITION FOR CONFIRMATION AND APPROVAL OF HIS REPORT ON THE STATUS OF THE LIQUIDATION OF COSMOPOLITAN MUTUAL INSURANCE COMPANY

Law Offices
Marilyn L. Lytle

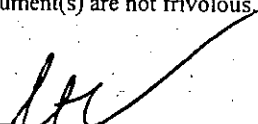
Attorney for Liquidator

Office and Post Office Address, Telephone
123 William Street
New York, NY 10038-3889
(212) 341-6720

ATTORNEY CERTIFICATION

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

Dated: New York, New York
September 21, 2000


Stephen Ungar

Sir: Please take notice

NOTICE OF ENTRY

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

2000

NOTICE OF SETTLEMENT

that an order

presented for settlement to the HON

of which the within is a true copy will be
one of the judges of the within named court, at
2000 at M.

Dated:

Yours, etc.

FILED
OCT 31 2000
COUNTY CLERK'S OFFICE
NEW YORK

Law Offices Marilyn L. Lytle

Attorneys for

Office and Post Office Address, Telephone
123 William Street
New York, NY 10038-3889
(212) 341-6720

To

Attorney(s) for