

NORTH CAROLINA
WAKE COUNTY

FILED IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
03 CVS 15525

2016 FEB 23 P 1:02

STATE OF NORTH CAROLINA,
COMMISSIONER OF INSURANCE
OF NORTH CAROLINA,

WAKE COUNTY, C.S.C.

BY

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Petitioner,

DOMICILIARY LIQUIDATOR'S
QUARTERLY REPORT

v.

[AOC Cover Sheet Code OTHER – Report]

COMMERCIAL CASUALTY
INSURANCE COMPANY OF
NORTH CAROLINA,

Respondent.

NOW COMES the Commissioner of Insurance of North Carolina and Liquidator of Commercial Casualty Insurance Company of North Carolina (Liquidator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-105 and the Order of this Court dated April 2, 2004, which requires the Liquidator to make a quarterly report to the Court including a statement of receipts and disbursements to date and a statement of financial position. Attached hereto and incorporated herein by reference as Exhibit A is the statement of financial position as of December 31, 2015, and the statement of receipts and disbursements of Commercial Casualty Insurance Company of North Carolina for the three months ending December 31, 2015, and for the period from November 17, 2003, the date of rehabilitation, through December 31, 2015, as prepared by the Special Deputy Insurance Commissioner on behalf of the Liquidator.

This the 23rd day of January, 2016.

Roy Cooper
Attorney General


M. Denise Stanford
Assistant Attorney General
N. C. State Bar No. 17601
N. C. Department of Justice
P. O. Box 629
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COMMERCIAL CASUALTY INSURANCE COMPANY OF NORTH CAROLINA

NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE THREE MONTHS ENDING DECEMBER 31, 2015

AND FOR THE PERIOD FROM NOVEMBER 17, 2003,

THROUGH DECEMBER 31, 2015

**INTRODUCTION TO COMMERCIAL CASUALTY INSURANCE COMPANY
OF NORTH CAROLINA
FINANCIAL STATEMENTS**

DECEMBER 31, 2015

Introduction and Basis of Presentation: Commercial Casualty Insurance Company of North Carolina (Company) is a North Carolina domiciled property and casualty insurance company that was placed into rehabilitation by the Wake County Superior Court on November 17, 2003, and subsequently placed into liquidation on April 2, 2004. 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 insolvency of the Company.

The accompanying statement of financial position reflects general ledger balances of the Company as of December 31, 2015, adjusted to reflect circumstances currently known to the Liquidator. Amounts will 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 December 31, 2015. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the three months ending December 31, 2015, and for the period from November 17, 2003, the date of rehabilitation, through December 31, 2015.

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.

COMMERCIAL CASUALTY INSURANCE COMPANY of NORTH CAROLINA
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Financial Position
As of December 31, 2015

Assets			
Cash and Cash Equivalents	(Note A)	\$	33,370
Bonds	(Note B)		0
Reinsurance Recoverable			0
Distributions to Guaranty Associations	(Note C)		0
Other Assets			0
			<hr/>
Total Assets			33,370
			<hr/>
Liabilities			
Reserve for Loss and Loss Adjustment Expenses	(Note D)		0
Reinsurance Balances Payable			0
Payable to Guaranty Associations	(Note E)		0
Taxes Licenses & Fees Payable			0
Other Liabilities			33,370
			<hr/>
Total Liabilities			33,370
			<hr/>
Excess of Liabilities Over Assets		\$	-
			<hr/> <hr/>

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

COMMERCIAL CASUALTY INSURANCE COMPANY OF NORTH CAROLINA
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Receipts and Disbursements

	<u>For the Three Months Ended December 31, 2015</u>	<u>Cumulative For the Period November 17, 2003- December 31, 2015</u>
OPERATING ACTIVITIES		
<u>Receipts</u>		
Reinsurance Receipts	\$ 0	30,823,033
Premium Receipts	0	458,416
Proceeds from Sale of Subsidiary Investment	0	3,018,091
Federal Income Tax Recovered	0	1,835,344
GA Assessment Refunds	0	399,117
E&O Recovery	0	97,400
Restitution and Debt Recovery	33	84,481
Other Receipts	264	121,779
Total Receipts	297	36,837,661
<u>Disbursements</u>		
<u>Distributions to Guaranty Associations</u>	(Note C) 2,334,972	48,393,907
<u>Claim Payments</u>		
Losses and LAE Paid	93,389	6,546,650
<u>General Expenses and Other</u>		
	(Note G)	
Personnel Expense	7,472	3,265,601
Rent & Occupancy	23,978	1,474,615
Legal Fees	0	4,455,080
Accounting Fees	11,180	575,878
Actuarial Fees	0	144,886
Consulting Fees	0	2,276,448
Office Expenses	4	356,213
Furniture, EDP and Equipment	0	122,204
Travel	0	259,299
Taxes, Licenses & Fees	0	784,328
Miscellaneous Expenses	0	117,308
	42,634	13,831,860
Total Operating Disbursements	2,470,995	68,772,417

