

**REPORT ON THE STATUS OF AND REQUEST TO CLOSE THE LIQUIDATION
PROCEEDING OF HOME MUTUAL INSURANCE COMPANY
OF BINGHAMTON, NEW YORK**

INTRODUCTION

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as liquidator ("Liquidator") of Home Mutual Insurance Company of Binghamton, New York ("Home Mutual") has appointed Scott D. Fischer as Acting Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through the New York Liquidation Bureau, the responsibilities of the Liquidator. The Liquidator, by Mary Jo Marchisello, Assistant Special Deputy Superintendent and Agent ("Assistant Special Deputy"), hereby submits this Liquidator's report ("Closing Report") on the status of and request to close the Home Mutual liquidation proceeding ("Liquidation Proceeding").

This Court entered an order ("Liquidation Order") on January 14, 1998 ("Liquidation Order Date"), pursuant to which Home Mutual was placed into liquidation. The Liquidation Order appointed the then-Superintendent of Insurance of the State of New York and his successors in office as Liquidator of Home Mutual. The Superintendent of Financial Services of the State of New York has now succeeded the Superintendent of Insurance as Liquidator of Home Mutual.

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

- a. Identifying Home Mutual's policyholders creditors and other interested parties;
- b. Notifying Home Mutual's policyholders, creditors, claimants and other interested parties to present their claims;
- c. Marshaling Home Mutual's assets;

- d. Adjudicating the claims presented and establishing the total amount of Home Mutual's liabilities;
- e. Distributing Home Mutual's assets to creditors with allowed claims; and
- f. Otherwise liquidating Home Mutual's business pursuant to Insurance Law Article 74.

The Liquidator has been discharging his responsibilities since the Liquidation Order Date. This Closing Report sets forth a history of Home Mutual, a summary of the Liquidator's activities pursuant to the Liquidation Order and Insurance Law Article 74, the financial status of Home Mutual and the basis for the Liquidator's recommendations to: (i) approve this Closing Report on the status of and request to close the Liquidation Proceeding and the financial transactions delineated herein; (ii) authorize the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding; (iii) terminate and close the Liquidation Proceeding; (iv) authorize the Liquidator, without further application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of Home Mutual with allowed claims who are eligible to share in a *pro-rata* distribution, and to pay administrative expenses incurred in connection with the collection and disbursement of such assets; (v) release and discharge the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding; (vi) authorize and direct the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Home Mutual without further order of this Court; and (vii) provide for such other and further relief as this Court deems appropriate and just.

BACKGROUND

Home Mutual was incorporated in the State of New York as an advance premium cooperative fire insurance corporation on February 1, 1901, and was converted to a mutual property and casualty company on April 1, 1994.

By order, entered August 5, 1997, Home Mutual was placed into rehabilitation. By order, entered January 14, 1998, the rehabilitation proceeding was converted to a liquidation proceeding.

On or about February 15, 2013, the Liquidator submitted a report and other papers (“2013 Report”), which updated this Court of the status of the Liquidation Proceeding and recommended that this Court (1) authorize the Liquidator to distribute Home Mutual’s assets, consistent with this Court’s orders and the priorities of Insurance Law Section 7434, to those creditors of Home Mutual with allowed claims, to the extent that, in the Liquidator’s discretion, sufficient funds are available; (2) establish April 30, 2013 as the bar date (“Bar Date”) for the presentment of all claims other than claims for administrative costs and expenses; and (3) authorize and direct the Liquidator to consider for allowance only those claims for actual losses incurred and arising under policies issued by Home Mutual that are presented to the Liquidator on or before the Bar Date. As described more fully in the 2013 Report, pursuant to Insurance Law Section 7434, allowed claims are paid in order of priority and all members of a senior class must be paid in full before members of the next class may receive any payment. The Liquidator’s administrative expenses are afforded the highest priority and the second-highest priority is given to the claims of policyholders, including the claims of security or guaranty funds¹. N.Y. Ins. L. §7434(a).

