

At the Supreme Court of the State of New York, County of Albany, at the courthouse, 16 Eagle Street, County and City of Albany, State of New York, on the 8th day of ~~July~~, 2012. August

P R E S E N T :

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

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In the Matter of

Index No. 000097/2006

the Rehabilitation of

ORDER TO SHOW CAUSE

FRONTIER INSURANCE COMPANY.

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Upon reading and filing the annexed verified petition ("Verified Petition") of Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent"), duly verified the 18th day of July, 2012, the affidavit of Al Escobar, Chief Executive Officer of Frontier Insurance Company, in Rehabilitation ("Frontier"), sworn to the 17th day of July, 2012, and exhibits attached thereto, and it appearing that the relief sought should be granted,

NOW, on motion of Eric T. Schneiderman, Attorney General of the State of New York, attorney for the Superintendent, and after due deliberation having been had thereon;

LET all claimants and parties interested in the affairs of Frontier show cause before this Court at Albany County Courthouse, located at 16 Eagle Street in the County and City of Albany, and State of New York, on the 28th day of September, 2012, at 9:30 o'clock in the a.m.; or as soon thereafter as counsel can be heard ("Return Date"), why an order should not be made, pursuant to Article 74 of New York Insurance Law ("Insurance Law"), *inter alia*: (1) converting this rehabilitation proceeding to a liquidation proceeding; (2) appointing the Superintendent and his successors in office as liquidator of Frontier ("Liquidator"); (3) vesting title to all of Frontier's property, contracts and rights of action with the Liquidator;

(4) continuing and granting the injunctions provided for in the Order of Rehabilitation entered October 15, 2001 and in Insurance Law Section 7419, including permanently enjoining and restraining all persons from: (a) the transaction of Frontier's business; (b) the waste or disposition of its property; (c) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (d) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (e) obtaining preferences, judgments, attachments or other liens or making any levy against Frontier's property or any part thereof; (5) granting injunctions, in addition to the aforementioned injunctions previously granted in the Order of Rehabilitation, permanently enjoining and restraining all parties from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74; (6) granting injunctions enjoining and restraining all parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise, from proceeding with applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments, for a period of 90 days from the entry of the order of liquidation; (7) granting injunctions enjoining and restraining all persons who have first-party or New York Comprehensive Automobile Insurance Reparations Act (No Fault) policyholder loss claims against Frontier, from presenting and filing claims with the Liquidator for a period of 90 days from the entry of the order of liquidation; (8) vesting all rights in Frontier's contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, with the Liquidator, unless the Liquidator expressly terminates such

contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination; (9) requiring that any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (a) turn over custody and control of such funds; accounts or assets to the Liquidator; (b) transfer title of such funds, accounts or assets to the Liquidator; (c) change the name of such accounts to the name of the Liquidator; (d) transfer funds from such bank, savings and loan association or other financial institution to a bank; savings and loan association or other financial institution designated by the Liquidator; or (e) take any other action necessary for the proper conduct of the liquidation proceeding; (10) requiring that all persons or entities having property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs and/or bank records owned by, belonging to or relating to Frontier shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator; (11) authorizing, permitting and allowing the Liquidator to sell, assign or transfer any and all stocks, bonds or other securities, and any real or other property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments; (12) authorizing the Liquidator to pay administrative costs, expenses and other obligations of Frontier out of the assets of Frontier; and (13) granting such other and further relief as the Court may deem just and proper;

AND sufficient cause having been shown therefor, and the Court having found the form and methods of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that the notice of the Verified Petition and this order to show cause (the "Notice") shall be substantially in the form attached hereto and service shall be made by:

(1) service of a copy of this order to show cause and the papers upon which it has been granted, by regular mail and certified mail, return receipt requested, on or before the 27th day of

August, 2012, upon: (i) Al Escobar, Chief Executive Officer of Frontier, 195 Lake Louise Marie Road, Rockhill, NY 12775; (ii) Lancer Financial Group, Inc., 370 West Park Avenue, Long Beach, NY 11561; (iii) Walther, Roark & Gay, PLC, Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (Jonathan L. Gay, of counsel), 163 East Main Street, Suite 200, P. O. Box 1598, Lexington, KY 40588-1598; (iv) Hargraves McConnell & Costigan, P.C., Attorneys for Commonwealth of Kentucky Department of Workers' Claims and Kentucky Coal Employers' Self-Insurance Guaranty Fund, (John McConnell, of counsel), The Helmsley Building, 230 Park Avenue, New York, NY 10169; (v) Stuart F. Delery, Acting Assistant Attorney General, Attorney for the United States, (Frances M. McLaughlin, of counsel), United States Department of Justice, Civil Division, P. O. Box 875, Ben Franklin Station, Washington, DC 20044; (vi) Ficara & Associates, P.C., Attorneys for Callon Petroleum, The Martin Family Charitable Trust and Logo Holdings, LLC, (Donald J. Cayea, of counsel), 155 Pinelawn Road, Suite 240N, Melville, NY 11747; (vii) Arnstein & Lehr, LLP, Attorneys for The Martin Family Charitable Trust, (Mary Cannon Veed, of counsel), 120 South Riverside Plaza, Suite 1200, Chicago, IL 60606, (viii) Wharton Law Group, Attorneys for Logo Holdings, LLC, (Margaret A. Wharton, of counsel), 456 South Central Avenue, P. O. Box 621172, Oviedo, FL 32762-1172; (ix) Chadbourne & Parke, LLP, (Richard G. Liskov, of counsel), 30 Rockefeller Plaza, New