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

Net Cash Provided by Operating Activities	(2,470,698)	(31,934,756)
INVESTING ACTIVITIES		
Net (Purchases)/Sales of Invested Assets	0	7,456,719
Net Investment Income	19	5,885,982
Net Cash Provided by Investing Activities	19	13,342,701
OTHER ACTIVITIES		
Escheat Liability	0	382,259
Lease Deposit	0	(5,000)
RAD Trust Deposit	0	0
Redemption of CDs backing LOCs	0	(4,739,098)
Net Cash Used in Other Activities	0	(4,361,839)
Net Change in Cash and Cash Equivalents	(2,470,679)	(22,953,894)
Cash and Cash Equivalents at Beginning of Period	2,504,049	22,987,264
Cash and Cash Equivalents at End of Period	\$ 33,370	33,370

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. All cash has been used to pay approved Class 2 Claims on a pro-rata basis and to settle final administrative costs.

Note B: All bonds were liquidated in September in anticipation of closing the estate.

Note C: Distributions to guaranty associations included three interim distributions as well as the release of the Company's statutory deposits to the insurance guaranty association in each of the states as noted below:

	<u>Deposit Released</u>	<u>Interim Distributions</u>	<u>Total 11/13/2015</u>
State of California	\$ -	36,288,796	36,288,796
State of Florida	341,260	6,265,138	6,606,398
State of Georgia	28,011	258,238	286,249
State of Indiana	-	7,136	7,136
State of Louisiana	72,215	1,716,425	1,788,640
State of North Carolina	-	362,000	362,000
State of Nevada	230,180	254,932	485,112
State of Pennsylvania	-	88,387	88,387
State of South Carolina	<u>146,217</u>	<u>-</u>	<u>146,217</u>
Total	<u>\$817,883</u>	<u>45,241,052</u>	<u>46,058,935</u>

The distributions were used to offset the liability to these associations upon the approval of the Court for closing the estate by Order issued November 13, 2015.

Note D: Reserves for loss and loss adjustment expenses as of November 30, 2015, were comprised of case reserves of \$135,978 as reported by the various guaranty associations and \$1,190,211 of policyholder level claims for which no guaranty association protection was available. An Order approving the final distribution and closing the estate was issued on November 13, 2015. The funds were distributed on a pro-rata basis on November 16, 2015; the amounts which exceeded the approved distribution were written-off.

Note E: On November 9, 2015, the Wake County Superior Court heard the Motion filed September 10, 2015, for an Order to approve a final distribution and to close the estate. The Order was executed on November 13, 2015, and approval to distribute funds to Class 2 claimants on a pro-rata basis and to pay final administrative expenses. Any funds remaining after all administrative expenses have been paid will be distributed on a pro rata basis.

NOTES TO FINANCIAL STATEMENTS

Note F: There were no contracts for services entered into during the current quarter.

Note G: During the quarter the Liquidator paid:

- \$20,647 to Storr Records Management for destruction of records in offsite storage.
- \$9,638 to Batchelor, Tillery & Roberts for the 2015 Audit.
- \$12,349 to CAGC for various expenses, including salaries and offsite storage.

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 were being paid through the estate of CAGC and are reimbursed by CCIC on a monthly basis. With the issuance of the Order approving final distribution and closing the estate, all joint expenses have been settled.

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 Commercial Casualty Insurance Company of North Carolina by the Commissioner of Insurance and Liquidator, that he has read the foregoing Statement of Financial Position as of December 31, 2015, and the Statement of Receipts and Disbursements for the three months ending December 31, 2015, and for the period from November 17, 2003, the date of rehabilitation, through December 31, 2015, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 23 day of February, 2016.



Deputy Commissioner of Insurance and
Special Deputy Insurance Commissioner for
Commercial Casualty Insurance Company
of North Carolina

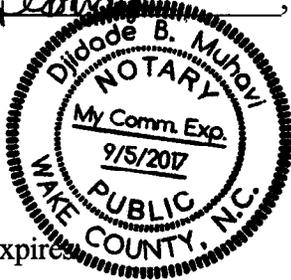
NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 23 day of February, 2016.

(Official Seal)



Dildade B. Muhavi
Notary Public

My 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

Christopher J. Blake
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Theodore B. Smyth
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Suite 300
Raleigh, NC 27607

This the 23rd day of February, 2016.

ROY COOPER
Attorney General


M. Denise Stanford
Assistant Attorney General
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