¹ As discussed in greater detail in the 2013 Report, New York’s security funds are reserves of money, provided by insurers operating in New York, from which claims against insolvent insurers are paid up to a statutory cap. Such funds exist to ameliorate the impact of an insurer’s insolvency. Those funds then have a separate claim against the insolvent insurer’s estate in the amount of the claims and expenses paid by the funds. See N.Y. Ins. L. §7609(a) and

By order entered April 23, 2013, this Court approved the 2013 Report and the Liquidator's recommendation. Pursuant to the 2013 Report and in compliance with this Court's subsequent orders the Liquidator made two *pro-rata* distributions of Home Mutual's assets to its creditors with allowed claims and barred and discharged all claims reported to the Liquidator after the Bar Date.

The Liquidator completed all activities related to the Liquidation Proceeding by August 15, 2014 ("Closing Date"), and therefore selected that date for closing Home Mutual's books.

FINANCIAL CONDITION OF HOME MUTUAL

Home Mutual's comparative balance sheet as of the Liquidation Order Date and the Closing Date and the statement of changes in cash and invested assets for the period between the Liquidation Order Date and the Closing Date (collectively, the "Financial Statements") are attached hereto collectively as Exhibit A.

A. As of the Liquidation Order Date

Based on the Liquidator's review of Home Mutual's records the Liquidator determined that Home Mutual had, as of the Liquidation Order Date, total assets of \$8,914,549, which consisted of \$8,914,549 in unrestricted assets. The \$8,914,549 in unrestricted assets consisted of cash in the amount of \$3,063,407, bonds with a fair market value of \$1,289,244, common stocks with a fair market value of \$35,614, and other miscellaneous assets in the amount of \$613,383. Additionally, Home Mutual was carrying reinsurance receivables on paid losses and paid loss adjustment expenses ("LAE") in the amount of \$3,912,901.

Based on the Liquidator's review of Home Mutual's records, the Liquidator determined that Home Mutual had, as of the Liquidation Order Date, total liabilities in the amount of

N.Y. Workers' Comp. L. §109-c. Guaranty Funds perform the same function as security funds in states outside of New York, pursuant to their respective state statutes.

\$17,321,694, which consisted of \$905,337 for Rehabilitator's operating and administrative expenses, \$11,378,810 gross liability for loss claim reserves in respect of the claims of the New York Property and Casualty Insurance Fund ("P/C Fund") and the Public Motor Vehicle Liability Security Fund ("PMV Fund") (collectively, the "Security Funds") and the Pennsylvania guaranty fund ("Pennsylvania Guaranty Fund"),² \$4,310,460 reported as loss adjustment expenses ("LAE"), \$427,176 reported as unearned premium claim reserves, \$15,516 as non-fund covered claims and \$284,395 in reinsurance liabilities.

B. As of the Closing Date

As of the Closing Date, Home Mutual had total assets of \$0 and total liabilities of \$27,163,007 leaving Home Mutual insolvent in the amount of \$27,163,007.

As of the Closing Date, Home Mutual's total liabilities of \$27,163,007, consisted of \$1,406,933 for administrative claims for the Liquidator (Class one claims) and \$23,175,607 for claims of Security Funds and Guaranty Funds (Class two claims) as liabilities for loss, unearned premium and LAE. Additionally, Home Mutual's records reflect Class five state and local government creditor claims in the amount of \$126,590, Class six non-reinsurance related unsecured creditor claims in the amount of \$1,810,402 and Class six reinsurance claims in the amount of \$643,475.

Home Mutual's Financial Statements reflect the transactions described herein. *See* Exhibit A.

² The Security Funds were established under Insurance Law Article 74 to pay eligible claims (up to a statutory maximum) remaining unpaid by reason of an insolvent insurers inability to meet its obligations to policyholders.

1. Collection of Assets

(a) Cash Receipts

As of the Closing Date, the Liquidator collected assets in the amount of \$15,470,042 consisting of \$7,614,541 in reinsurance recoveries, \$886,540 in salvage and subrogation recoveries, \$283,617 in premiums and commissions, \$427,108 in receipts from affiliates, \$2,490,000 in litigation awards, and \$335,819 in miscellaneous receipts. The Liquidator invested Home Mutual's assets in cash and U.S. government bonds and agency securities, earning investment income in the amount of \$3,432,417.

(b) Administrative Expense Reimbursement

As of the Closing Date, the Liquidator received \$9,905,109 in reimbursement from the Security Funds for payment of LAE and administrative expenses incurred and paid by the Liquidator in connection with the administration of claims covered by Security Funds.