York, NY 10011, (x) Morrison Cohen LLP, Attorneys for Unit 82 Joint Venture, (Y. David Scharf, of counsel), 909 Third Avenue, New York, NY 10022; (xi) Patrick F. Adams, P.L.L.C., Attorney for St. John's the Baptist Diocesan High School, (Gary A. Pagliarello, of counsel), 3500 Sunrise Highway, Building 300, Great River, NY 11739; (xii) Lazlo Komjathy, Jr., Esq., Attorney for California Department of Insurance, Legal Division, Corporate Affairs Bureau, 45 Fremont Street, 24th Fl., San Francisco, CA 94105; (xiii) Locke & Lord, LLP, Attorneys for Frontier Insurance Company Coordinating Committee, (Thomas W. Jenkins, of counsel), 111 South Wacker Drive, Chicago, IL 60606; (2) posting the Notice on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org> at least 30 days before the Return Date, along with a link to pdf copies of this order to show cause and the papers upon which its has been granted; and (3) publication of the Notice in *Business Insurance*, once a week in two consecutive publications commencing within four weeks of issuance of this order to show cause; and it is further

ORDERED, that the form and methods of notice specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this order to show cause and the Return Date herein and the Verified Petition and the relief sought therein to all persons and entities entitled to receive such notice; and it is further

ORDERED, that any answering papers and supporting documentation (“Answering Papers”) be served on the Superintendent so as to be received by hand delivery, overnight mail or first class mail at least seven days prior to the Return Date, at the following addresses:

Superintendent of Financial Services of the State of New York
c/o Attorney General Eric T. Schneiderman
Office of the Attorney General
The Capitol
Albany, NY 12224
Attn: Assistant Attorney General Edward M. Scher

William Costigan, Esq.
Dornbush Schaeffer Strongin & Venaglia, LLP
747 Third Avenue
New York, NY 10017

and by submitting copies of Answering Papers, with affidavit of service on the Superintendent as above, to this Court at the Albany County Courthouse, located at 16 Eagle Street in the County and City of Albany, and State of New York, seven days before the Return Date; and it is further

ORDERED, that in the absence of Answering Papers filed in accordance with the previous paragraph on or prior to the date specified, the Court may enter relief without hearing and no party shall be entitled to be heard thereon; and it is further

ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Verified Petition and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further

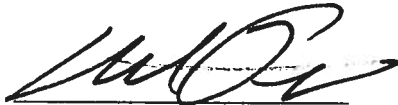
ORDERED, that any person or entity that has served Answering Papers as provided herein shall be deemed to have waived any objections that are not set forth in such Answering Papers; and it is further

interim procedure order and the pp

ORDERED, that the permanent injunctions provided for in the Order of Rehabilitation for Frontier, entered on October 15, 2001, shall remain in effect pending the hearing and determination of this motion, including the injunctive provision enjoining and restraining all persons from commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Rehabilitator; and it is further

ORDERED, that the payment of all claims other than workers' compensation claims shall be stayed pending the hearing and determination of this motion.

ENTER:



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

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF ALBANY

-----X
In the Matter of

Index No. 000097/2006

the Rehabilitation of

VERIFIED PETITION

FRONTIER INSURANCE COMPANY.
-----X

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (“Superintendent”), respectfully petitions this Court for an order: (i) converting the rehabilitation proceeding of Frontier Insurance Company (“Frontier”) to a liquidation proceeding pursuant to New York Insurance Law (“Insurance Law”) Section 7403(c); (ii) appointing the Superintendent, and his successors in office, as liquidator (“Liquidator”) of Frontier under Article 74 of the Insurance Law on the grounds that, among other things, Frontier is insolvent pursuant to Insurance Law Section 1309(a), and that further efforts to rehabilitate Frontier would be futile; and (iii) for such other and further relief specified below as is provided for in Article 74 of the Insurance Law.

BACKGROUND

1. I make this verified petition for the liquidation of Frontier on information and belief based upon the books and records of Frontier and information received from its employees and the New York Liquidation Bureau (“NYLB”), the office that carries out the functions of the Superintendent as Receiver under Article 74 of the Insurance law.

2. Frontier was placed into rehabilitation and the then-Superintendent and his successors in office were appointed rehabilitator (“Rehabilitator”)¹ by order (“Rehabilitation

¹ Effective October 3, 2011, the State Insurance Department and the State Banking Department were merged into the New York State Department of Financial Services, and the Superintendent succeeded to the powers previously vested in the Superintendent of Insurance under the Insurance Law. Hereinafter, the Superintendent in his capacity

Order”) of the Supreme Court, New York County, entered October 15, 2001. A copy of the Rehabilitation Order is attached as Exhibit A to the Affidavit of Al Escobar, sworn to July 17th, 2012 (“Escobar Aff.”).

3. The Rehabilitation Order directed, among other things, that the Rehabilitator immediately take possession of Frontier’s property, conduct its business and take such steps as the Rehabilitator determined to be necessary to remove the causes and conditions necessitating the rehabilitation. *See* Rehabilitation Order (Escobar Aff., Exhibit A).

4. After Frontier was placed into rehabilitation, an examination of Frontier’s books and records revealed that, on a statutory basis, the company’s liabilities exceeded its assets by approximately \$170 million, as of December 31, 2001. (Escobar Aff. ¶4). A copy of the Assets, Liabilities and Surplus pages of Frontier’s 2001 Annual Statement is attached as Exhibit B to the Escobar Aff. In an effort to determine the depth of Frontier’s deficit and cure it, the Rehabilitator took steps to: (i) calculate to a reasonable degree of certainty Frontier’s outstanding claims and other obligations; (ii) negotiate and compromise claims; (iii) collect reinsurance and (iv) marshal assets. (Escobar Aff. ¶4).

5. The Rehabilitator has carried out the mandate of the Rehabilitation Order for more than ten years, marshalling assets, administering claims and resolving disputes. (Escobar Aff. ¶5).

