

CAGC INSURANCE COMPANY
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2016
AND FOR THE PERIOD FROM JANUARY 26, 2012,
THROUGH SEPTEMBER 30, 2016

**INTRODUCTION TO CAGC INSURANCE COMPANY
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

Introduction and Basis of Presentation: CAGC Insurance Company (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.

The accompanying statement of financial position reflects general ledger balances of the Company as of September 30, 2016, adjusted to reflect circumstances currently known to the Liquidator. Amounts may be further adjusted prospectively as deemed appropriate based on the Liquidator's continued investigation. The amounts reflected on the statement of financial position represent the Liquidator's best estimate, as explained in the accompanying notes, of the Company's assets and liabilities as of September 30, 2016. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the three months ending September 30, 2016 and for the period from January 26, 2012, the date of rehabilitation, through September 30, 2016.

In 2006, the Commissioner of Insurance, in his capacity as Receiver, instituted a procedure for soliciting proposals for professional services for receivership administration through a Request for Proposal (RFP). Every three years, a new RFP is initiated to develop a list of qualified vendors available to provide professional services required in the administration of a receivership. Proposals are received and evaluated by the staff of the Receiver, and a schedule of the results of the review and evaluation is provided to the Receiver's designee for final approval. All approved vendors execute contract documents at the date of approval. These documents are used to initiate the formal contract process when a need arises that the vendor can fill. The RFP process helps the Receiver to be better prepared to address in a timely manner those receivership needs which cannot be met by the Receiver's staff either because of the size of the project or the specific technical nature of the task. The expertise of the approved vendors helps the Receiver provide the highest level of service to the receivership.

CAGC INSURANCE COMPANY IN LIQUIDATION
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Financial Position
As of September 30, 2016

Assets		
Cash and Cash Equivalents	(Note A)	\$ 2,602,358
Bonds	(Note B)	1,384,546
Reinsurance Recoverable	(Note C)	1,465,092
Distributions to Guaranty Associations	(Note D)	45,052
Other Assets		-
Total Assets		\$ 5,497,048
Liabilities		
Reserve for Loss and Loss Adjustment Expenses	(Note E)	\$ 7,145,696
Payable to Guaranty Associations	(Note F)	7,959,072
Other Liabilities	(Note G)	5,239
Total Liabilities		15,110,007
Excess of Liabilities Over Assets		\$ (9,612,959)

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

CAGC INSURANCE COMPANY IN LIQUIDATION
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Receipts and Disbursements

	For the Three Months Ended <u>September 30, 2016</u>	Cumulative For the Period January 26, 2012 - <u>September 30, 2016</u>
OPERATING ACTIVITIES		
<u>Receipts</u>		
Reinsurance Receipts	\$ 259,356	3,878,449
Premium Receipts	0	3,356,163
SC Second Injury Fund Recoveries (Note H)	0	1,344,598
Other Subrogation/Recoveries	0	85,492
Reinsurance Premium Recovery	0	49,399
Tax Recovered	0	42,203
Agents' Balances Collected	0	8,344
Sale of Fixed Assets	0	19,825
Return of NCCI Deposit	0	5,083
Miscellaneous Receipts	0	17,670
Total Receipts	259,356	8,807,226
<u>Disbursements</u>		
<u>Distributions to Guaranty Associations</u>	0	45,051
<u>Policy Related Disbursements</u>		
Loss and Loss Adjustment Expenses	0	10,709,569
SC Second Injury Fund Assessment Payments	0	1,039,654
Midwest SIF	0	532,362
Payroll Audit Fees	0	28,523
Premium Refunds	0	563,172
Total Policy Related Disbursements	0	12,873,280
<u>General Expenses and Other</u> (Note J)		
Personnel Expenses	0	1,149,640
Rent and Occupancy	1,125	177,903
Accounting Fees	12,890	182,307
Actuarial Fees	0	15,000
Legal Fees	0	10,668
Consulting Fees	0	67,591
Office Expenses	0	74,637
Furniture, EDP & Equipment Expense	0	90,068
Travel	0	117,217
Claims and Underwriting Admin Fees	0	370,138

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

Commissions	0	270,812
Taxes, Licenses and Fees	0	125,585
Miscellaneous Expense	0	337
	14,015	2,651,903
Total Operating Disbursements	14,015	15,570,234
Net Cash Provided by Operating Activities	245,341	(6,763,008)
INVESTING ACTIVITIES		
Net (Purchases) Sales of Invested Assets	0	7,012,470
Net Investment Income	831	859,483
Net Cash Provided by Investing Activities	831	7,871,953
OTHER		
Receipts from Parent and Affiliates	0	107,036
Payments on Behalf of Parent and Affiliates	0	2,655
Change in RAD Trust Deposit	0	0
Escheat Liability	0	966
Net Cash Provided by Other	0	110,657
Net Increase/(Decrease) in Cash and Cash Equivalents	246,172	1,219,602
Cash and Cash Equivalents at Beginning of Period	2,356,186	1,382,756
Cash and Cash Equivalents at End of Period	\$ 2,602,358	2,602,358

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note A: All cash and cash equivalents have a maturity of less than 1 year and are carried at cost which approximates market value.

