

NORTH CAROLINA  
WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION  
12 CVS 001270

FILED

2017 AUG 22 A 11:17

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

Petitioner,

v.

CAGC INSURANCE COMPANY

Respondent.

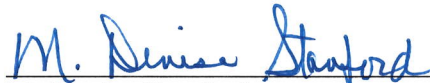
DOMICILIARY LIQUIDATOR'S  
QUARTERLY REPORT

[AOC Cover Sheet Code OTHER – Report]

NOW COMES the Commissioner of Insurance of North Carolina and Liquidator of CAGC Insurance Company (Liquidator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-105 and the Order of this Court dated January 17, 2014, 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 June 30, 2017, and the statement of receipts and disbursements of CAGC Insurance Company for the three months ending June 30, 2017, and for the period from January 26, 2012, the date of rehabilitation, through June 30, 2017, as prepared by the Special Deputy Insurance Commissioner on behalf of the Liquidator.

This the 22<sup>nd</sup> day of August, 2017.

North Carolina  
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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**CAGC INSURANCE COMPANY**  
**NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2017**  
**STATEMENT OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE THREE MONTHS ENDING JUNE 30, 2017**  
**AND FOR THE PERIOD FROM JANUARY 26, 2012,**  
**THROUGH JUNE 30, 2017**

INTRODUCTION TO CAGC INSURANCE COMPANY  
FINANCIAL STATEMENTS

JUNE 30, 2017

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 June 30, 2017, 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 June 30, 2017. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the three months ending June 30, 2017 and for the period from January 26, 2012, the date of rehabilitation, through June 30, 2017.

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 June 30, 2017**

**Assets**

Cash and Cash Equivalents	(Note A)	\$ 3,133,844
Bonds	(Note B)	1,174,644
Reinsurance Recoverable	(Note C)	2,389,200
Distributions to Guaranty Associations	(Note D)	45,052
Other Assets		-
<b>Total Assets</b>		<b><u>\$ 6,742,740</u></b>

**Liabilities**

Reserve for Loss and Loss Adjustment Expenses	(Note E)	\$ 5,854,245
Payable to Guaranty Associations	(Note F)	9,792,163
Other Liabilities	(Note G)	5,239
<b>Total Liabilities</b>		<b><u>15,651,647</u></b>

**Excess of Liabilities Over Assets** \$ (8,908,907)

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**

	<u>For the Three Months Ended - June 30, 2017</u>	<u>Cumulative For the Period January 26, 2012 - June 30, 2017</u>
<b>OPERATING ACTIVITIES</b>		
<b><u>Receipts</u></b>		
Reinsurance Receipts	\$ 203,079	4,202,552
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	203,079	9,131,329
<b><u>Disbursements</u></b>		
<u>Distributions to Guaranty Associations</u>	0	45,051
<b><u>Policy Related Disbursements</u></b>		
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
<b><u>General Expenses and Other (Note J)</u></b>		
Personnel Expenses	0	1,149,640
Rent and Occupancy	1,168	181,261
Accounting Fees	0	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	3,003	93,071
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
	<u>4,171</u>	<u>2,658,264</u>
Total Operating Disbursements	<u>4,171</u>	<u>15,576,595</u>
<b>Net Cash Provided by Operating Activities</b>	<u>198,908</u>	<u>(6,445,266)</u>
INVESTING ACTIVITIES		
Net (Purchases) Sales of Invested Assets	0	7,213,470
Net Investment Income	5,925	872,227
<b>Net Cash Provided by Investing Activities</b>	<u>5,925</u>	<u>8,085,697</u>
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
<b>Net Cash Provided by Other</b>	<u>0</u>	<u>110,657</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	204,833	1,751,088
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>2,929,011</u>	<u>1,382,756</u>
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 3,133,844</u>	<u>3,133,844</u>

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 \$1,174,644 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 \$998,860 South Carolina holds a special deposit for the benefit of South Carolina policyholders in the amount of \$175,784.

**Note C:** Reinsurance Recoverable represents amounts due from reinsurers for paid losses and loss adjustment expenses. The balance increased \$13,256 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 \$5,497,011, ULAE of \$0, and Reinsurance Pool of \$357,234.

For the quarter ended June 30, 2017, reserves decreased by \$179,190 from the prior quarter. This amount is comprised of payments for loss and LAE of \$628,953, ULAE of \$154,940, and reserve adjustments from the various guaranty associations, net of reinsurance, of \$604,703.

**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 June 30, 2017, the associations have paid \$8,452,289 of loss and LAE, and \$1,339,874 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:** There were no contracts for services entered into during the current quarter:

**Note J:** During the period the receiver paid:

- \$1,168 to various vendors for storage fees.
- \$3,003 to Intuit for software



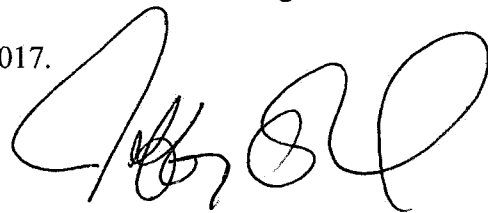
NORTH CAROLINA

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 June 30, 2017, and the Statement of Receipts and Disbursements for the three months ending June 30, 2017, and for the period from January 26, 2012, the date of rehabilitation, through June 30, 2017, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 21<sup>st</sup> day of August, 2017.



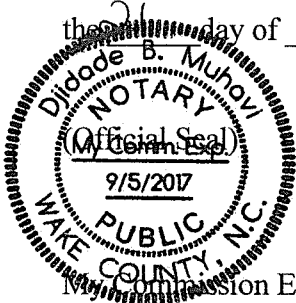
Deputy Commissioner of Insurance and  
Special Deputy Insurance Commissioner for  
CAGC Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 21<sup>st</sup> day of August, 2017.



Dildade B. Muhavi  
Notary Public

My Commission Expires: 9/5/2017

## 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


Cathy Stuart  
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Stuart Law Firm  
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Christopher J. Blake  
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Raleigh, NC 27612-3731

Mr. David Liggett  
Ragsdale Liggett  
P.O. Box 31507  
Raleigh, NC 27622-1507

This the 22<sup>nd</sup> day of August, 2017.

North Carolina  
Attorney General

  
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Assistant Attorney General  
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N. C. Department of Justice  
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