6. By Decision and Order dated July 15, 2010, this Court directed the Rehabilitator to prepare and submit for the Court’s consideration and approval: (i) an accounting of progress in removing the causes and conditions of Frontier’s deficit; and (ii) a plan of rehabilitation. In April of 2011, the Rehabilitator retained Milliman, Inc. to prepare an independent actuarial loss reserve analysis for the purpose of assisting the Rehabilitator in more precisely evaluating

as Receiver of Frontier is referred to as the Rehabilitator, while the Superintendent in his capacity as Regulator of the insurance industry is referred to as the Superintendent.

Frontier's claims liabilities. The independent analysis was conducted using (a) the company's historical practice of establishing reserves for surety claims on a discounted basis and (b) on an undiscounted basis, as would be the case if the company were not in receivership. (Escobar Aff. ¶6). Milliman's report was delivered to the Rehabilitator in August of 2011, and was one of the bases upon which the Rehabilitator made adjustments to the company's loss reserves that were reflected in Frontier's financial statements as of December 31, 2011. (Escobar Aff. ¶6).

7. The company's December 31, 2011, financial statements showed a negative surplus of approximately \$85.2 million. A copy of Frontier's Balance Sheet as of December 31, 2011 is attached as Exhibit C to the Escobar Aff. This figure was derived using the company's historical practice of reserving for surety claims on a discounted basis, and it was this figure that was presented to the Court in January 2012, as part of the Rehabilitator's proposed plan to continue the rehabilitation of Frontier (the "Rehabilitation Plan"). (Escobar Aff. ¶7). The Rehabilitation Plan proposed an ongoing run-off of Frontier's liabilities with protections for "Claims under Policies," which were defined in the Rehabilitation Plan to exclude surety claims. (Escobar Aff. ¶7).

8. In its Decision and Order dated May 23, 2012, this Court ruled that in liquidation surety claims cannot be excluded from "Claims under Policies" under Section 7434 of the Insurance Law. (Escobar Aff. ¶8). The Court concluded that the Rehabilitation Plan treated surety claimants less favorably than they would be treated in liquidation and disapproved the Rehabilitation Plan. The Court directed that a further submission be made within 60 days from the date of the Decision and Order. (Escobar Aff. ¶8).

9. The Decision and Order of May 23, 2012, has led the Rehabilitator to conclude that it is no longer advisable to establish loss reserves for Frontier's surety claims on a discounted basis and, therefore, the Rehabilitator anticipates the necessity of further adjustments

to Frontier's loss reserves that will have a further negative impact on the company's deficit (Escobar Aff ¶9).

10. Based upon the current extent of Frontier's deficit, which now exceeds the \$85.2 million deficit calculated as of December 31, 2011, and based on the remaining assets of Frontier, which are now largely fixed, the Superintendent has made a determination that the company does not have sufficient remaining resources to cure its insolvency. (Escobar Aff ¶10). In reaching this conclusion, the Superintendent notes that Frontier's claim against its former directors and officers has been settled, that further reinsurance recoveries by the company are disputed, and that efforts to resolve remaining surety claims have not been successful (Escobar Aff. ¶10). In the Superintendent's judgment, there is no longer any reasonable possibility that Frontier can be successfully rehabilitated and further efforts to rehabilitate the company are therefore futile.

**FRONTIER SHOULD BE LIQUIDATED BECAUSE FURTHER
EFFORTS TO REHABILITATE ARE FUTILE**

11. Under Insurance Law Section 7403(c), when the Superintendent deems that further efforts to rehabilitate an insurer are futile, he may apply for an order converting a rehabilitation proceeding to a liquidation proceeding if sufficient grounds exist under Insurance Law Section 7402. The Superintendent now seeks to convert the Frontier rehabilitation proceeding to a liquidation proceeding based upon Insurance Law Section 7402(a).

12. Pursuant to Insurance Law Section 7402(a), an insurer may be placed into liquidation if it is insolvent within the meaning of Insurance Law Section 1309, which provides, in pertinent part:

Whenever the superintendent finds from a financial statement or report on examination that an authorized insurer is unable to pay its outstanding lawful obligations as they mature in the regular course of business, as shown by an excess of required reserves and other liabilities over admitted assets, or by not

having sufficient assets to reinsure all outstanding risks with other solvent authorized assuming insurers after paying all accrued claims owed, such insurer shall be deemed insolvent and the superintendent may proceed against it pursuant to the provisions of article seventy-four of this chapter.

13. As discussed above, the current financial statements of Frontier show that as of December 31, 2011, the company was insolvent to the extent of \$85,174,682, and is not able “to pay its outstanding lawful obligations as they mature in the regular course of business, as shown by an excess of required reserves and other liabilities over admitted assets.” In addition, the company’s current insolvency is greater than was calculated as of the end of 2011. Thus, there are appropriate grounds to liquidate Frontier under Insurance Law Section 7402(a). (Escobar Aff. ¶¶10-13).

RELIEF REQUESTED

14. In light of the foregoing, I respectfully request that the Court issue an order: (a) converting this rehabilitation proceeding to a liquidation proceeding; (b) appointing the Superintendent and his successors in office as Liquidator; and (c) vesting title to all of Frontier’s property, contracts and rights of action with the Liquidator.

15. I further respectfully request that the Court continue and grant the injunctions provided for by the Rehabilitation Order and by Insurance Law Section 7419. Section 7419(a) provides that the Court, upon application of the Superintendent, without notice, may issue an injunction permanently enjoining and restraining all persons from: (a) the transaction of Frontier’s business; (b) the waste or disposition of its property; (c) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier’s property or in the discharge of his duties; (d) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier; or the Superintendent as Liquidator; and (e) obtaining preferences,

judgments, attachments or other liens or making any levy against Frontier's property or any part thereof

16. I further respectfully request that the Court, in addition to the aforementioned injunctions previously granted in the Rehabilitation Order, grant injunctions pursuant to Insurance Law Section 7419, enjoining and restraining all parties from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the NYLB, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74.