Note B: Bonds are carried at fair market value. All bonds are investment grade. Bonds and cash equivalents totaling \$1,183,332 are held on deposit by the North and South Carolina state insurance departments. North Carolina holds a general deposit for the benefit of all policyholders in the amount of \$1,000,163. South Carolina holds a special deposit for the benefit of South Carolina policyholders in the amount of \$183,169.

Note C: Reinsurance Recoverable represents amounts due from reinsurers for paid losses and loss adjustment expenses. The balance declined \$51,516 from the prior quarter. The balances due are generally less than 90 days old (measured from the date of billing) and anticipated to be fully recoverable.

Note D: Distributions to Guaranty Associations represents claim payments made by the Company on behalf of the various associations after the date of liquidation. The payments were made to allow the various guaranty associations time to establish the claims on their systems and ensure seamless continuation of benefits for claimants. Payments were made to claimants on behalf of the associations as follows:

	<u>Total Payments</u>
NC Insurance Guaranty Association	\$ 39,086
SC Property & Casualty Insurance Guaranty Association	<u>5,966</u>
Total	<u>\$ 45,052</u>

The distributions will be used to offset the liability to these associations when the estate is closed.

Note E: Reserves for Loss and Loss Adjustment Expenses represents net case reserves as reported by the guaranty associations currently administering the claims of the estate of \$6,788,462, ULAE of \$0, and Reinsurance Pool of \$357,234.

For the quarter ended September 30, 2016, reserves increased by \$1,532,390 from the prior quarter. This amount is comprised of payments for loss and LAE of \$566,223, ULAE of \$154,940, and reserve adjustments from the various guaranty associations, net of reinsurance, of \$2,253,553.

NOTES TO FINANCIAL STATEMENTS

Note F: As amounts for losses and loss adjustment expenses are paid by the various guaranty associations, the receiver reclassifies these amounts from reserve for loss and loss adjustment expense to payable to guaranty associations to reflect the estate's liability to reimburse the various guaranty associations for claim payments and administration expenses. As of September 30, 2016, the associations have paid \$6,877,280 of loss and LAE, and \$1,081,792 of ULAE.

Note G: Other Liabilities consists of outstanding checks to be escheated to the various states.

Note H: SC Second Injury Fund Recoveries represent losses reimbursed by the second injury fund in the state of South Carolina.

Note I: No contracts for services were entered into during the current quarter.

Note J: During the period the receiver paid:

- \$8,625 to Batchelor, Tillery & Roberts, LLC for the tax services
- \$4,265 to Batchelor, Tillery & Roberts, LLC for the 2015 Audit
- \$1,125 to various vendors for storage fees.

NORTH CAROLINA

WAKE COUNTY

VERIFICATION

JEFFREY A. TRENDEL, being first duly sworn, deposes and says that he is a Deputy Commissioner of Insurance for the North Carolina Department of Insurance and appointed as Special Deputy Insurance Commissioner of CAGC Insurance Company by the Commissioner of Insurance and Liquidator, that he has read the foregoing Statement of Financial Position as of September 30, 2016, and the Statement of Receipts and Disbursements for the three months ending September 30, 2016, and for the period from January 26, 2012, the date of rehabilitation, through September 30, 2016, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 17th day of November, 2016.



Deputy Commissioner of Insurance and
Special Deputy Insurance Commissioner for
CAGC Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 17th day of November, 2016.



Didiela B. Muhawi
Notary Public

Commission Expires: 9/5/17

CERTIFICATE OF SERVICE

This is to certify that the original Domiciliary Liquidator's Quarterly Report was this day filed with the Wake County Clerk of Superior Court and that a copy of the Report was sent by first class United States mail to the following persons:

Honorable Donald W. Stephens
Senior Resident Judge
Wake County Superior Court
Post Office Box 351
Raleigh, NC 27602-0351

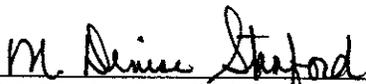
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This the 17th day of November, 2016.

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