2. Disbursement of Assets

(a) Expenses

From the Liquidation Order Date through the Closing Date, the Liquidator has incurred and paid expenses in the amount of \$20,245,286, consisting of LAE and administrative expenses. These expenses include: \$185,448 for salvage and subrogation fees, \$2,739,591 for LAE, \$7,598,842 for the salaries of the Liquidator's staff, \$3,188,825 for employee relations and welfare (*e.g.*, payroll taxes, health insurance and pension contributions), \$2,167,375 for rent and related expenses, \$3,134,786 for professional fees (*e.g.*, accountants, legal and other consultants), \$735,168 for general and administrative expenses (*e.g.*, IT services

and office supplies), and \$495,251 for miscellaneous expenses (e.g., bank fees, insurance and closing costs).

Although the disbursement of administrative expenses set forth above totals \$20,245,286, \$9,905,109 of that total relates to those expenses that have been reimbursed by the Security Funds. Therefore, after offsetting the Security Fund's payments, Home Mutual's administrative expenses total \$10,340,177.

(b) Transfer to Segregated Accounts

The Liquidator transferred a total of \$1,387 of Home Mutual's assets to segregated accounts and subsequently released these assets to reinsurers.

3. Distribution of Assets

Pursuant to the orders of this Court and Insurance Law Article 74, the Liquidator made two *pro-rata* distributions to Home Mutual's creditors with allowed Class two claims totaling \$ 9,516,743, representing 29.11% of the amount of Home Mutual's allowed Class two claims.

THE LIQUIDATION PROCEEDING

At the start of the Liquidation Proceeding, Home Mutual's books and records showed that there were 518 potential claims in the estate. Of these potential claims, 342 were adjudicated during Home Mutual's liquidation proceeding, 149 were voided as duplicate filings, 1 claim was withdrawn by the creditor and 26 claims (in classes below Class two) remain open and unadjudicated because Home Mutual has insufficient assets to pay those claims. Of the 342 adjudicated claims, 171 have been allowed and consist entirely of the Class two claims of the

P/C Fund, PMV Fund and Pennsylvania Guaranty Fund,³ 10 Class 5 claims and 158 Class 6 claims.⁴ The remaining 171 claims were disallowed during adjudication.

Throughout the Liquidation Proceeding and with this Court's approval, the Liquidator has distributed Home Mutual's assets to its Class one (Liquidator's expenses) and Class two (security funds and guaranty funds) claimants. Distributions consist of the cash payments from estate assets. Because the estate's assets were insufficient to pay all claimants below Class one in full, those claimants, which in this instance consists solely of the PC Fund, PMV Fund and Pennsylvania Guaranty Fund, are paid a percentage of their total claims. Therefore, the Class two claimants were paid 29.11% of their allowed claims.

Because Home Mutual has insufficient assets to pay Class two claims in full, no distributions may be made to creditors with lower classed claims. See N.Y. Ins. L. §7434. In order to avoid the unnecessary costs to the estate of adjudicating claims which could never receive any distribution, the remaining classes of claims were not adjudicated. For that reason, as of the Closing Date, 26 claims remained unadjudicated. Because all Class two claims have been adjudicated and because Home Mutual lacks the assets to make a distribution to the remaining classes of claims, the Liquidation Proceeding is now complete and may be terminated.

RELIEF SOUGHT

The Liquidator submits this Closing Report in order to describe to the Court the status of the Liquidation Proceeding and to inform the Court that the affairs of the Home Mutual estate

³ The PC Fund claim is the aggregate of all policyholder claims handled and paid by the PC Fund, the PMV Fund claim is the aggregate of all policyholder claims handled and paid by the PMV Fund and the Pennsylvania Guaranty Fund claim is the aggregate of all policyholder claims handled and paid by the Pennsylvania Guaranty Fund.