17. I further respectfully request that the Court, pursuant to Insurance Law Section 7419, enjoin and restrain, for a period of 90 days from entry of the order of liquidation, all parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise from proceeding with applications for judgment or proceedings on settlement or judgment, and the making of all liens, levies or other efforts to execute or collect on debts or judgments. Moreover, I respectfully request that the Court enjoin and restrain, for a period of 90 days from entry of the order of liquidation, all persons who have first-party or New York Comprehensive Automobile Insurance Reparations Act (No Fault) policyholder loss claims against Frontier from presenting and filing claims with the Liquidator. In addition to being prescribed by Insurance Law Section 7419, such stays are necessary to permit the relevant property and casualty guaranty associations in various states to obtain and review the Frontier claim files relating to claims that may be eligible for coverage by their state guaranty funds, and to take proper legal action in accordance with their various state statutes.

18. I further respectfully request that the Court in accordance with Insurance Law Section 7405, vest all rights in Frontier's contracts and agreements, including all leases, tax

agreements, insurance policies and employment contracts, however described, with the Liquidator, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination.

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

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

21. I further respectfully request that the Court, in accordance with Insurance Law Section 7405, authorize, permit and allow the Liquidator to sell, assign or transfer any and all stocks, bonds or other securities, and any real or other property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in

his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments.

22. I further respectfully request that the Court, authorize the Liquidator to pay administrative costs, expenses and other obligations of Frontier out of the assets of Frontier.

23. I am not requesting in this petition that the Court dissolve Frontier's corporate existence under Insurance Law Section 7416, but reserve my right to do so at a later time.

24. In accordance with Insurance Law Section 7417, this proceeding is being commenced by order to show cause.

25. Finally, pending the Court's hearing and determination of this application, I respectfully request that the permanent injunctions provided for in the Rehabilitation Order, remain in effect, including those injunctions that restrain all persons from commencing or prosecuting any actions, lawsuits or proceedings against Frontier or the Rehabilitator; and that the payment of all claims other than workers' compensation claims by Frontier be stayed. These injunctions are necessary to fairly preserve the *status quo* for all creditors of the estate.

26. There has been no previous application for the relief requested herein, except to the extent that this Verified Petition requests a continuation of the injunctive and other provisions already incorporated into the Rehabilitation Order entered on October 15, 2001.

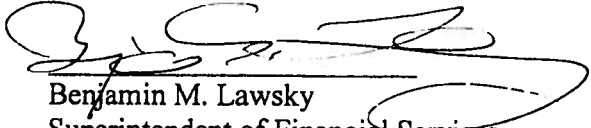
WHEREFORE, Petitioner respectfully requests that this Court issue an order pursuant to Insurance Law Article 74: (1) converting this rehabilitation proceeding to a liquidation proceeding; (2) appointing the Superintendent and his successors in office as Liquidator of Frontier; (3) vesting title to all of Frontier's property, contracts and rights of action with the Liquidator; (4) continuing and granting the injunctions provided for in the Rehabilitation Order entered October 15, 2001 and in Insurance Law Section 7419, including permanently enjoining and restraining all persons from: (a) the transaction of Frontier's business; (b) the waste or

disposition of its property; (c) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (d) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier, or the Superintendent as Liquidator; and (e) obtaining preferences, judgments, attachments or other liens or making any levy against Frontier's property or any part thereof; (5) granting injunctions, in addition to the aforementioned injunctions previously granted in the Rehabilitation Order, permanently enjoining and restraining all parties from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74; (6) granting injunctions enjoining and restraining all parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise, from proceeding with applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments, for a period of 90 days from the entry of the order of liquidation; (7) granting injunctions enjoining and restraining all persons who have first-party or New York Comprehensive Automobile Insurance Reparations Act (No Fault) policyholder loss claims against Frontier, from presenting and filing claims with the Liquidator for a period of 90 days from the entry of the order of liquidation; (8) vesting all rights in Frontier's contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, with the Liquidator, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination; (9) requiring that any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its

possession, custody or control any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (a) turn over custody and control of such funds; accounts or assets to the Liquidator; (b) transfer title of such funds, accounts or assets to the Liquidator; (c) change the name of such accounts to the name of the Liquidator; (d) transfer funds from such bank, savings and loan association or other financial institution to a bank, savings and loan association or other financial institution designated by the Liquidator; or (e) take any other action necessary for the proper conduct of the liquidation proceeding; (10) requiring that all persons or entities having property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs and/or bank records owned by, belonging to or relating to Frontier shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator; (11) authorizing, permitting and allowing the Liquidator to sell, assign or transfer any and all stocks, bonds, or other securities and any real or other property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments; (12) authorizing the Liquidator to pay administrative costs, expenses and other obligations of Frontier out of the assets of Frontier; and

(13) granting such other and further relief as the Court may deem just and proper.

Dated: New York, New York
July 18, 2012

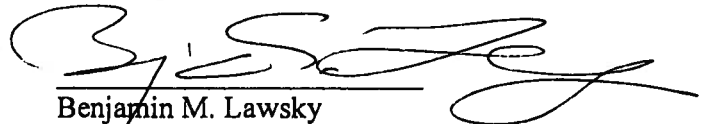


Benjamin M. Lawsky
Superintendent of Financial Services
of the State of New York

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

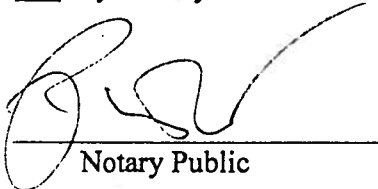
Benjamin M. Lawsky, being duly sworn, deposes and says:

That he is the Superintendent of Financial Services of the State of New York and that he executed the foregoing petition; that he is acquainted with the facts therein stated; that he knows the contents of the petition and that the same is true to his own knowledge, except as to the matters therein stated to be upon information and belief, and that as to those matters, he believes them to be true based on information from the books and records of Frontier Insurance Company in rehabilitation and from employees of the company and the New York Liquidation Bureau.



