

CAGC INSURANCE COMPANY  
IN LIQUIDATION

Statements of Recorded Cash Receipts  
and Disbursements

For the years ended December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

**BATCHELOR, TILLERY & ROBERTS, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR  
ANN H. TILLERY  
FRANKLIN T. ROBERTS  
WM. JAMES BLACK, JR.  
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350  
RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
FACSIMILE (919) 783-6724

**Independent Auditors' Report**

The Honorable Wayne Goodwin,  
Commissioner of Insurance  
State of North Carolina:

We have audited the accompanying statements of recorded cash receipts and disbursements of CAGC Insurance Company in Liquidation (the "Company") for the years ended December 31, 2015 and 2014, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the recorded cash receipts and disbursements of the Company for the years ended December 31, 2015 and 2014, and its cash and short-term investments balances as of December 31, 2015 and 2014, in accordance with the cash basis of accounting described in note 1 to the financial statements.

***Basis of Accounting***

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Batchelor, Tilley & Roberts, LLP*  
June 27, 2016

CAGC INSURANCE COMPANY IN LIQUIDATION

Statements of Recorded Cash Receipts and Disbursements

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating activities:		
Receipts:		
Reinsurance receipts	\$ 963,723	468,511
SC second injury fund recoveries	-	93,782
Other subrogation/recoveries	-	5,505
Change in RAD Trust deposit	75,000	-
Sales of fixed assets	-	350
Return of NCCI deposit	-	5,083
Miscellaneous receipts	329	15,047
Total operating receipts	<u>1,039,052</u>	<u>588,278</u>
Disbursements:		
Distributions to Guaranty Associations	-	45,052
Loss and adjustment expenses	-	130,796
Personnel expenses	31,741	77,918
Rent and occupancy	4,669	11,215
Accounting fees	29,783	26,004
Legal fees	-	344
Consulting fees	-	100
Office expenses	3	6,267
Furniture, equipment, and EDP	843	1,007
Travel	-	78
Claims and underwriting admin fees	-	22,105
Miscellaneous expense	264	66
Total operating disbursements	<u>67,303</u>	<u>320,952</u>
Net cash provided by operating activities	<u>971,749</u>	<u>267,326</u>
Investing activities:		
Net (purchases) sales of invested assets	(2,738)	948,057
Net investment income	10,481	42,601
Net cash provided by investing activities	<u>7,743</u>	<u>990,658</u>
Net increase in cash and short-term investments	979,492	1,257,984
Cash and short-term investments, beginning of period	<u>1,327,865</u>	<u>69,881</u>
Cash and short-term investments, end of period	<u>\$ 2,307,357</u>	<u>1,327,865</u>

See accompanying notes to financial statements.

# CAGC INSURANCE COMPANY IN LIQUIDATION

## Notes to Financial Statements

Years ended December 31, 2015 and 2014

### (1) Organization and Basis of Presentation

#### Organization

CAGC Insurance Company in Liquidation (the "Company") is a North Carolina domiciled property and casualty insurance company that was placed into rehabilitation by the Wake County Superior Court on January 26, 2012, and subsequently placed into liquidation on January 17, 2014. Accordingly, the Company is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Liquidator of the Company. It is the Liquidator's responsibility to recover and liquidate assets and to investigate the events that led to the Order of Liquidation against the Company.

In accordance with N.C. General Statute, Chapter 58, Article 30, the receiver is required to marshal and disburse assets to creditors as set forth in N.C. General Statute § 58-30-220. The receiver remains subject to the continuing oversight of the court. On July 5, 1995, the Wake County Superior Court approved the establishment of RAD Trust naming the Commissioner of Insurance as the Grantor. RAD Trust was managed by employees of the North Carolina Department of Insurance. The expenses of RAD Trust were incurred for the direct or indirect benefit of the companies in liquidation. As such, these costs were recouped through assessments to the companies based primarily on labor hours incurred on behalf of each company.

The RAD Trust was closed by order of the Wake County Superior Court in October 2014. With the closing of the Trust, all joint expenses for any two estates open at the same time are being paid by the Company and are reimbursed by the estate of Commercial Casualty Insurance Company of North Carolina in Liquidation on a monthly basis. Commercial Casualty Insurance Company of North Carolina in Liquidation was closed in November 2015.

#### Basis of Presentation

The accompanying statements of recorded cash receipts and disbursements have been prepared on the cash basis of accounting without regard to any revenue or expense accruals which may have existed at the beginning or end of the periods.

### (2) Cash and Short-Term Investments

Cash and short-term investments as of December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Cash - Branch Banking & Trust Co. and other	\$ 1,306,105	317,240
Short term investments:		
Regulatory deposits	<u>1,001,252</u>	<u>1,010,625</u>
Total cash and short-term investments	\$ <u>2,307,357</u>	<u>1,327,865</u>

Cash and short-term investments are carried at cost, which approximates market value.

# CAGC INSURANCE COMPANY IN LIQUIDATION

## Notes to Financial Statements, Continued

Years ended December 31, 2015 and 2014

### (2) Cash and Short-Term Investments, Continued

The Company maintains cash and short-term investment balances at several financial institutions in Alabama and North Carolina. The Federal Deposit Insurance Corporation (FDIC) insures cash in bank accounts up to \$250,000. Short-term investments and cash in custody accounts are not FDIC insured. The Company's uninsured cash balances totaled \$2,057,356 and \$1,224,864 as of December 31, 2015 and 2014, respectively.

### (3) Subsequent Events

The date to which events occurring after December 31, 2015, the date of the most recent statement of recorded cash receipts and disbursements, have been evaluated for possible adjustment to the financial statements or disclosure is June 27, 2016, which is the date the financial statements were available to be issued.