⁴ The Class five and Class six claims were adjudicated and allowed prior to the classification scheme established by Section 7434 of the Insurance Law. In 1999, New York, joining other states, adopted a classification scheme prioritizing the claims of claimants/creditors and policyholders in liquidation proceedings. The new priority scheme created nine classes of creditors, replacing the prior scheme, which grouped most creditors in a single class. In 2005, the New York State Legislature made the new classification system retroactive to all pending liquidations. After the adoption of the classification scheme, the Liquidator stopped adjudicating claims below Class two, *i.e.*, the remaining open 26 claims.

permit final administrative expenses to be paid, a final distribution to be made, and termination of the Liquidation Proceeding. The Liquidator notes that the relief sought herein would, among others, authorize him without further application to the Court, to continue to receive assets, if any, of Home Mutual, and to use such assets, first, to pay any administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute them to those creditors of Home Mutual with allowed claims who are eligible to share in a *pro-rata* distribution. In support of the Liquidator's recommendations stated herein, the Liquidator has submitted to this Court the Verified Petition of the Assistant Special Deputy. Based on the Liquidator's compliance with the Liquidation Order and the subsequent orders of this Court, and the facts set forth in the Verified Petition and herein, the Liquidator respectfully requests that this Court issue an order, which:

1. Approves this Closing Report on the status of and request to close the Liquidation Proceeding and the financial transactions delineated herein;
2. Authorizes the continued payment of administrative expenses, including such expenses pertaining to the closing of the Liquidation Proceeding;
3. Terminates and closes the Liquidation Proceeding;
4. Authorizes the Liquidator, without further application to this Court, to continue, after the termination of the Liquidation Proceeding, to receive and disburse assets, pursuant to Insurance Law Article 74, to those creditors of Home Mutual with allowed claims who are eligible to share in a *pro-rata* distribution and to pay administrative expenses incurred in connection with the collection disbursement of such assets;
5. Releases and discharges the Liquidator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the Liquidation Proceeding;

6. Authorizes and directs the Liquidator, in his discretion, to destroy or otherwise dispose of any and all of the books, files, records and other property of Home Mutual without further order of this Court; and
7. Provides for such other and further relief as this Court deems appropriate and just.

Dated: New York, New York

August 27, 2014



Mary Jo Marchisello

Assistant Special Deputy Superintendent and
Agent of Benjamin M. Lawsky,
Superintendent of Financial Services of the
State of New York as Liquidator of Home
Mutual Insurance Company of
Binghamton, New York

L15480/MBr

EXHIBIT A

HOME MUTUAL INSURANCE COMPANY OF BINGHAMTON, IN LIQUIDATION
STATEMENT OF ASSETS

	Aug. 15, 2014	Jan. 14, 1998
Unrestricted Assets		
Cash-Unrestricted	-	
Bonds	-	\$ 3,063,407
Preferred Stocks, and Common Stocks	-	1,289,244
Total Cash and Invested Assets	-	35,614
	-	\$ 4,388,265
Reinsurance Recoverables on Paid Losses and LAE	\$ 1,070,402	\$ 3,912,901
Less: Allowance for Uncollectible Reinsurance Recoverable	\$ (1,070,402)	-
Net Reinsurance Recoverable on Paid Losses and LAE	-	-
	-	3,912,901
Reinsurance Recoverables on Unpaid Losses and Unpaid LAE	-	-
Less: Allowance for Uncollectible Reinsurance Recoverable	-	-
Net Reinsurance Recoverable on Unpaid Losses and LAE	-	-
	-	-
Premium and Commissions Receivable	-	-
Receivable from Affiliates	-	-
Accrued Investment Income	-	-
Other Assets	-	613,383
Total Unrestricted Assets	-	8,914,549
	-	-
Restricted Assets:		
Restricted - Statutory Deposits in This or Other States	-	-
Restricted - Other	-	-
Total Restricted Assets	-	-
	-	-
Total Assets	-	\$ 8,914,549