Benjamin M. Lawsky
Superintendent of Financial Services
of the State of New York

Sworn to before me this
18th day of July 2012



Notary Public

ROBERT H. EASTON
Notary Public, State of New York
No. 02 EA8010957
Qualified in New York County
Commission Expires July 27, 2014

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF ALBANY

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In the Matter of

Index No. 000097/2006

the Rehabilitation of

AFFIDAVIT

FRONTIER INSURANCE COMPANY.

-----X

STATE OF NEW YORK)

) SS:

COUNTY OF NEW YORK)

Al Escobar, being duly sworn, deposes and says:

1. I am the Chief Executive Officer of Frontier Insurance Company ("Frontier") in rehabilitation, working under the supervision of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent") as receiver.¹ I submit this affidavit in support of the Superintendent's verified petition ("Verified Petition") for an order to convert the rehabilitation proceeding of Frontier to a liquidation proceeding as authorized by Section 7403(c) of the New York Insurance Law ("Insurance Law"). This affidavit is based upon personal knowledge and upon information and belief, the sources of which are the files and records maintained by Frontier.

2. By order entered October 15, 2001 ("Rehabilitation Order"), a copy of which is attached hereto as Exhibit A, Frontier was placed into rehabilitation and the then-Superintendent of Insurance, and his successors in office, were appointed Rehabilitator.

3. The Rehabilitation Order directed the Rehabilitator, among other things, to immediately take possession of Frontier's property, conduct its business and take such steps as

¹ Hereinafter, the Superintendent in his capacity as receiver of Frontier is referred to as the Rehabilitator, while the Superintendent in his capacity as regulator of the insurance industry is referred to as the Superintendent.

the Rehabilitator deemed wise and expedient to remove the causes and conditions which made the rehabilitation proceeding necessary.

4. Upon Frontier's placement into rehabilitation, an examination of Frontier's books and records revealed that, on a statutory basis, the company's liabilities exceeded its assets by approximately \$170 million, as of December 31, 2001. A copy of the Assets, Liabilities and Surplus pages of Frontier's 2001 Annual Statement is attached hereto as Exhibit B. In an effort to determine the depth of Frontier's deficit and cure it, the Rehabilitator has pursued a strategy of: (i) calculating to a reasonable degree of certainty Frontier's outstanding claims and other obligations; (ii) negotiating and compromising claims; (iii) collecting reinsurance and (iv) marshaling assets.

5. For more than ten years, the Rehabilitator has been marshaling assets, administering claims and resolving disputes. However, it has now become clear that the causes and conditions that necessitated the rehabilitation cannot be removed and that further efforts to rehabilitate Frontier would be futile.

6. By Decision and Order dated July 15, 2010, this Court directed the Rehabilitator to prepare and submit for the Court's consideration and approval: (i) an accounting of progress in removing the causes and conditions of Frontier's deficit; and (ii) a plan of rehabilitation. In April of 2011, the Rehabilitator retained Milliman, Inc. to prepare an independent actuarial loss reserve analysis for the purpose of assisting the Rehabilitator in more precisely evaluating Frontier's claims liabilities. The independent analysis was conducted using (a) the company's historical practice of establishing reserves for surety claims on a discounted basis and (b) on an undiscounted basis, as would be the case if the company were not in receivership. Milliman's report was delivered to the Rehabilitator in August of 2011, and was one of the bases upon which

the Rehabilitator made adjustments to the company's loss reserves that were reflected in Frontier's financial statements as of December 31, 2011.

7. Based upon Frontier's financial statements as of December 31, 2011, the company had a negative surplus of approximately \$85.2 million. A copy of Frontier's Balance Sheet as of December 31, 2011 is attached hereto as Exhibit C. This figure was derived using the company's historical practice of reserving for surety claims on a discounted basis, and it was this figure that was presented to the Court in January 2012, as part of the Rehabilitator's proposed plan to continue the rehabilitation of Frontier (the "Rehabilitation Plan"). The Rehabilitation Plan proposed an ongoing run-off of Frontier's liabilities with protections for "Claims under Policies," which were defined in the Rehabilitation Plan to exclude surety claims.

8. As set forth in its Decision and Order dated May 23, 2012, this Court found that in liquidation surety claims cannot be excluded from "Claims under Policies" under Section 7434 of the Insurance Law. The Court concluded that the Rehabilitation Plan treated surety claimants less favorably than they would be treated in liquidation and disapproved the Rehabilitation Plan. The Court directed that a further submission be made within 60 days from the date of the Decision and Order.

9. The Decision and Order of May 23, 2012, has led the Rehabilitator to conclude that it is no longer advisable to establish loss reserves for Frontier's surety claims on a discounted basis and, therefore, the Rehabilitator anticipates the necessity of further adjustments to Frontier's loss reserves that will have a further negative impact on the company's deficit.

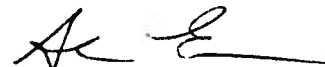
10. Furthermore, Frontier's claim against its former directors and officers has been settled, further reinsurance recoveries by the company are disputed, and efforts to resolve remaining surety claims have not been successful. Based upon the current extent of Frontier's

deficit, which now exceeds the \$85.2 million deficit calculated as of December 31, 2011, and based on the remaining assets of Frontier, which are now largely fixed, the company does not have sufficient remaining resources to cure its insolvency.