HOME MUTUAL INSURANCE COMPANY OF BINGHAMTON, IN LIQUIDATION
STATEMENT OF LIABILITIES

	Aug. 15, 2014	Jan. 14, 1998
Secured Claims	-	-
Class I - Administrative Claims:	\$ 1,406,933	\$ 905,337
Class II - Claims and Related Costs:		
Guaranty Fund Claims:		
Allowed Claims:		
Administrative Claims Expenses	\$ 533	-
Loss Adjustment Expenses (LAE)	11,932,289	-
Loss Claims	20,399,994	-
Unearned and Advance Premium Claims	359,534	-
Total Allowed Claims	<u>32,692,350</u>	-
Less Advance Dividends	(9,516,743)	-
Total Allowed Claims	<u>\$ 23,175,607</u>	-
Non - Allowed Claims:		
Administrative Claims Expenses	-	-
Loss Adjustment Expenses (LAE)	-	\$ 4,310,460
Loss Claim Reserves	-	11,378,810
Unearned and Advance Premium Claims	-	427,176
Total Non-Allowed Claims	-	<u>\$ 16,116,446</u>
Total Guaranty Fund Claims:	23,175,607	16,116,446
Creditor Claims:		
Allowed Claims:		
Loss Claims	-	-
Unearned and Advance Premium Claims	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Less Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims:		
Loss Claims Reserves	-	-
Unearned and Advance Premium Claims	-	-
Loss Adjustment Expenses (LAE)	-	-
Total Non-Allowed Claims	<u>-</u>	<u>-</u>
Total Creditor Claims	-	-
IBNR	-	-
Total Class II Claims and Related Costs:	<u>\$ 23,175,607</u>	<u>\$ 16,116,446</u>
Class III - Federal Government Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class III Claims	<u>-</u>	<u>-</u>
Class IV - Employee Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class IV Claims	<u>-</u>	<u>-</u>

HOME MUTUAL INSURANCE COMPANY OF BINGHAMTON, IN LIQUIDATION
STATEMENT OF LIABILITIES (Continued)

	Aug. 15, 2014	Jan. 14, 1998
Class V - State and Local Government Claims:		
Allowed Claims:	\$ 126,590	-
Less: Dividends	-	-
Total Allowed Claims	<u>126,590</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class V Claims	<u>\$ 126,590</u>	<u>-</u>
Class VI - General Creditors:		
Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	492,910	-
Less: Dividends	-	-
Total Allowed Claims	<u>492,910</u>	<u>-</u>
Non Allowed General Unsecured Creditor Claims (Other than Reinsurance Related)	<u>1,317,492</u>	<u>\$ 15,516</u>
Total General Unsecured Creditor Claims (Other than Reinsurance Related)	1,810,402	15,516
Reinsurance Related Unsecured Claims	643,475	284,395
Less: Dividends	-	-
Total Reinsurance Related Unsecured Claims	<u>\$ 643,475</u>	<u>\$ 284,395</u>
Total Class VI Claims	2,453,877	\$ 299,911
Class VII - Late Filed Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class VII Claims	<u>-</u>	<u>-</u>
Class VIII - Section 1307 (Shareholder) Loans:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class VIII Claims	<u>-</u>	<u>-</u>
Class IX - Share Holder Claims:		
Allowed Claims:	-	-
Less: Dividends	-	-
Total Allowed Claims	<u>-</u>	<u>-</u>
Non - Allowed Claims	-	-
Total Class IX Claims	<u>-</u>	<u>-</u>
Other Liabilities	-	-
Total Liabilities	<u>27,163,007</u>	<u>17,321,694</u>
TOTAL DEFICIT	<u>\$ (27,163,007)</u>	<u>\$ (8,407,145)</u>

HOME MUTUAL INSURANCE COMPANY OF BINGHAMTON, IN LIQUIDATION
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
FOR THE PERIOD FROM JANUARY 14, 1998 TO AUGUST 15, 2014

		Inception to AUG. 15, 2014
Receipts	Investment Income	3,432,417
	Reinsurance Recovered	7,614,541
	Premiums and Commissions	283,617
	Salvage and Subrogation	886,540
	Receipt from Affiliates	427,108
	Litigation Awards	2,490,000
	Expense Reimb Receipts from New York Security Funds	9,905,109
	Miscellaneous	335,819
Total Receipts		25,375,151
Disbursements	Dividends	9,516,743
	Transfer to Segregated Accounts	1,387
	Loss Adjustment Expenses	2,739,591
	Salvage and Subrogation fees	185,448
	Salaries	7,598,842
	Employee Relations & Welfare	3,188,825
	Rent and Related Expenses	2,167,375
	Professional Fees	3,134,786
	General and Administrative Expenses	735,168
	Other Miscellaneous Expenses	495,251
Total Disbursements		29,763,416
Net Increase (Decrease) in Cash and Invested Assets		(4,388,265)
BEGINNING CASH AND INVESTED ASSETS - JANUARY 14, 1998		4,388,265
Unrealized Gain on Investments		-
ENDING CASH AND INVESTED ASSETS - AUGUST 15, 2014		\$ -