11. Because the causes and conditions of Frontier's deficit cannot be removed, further efforts to rehabilitate the company are futile. Insufficient resources remain in the estate to eliminate its negative surplus, restore it to solvency and successfully effectuate a rehabilitation of the company. Additionally, there is no prospect of any substantial additional capital becoming available to the estate. Accordingly, the fair and equitable treatment of the company's remaining policyholders and creditors requires liquidation in accordance with the statutory scheme set forth in Insurance Law Section 7434.

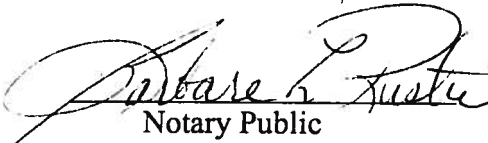
12. The major bases of this application to convert the proceeding from a rehabilitation to a liquidation are as follows: (i) Frontier is insolvent and such insolvency cannot be eliminated; (ii) continuing efforts to marshal the remaining assets and settle the remaining liabilities of Frontier will not eliminate Frontier's insolvency; (iii) the assets available to cure Frontier's insolvency are largely fixed; and (iv) the Superintendent has concluded that a viable plan of rehabilitation cannot be submitted to the Court.

13. For all of the foregoing reasons, Frontier will not be able to pay its outstanding policyholder obligations as they mature in the regular course of business and the Rehabilitator will not be able to eliminate Frontier's insolvency. The appropriate course of action, therefore, is liquidation.



Al Escobar
Chief Executive Officer of Frontier
Insurance Company in Rehabilitation

Sworn to before me this
17th day of July, 2012


Notary Public

BARBARA L. RUSTIC
Notary Public, State of New York
Sullivan County Clerk's # 2298
Commission Expires: April 30, 2014

EXHIBIT

A

SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY
EDWARD H. LEHNER

PRESENT: Hon. _____

PART 19

Justice

Gregory V. Serio

INDEX NO.

405090/01

MOTION DATE

MOTION SEQ. NO.

001

MOTION CAL. NO.

Frontier Insurance Co.

- v -

The following papers, numbered 1 to _____ were read on this motion to/for _____

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

PAPERS NUMBERED

Cross-Motion: Yes No

Upon the foregoing papers, it is ordered that this motion by petitioner

for an order of rehabilitation
is granted per decision on
record (1/15/01).

Order signed.

MOTION/CASE IS RESPECTFULLY REFERRED TO
JUSTICE

FILED
OCT 15 2001
NEW YORK
COUNTY CLERK'S OFFICE

Dated: OCT 10 2001

[Signature]
J.S.C.

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION

At IAS Part 19 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, New York, New York on the 10th day of October, 2001.

PRESENT:

HON. EDWARD H. LEHNER

JUSTICE

-----x
In the Matter of

The Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY
-----x

Index No.: 405090/01

**ORDER OF
REHABILITATION**

OCT 15 2001
NEW YORK COUNTY CLERK'S OFFICE

Petitioner, Gregory V. Serio, Superintendent of Insurance of the State of New York (the "Superintendent"), having moved this Court for an order to take possession of the property of and rehabilitate Frontier Insurance Company ("Frontier");

NOW, upon reading and filing the order to show cause signed August 27, 2001, the petition of Gregory V. Serio, Superintendent of Insurance, by Kevin Rampe, First Deputy Superintendent, duly verified August 24, 2001 and the emergency affidavit of Kevin Rampe sworn to on August 27, 2001; (the exhibits annexed thereto); the cross motion by Frontier Insurance Group dated September 7, 2001, the annexed proposed petition, the affidavit of Suzanne Loughlin sworn to on September 7, 2001, the exhibits annexed thereto; the affirmation in opposition by Mary Nicholls dated September 7, 2001; the affirmation in opposition by Adam J. Glatt dated September 7, 2001; the affidavit of Kevin Rampe sworn to on October 3, 2001, and the exhibits annexed thereto;

and the reply affidavit of Joseph Termini sworn to on October 3, 2001 and it appearing to my satisfaction that:

1. Frontier was incorporated in New York as a stock property/casualty insurer on November 2, 1962 and commenced business on August 17, 1966;
2. Frontier's principal place of business is located at 195 Lake Louise Marie Road, Rock Hill, New York in Sullivan County. Frontier's tax ID number is 13-2559805;
3. Frontier is subject to the New York Insurance Law and particularly to article 74 thereof;
4. Frontier is insolvent;
5. Frontier has failed to cure its impairment of capital or minimum surplus to policyholders;
6. Frontier has consented to the entry of the order of rehabilitation; and
7. It is in the best interest of Frontiers's policyholders, creditors and the general public that the Superintendent be directed to take possession of Frontier's property and to rehabilitate its business and affairs;

And, the Petitioner, having appeared by the Hon. Eliot Spitzer, Attorney General of the State of New York, and due deliberation having been had;

NOW, on motion of Hon. Eliot Spitzer, Attorney General of the State of New York, it is ORDERED as follows:

1. The petition is granted and the cross-motion is withdrawn;
2. Gregory V. Serio, Superintendent, and his successors in office as Superintendent, is appointed Rehabilitator of Frontier and is authorized and directed to immediately take possession of its property, conduct its business, including but not limited to settling claims within his sole discretion, take such steps toward the removal of the causes and conditions which made this proceeding necessary as he shall deem wise and expedient, and deal with the property and business of Frontier in its name or in the name of the Superintendent as Rehabilitator;

3. Notice to all persons having claims against Frontier to file or present their claims to the Superintendent as Rehabilitator is deferred until further order of this court;
4. Frontier, its officers, directors, depositories, trustees, agents, servants, employees, and all other persons, having any property or records belonging or relating to Frontier, including, but not limited to insurance policy, loss claim and legal files are directed, upon request of the Superintendent as Rehabilitator to assign, transfer, set over and deliver to him all such property or records;
5. Any persons, firms, corporations, or associations having any books, papers or records relating to the business of Frontier shall preserve them and submit them to the Superintendent as Rehabilitator for examination and copying at all reasonable times;
6. All persons including, but not limited to the officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of Frontier, are enjoined and restrained from the transaction of Frontier's business, the waste or disposition of its property, interfering with the Superintendent as Rehabilitator in the possession, control and management of Frontier's property or in the discharge of his duties;
7. All persons are enjoined and restrained from commencing or prosecuting any actions, lawsuits, or proceedings against Frontier, or the Superintendent as Rehabilitator;
8. All persons are enjoined and restrained from obtaining preferences, judgments, attachments or other liens or making any levy against Frontier's assets or any part thereof.
9. All parties to actions, lawsuits, and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any discovery, court conferences including but not limited to pre-trial conference, trial, application for judgment or proceedings on settlements or judgments for a period of one hundred and eighty days from the date of entry of this order.
10. Those persons who may have first-party or New York Comprehensive Automobile Insurance Reparations Act (No-Fault) policyholder loss claims against Frontier coming within the purview of Article 76 of the Insurance Law are enjoined from presenting and filing such claims in this proceeding for 90 days from the date of entry of this order.

11. In addition to the powers enumerated above and those delegated to the Rehabilitator in the New York Insurance Law, the Rehabilitator, by Order to Show Cause on notice to interested parties, including without limitation Frontier's sole shareholder, and subject to court approval, may sell or otherwise dispose of all or any part of the real and personal property of Frontier, sell any line of insurance, and take such other actions as set forth in Section 7428 of the New York Insurance Law.
12. That the Superintendent of Insurance, as Rehabilitator, may at any time make further application at the foot of this Order to this Court for such further and different relief as he sees fit.
13. All further papers in this proceeding shall bear the caption:

In the Matter of
The Rehabilitation of
FRONTIER INSURANCE COMPANY

ENTER



J.S.C.

RehOrder 1

FILED
OCT 15 2009
NEW YORK
COUNTY CLERK'S OFFICE

Sir: Please take notice that the within is a true copy of duly filed and entered in the office of the clerk of County, on the day of , 2001

Yours, etc.,
ELIOT SPITZER
Attorney General,

Attorney for
Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: . Esq.
Attorney for

Sir
Please take notice that the within

will be presented for settlement and signature herein to the Hon. one of the Judges of the within named Court, at

In the Borough of City of New York, on the day of , 2001.
Date, N.Y., . 2001
Yours, etc.

ELIOT SPITZER
Attorney General,

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To: Esq.
Attorney for

SUPREME COURT : NEW YORK COUNTY

In the Matter of
the Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of New York, for an order to take possession of the property of and rehabilitate

FRONTIER INSURANCE COMPANY

ORDER OF REHABILITATION

ELIOT SPITZER
Attorney General

Attorney for the Superintendent of Insurance
Office and Post Office Address
120 Broadway, New York, N.Y. 10271

Tel.
Personal Service of a copy of

within.....day of
is admitted this.....day of
.....2001

EXHIBIT

B

ANNUAL STATEMENT FOR THE YEAR 2001 OF THE FRONTIER INSURANCE COMPANY IN REHABILITATION

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1 Bonds	40,208,009		40,208,009	227,009,627
2 Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1)	1,728,924		1,728,924	2,233,815
2.2 Common stocks (Schedule D, Part 2, Section 2)	15,391,673		15,391,673	48,161,685
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	896,883	533,142	363,741	2,455,451
3.2 Other than first liens				
4. Real estate: (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)	18,553,875		18,553,875	29,264,787
4.2 Properties held for the production of income (less \$ encumbrances)	5,244,444		5,244,444	5,431,746
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 27,376,893 Schedule E, Part 1) and short-term investments(\$ 4,466,307 Schedule DA, Part 2)	31,843,200		31,843,200	12,466,090
6. Other invested assets (Schedule BA)	17,007,373		17,007,373	37,293,492
7. Receivable for securities	(1,854,002)		(1,854,002)	849,828
8. Aggregate write-ins for invested assets				
9. Subtotals, cash and invested assets (Lines 1 to 8)	129,020,379	533,142	128,487,237	365,166,551
10. Agents' balances or uncollected premiums (net as to commissions and dividends):				
10.1 Premiums and agents' balances in course of collection	50,541,327	37,378,560	13,162,767	29,904,794
10.2 Premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	1,162,117		1,162,117	19,311,451
10.3 Accrued retrospective premiums				
11. Funds held by or deposited with reinsured companies	121,704,623		121,704,623	
12. Bills receivable, taken for premiums				
13. Amounts billed and receivable under high deductible policies				
14. Reinsurance recoverables on loss and loss adjustment expense payments (Schedule F, Part 3, Cols. 7 and 8)	34,706,926		34,706,926	42,606,122
15. Federal and foreign income tax recoverable and interest thereon (including \$ net deferred tax asset)	24,223,902	24,223,902		
16. Guaranty funds receivable or on deposit	163,037		163,037	191,451
17. Electronic data processing equipment and software	200,346		200,346	445,720
18. Interest, dividends and real estate income due and accrued	1,063,325		1,063,325	3,856,830
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Receivable from parent, subsidiaries and affiliates	4,767,284	4,767,284		1,328,490
21. Equities and deposits in pools and associations	243,265		243,265	521,242
22. Amounts receivable relating to uninsured accident and health plans				
23. Other assets nonadmitted (Exhibit 1)	39,622	39,622		
24. Aggregate write-ins for other than invested assets	11,339,339	230,818	11,108,521	26,871,513
25. TOTALS (Lines 9 through 24)	379,175,492	67,173,328	312,002,164	490,204,164
DETAILS OF WRITE-INS				
0801.				
0802.				
0803.				
0808. Summary of remaining write-ins for Line 8 from overflow page				
0809. Totals (Lines 0801 thru 0803 plus 0808) (Line 8 above)				
2401. Other Assets - Other	76,850	76,850		
2402. Funds Advanced Under Reinsurance Cutoffthrough	7,445,812		7,445,812	9,609,017
2403. Security Deposits	12,986	12,986		
2408. Summary of remaining write-ins for Line 24 from overflow page	3,803,691	140,982	3,662,709	17,262,496
2409. Totals (Lines 2401 thru 2403 plus 2408) (Line 24 above)	11,339,339	230,818	11,108,521	26,871,513

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 3A, Line 34, Column 8)	640,166,943	494,483,064
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)	23,796,506	4,267,440
3. Loss adjustment expenses (Part 3A, Line 34, Column 9)	207,145,799	210,090,804
4. Commissions payable, contingent commissions and other similar charges	(90,682)	234,339
5. Other expenses (excluding taxes, licenses and fees)	2,669,005	500,533
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,677,802	(2,151,877)
7. Federal and foreign income taxes (including \$ on realized capital gains (losses)) (including \$ net deferred tax liability)		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (Part 2A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ reserves of \$) 154,071 and including warranty	17,620,669	87,572,919
10. Dividends declared and unpaid:		
10.1 Stockholders		
10.2 Policyholders		
11. Ceded reinsurance premiums payable (net of ceding commissions)	10,807,575	21,090,017
12. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	71,209,416	92,958,755
13. Amounts withheld or retained by company for account of others	1,552,287	1,392,958
14. Remittances and items not allocated		
15. Provision for reinsurance (Schedule F, Part 7)	14,072,709	33,138,896
16. Net adjustments in assets and liabilities due to foreign exchange rates		
17. Drafts outstanding		
18. Payable to parent, subsidiaries and affiliates	2,024,009	501,122
19. Payable for securities		
20. Liability for amounts held under uninsured accident and health plans		
21. Capital Notes \$ and interest thereon \$		
22. Aggregate write-ins for liabilities	(511,397,154)	(469,928,471)
23. Total liabilities (Lines 1 through 22)	482,254,884	474,153,829
24. Aggregate write-ins for special surplus funds	222,424,551	94,308,494
25. Common capital stock	5,000,000	5,000,000
26. Preferred capital stock		
27. Aggregate write-ins for other than special surplus funds		
28. Surplus Notes		
29. Gross paid in and contributed surplus	265,974,592	265,974,592
30. Unassigned funds (surplus)	(663,651,862)	(349,232,751)
31. Less treasury stock, at cost:		
31.1 shares common (value included in Line 25 \$)		
31.2 shares preferred (value included in Line 26 \$)		
32. Surplus as regards policyholders (Lines 24 to 30, less 31) (Page 4, Line 38)	(170,252,720)	16,050,335
33. TOTALS (Page 2, Line 25, Col. 3)	312,002,164	490,204,164

EXHIBIT

C

Frontier Insurance Company in Rehabilitation
Statutory Basis Balance Sheet

Admitted assets	Unaudited	Unaudited
Cash and invested assets	June 30, 2011	December 31, 2010
Bonds, at amortized cost or fair market value	\$ 15,996,468	\$ 16,837,161
Common stocks, at fair market value	50,000	50,000
Home office building and improvements, net of allowance	6,292,766	6,593,570
Cash and short-term investments	26,516,057	17,100,726
Other invested assets	1,171,312	1,459,725
Total cash and invested assets	50,026,603	42,041,182
Agents' balances and uncollected premiums	12,175,441	12,175,441
Less: Allowance for agents' balances and uncollected premiums	(12,175,441)	(11,689,951)
Net Agents' balances and uncollected premiums	-	485,490
Reinsurance recoverables on paid losses and loss adjustment expenses	22,284,864	23,480,007
Less: Allowance for uncollectible reinsurance recoverables	(2,848,519)	(2,848,519)
Net Reinsurance balance recoverable on paid losses and loss adjustment expenses	19,436,345	20,631,488
Electronic data processing equipment	3,750	6,427
Accrued investment income	83,138	295,986
Receivable under retroactive reinsurance contract	-	-
Other admitted assets	3,389,305	2,963,007
Total admitted assets	\$ 72,939,141	\$ 65,938,089
Liabilities		
Reserves		
Unpaid losses	97,592,169	74,609,806
Unpaid loss adjustment expenses	22,925,391	25,171,623
Total reserves on unpaid loss and loss adjustment expenses	120,517,560	99,781,430
Unearned premiums	0	0
Reinsurance balances payable	5,552,134	7,167,023
Provision for reinsurance	12,761,677	12,761,677
Accounts payable and accrued expenses	19,862,164	19,405,399
Reinsurance payable on paid losses and loss adjustment expenses	12,909,964	12,909,964
Funds held under reinsurance agreements	161,202	161,202
Taxes, licenses and fees	1,381,969	1,381,969
Amounts withheld for account of others	519,829	546,452
Retroactive reinsurance reserves – ceded	(21,324,193)	(21,324,193)
Other liabilities	823,905	52,358,711
Total liabilities	153,166,209	185,149,632
Capital and Deficit		
Common stock, par value \$20 per share authorized, issued and outstanding – 250,000 shares	5,000,000	5,000,000
Aggregate write in for special surplus	12,330,055	12,330,055
Paid-in surplus	265,974,592	265,974,592
Unassigned deficit	(363,531,715)	(402,516,190)
Total capital and deficit	(80,227,068)	(119,211,543)
Total liabilities and capital and deficit	\$ 72,939,141	\$ 65,938,089