

NORTH CAROLINA

WAKE COUNTY

FILED IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION  
2019 FEB 21 PM 1:05  
12 CVS 001270  
WAKE COUNTY S.C.

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

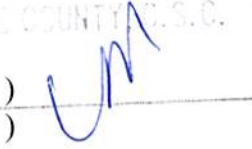
Petitioner,

v.

CAGC INSURANCE COMPANY

Respondent.

BY )



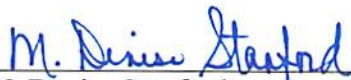
DOMICILIARY LIQUIDATOR'S  
QUARTERLY REPORT

[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 December 31, 2018, and the statement of receipts and disbursements of CAGC Insurance Company for the three months ending December 31, 2018, and for the period from January 26, 2012, the date of rehabilitation, through December 31, 2018, as prepared by the Special Deputy Insurance Commissioner on behalf of the Liquidator.

This the 21<sup>st</sup> day of February, 2019.

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  
Raleigh, NC 27602-0629  
(919) 716-6610

**CAGC INSURANCE COMPANY  
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE THREE MONTHS ENDING DECEMBER 31, 2018  
AND FOR THE PERIOD FROM JANUARY 26, 2012,  
THROUGH DECEMBER 31, 2018**

**INTRODUCTION TO CAGC INSURANCE COMPANY  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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 December 31, 2018, 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 December 31, 2018. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the three months ending December 31, 2018 and for the period from January 26, 2012, the date of rehabilitation, through December 31, 2018.

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 receiver-ship. 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 December 31, 2018**

<b>Assets</b>		
Cash and Cash Equivalents	(Note A)	\$ 5,847,825
Bonds	(Note B)	173,866
Reinsurance Recoverable	(Note C)	3,506,738
Distributions to Guaranty Associations	(Note D)	45,052
Other Assets		-
<b>Total Assets</b>		<b><u>\$ 9,573,481</u></b>
<b>Liabilities</b>		
Reserve for Loss and Loss Adjustment Expenses	(Note E)	\$ 7,036,046
Payable to Guaranty Associations	(Note F)	12,790,681
Other Liabilities	(Note G)	5,239
<b>Total Liabilities</b>		<b><u>19,831,966</u></b>
<b>Excess of Liabilities Over Assets</b>		<b><u>\$ (10,258,485)</u></b>

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 December 31, 2018</u>	<u>Cumulative For the Period January 26, 2012 - December 31, 2018</u>
<b>OPERATING ACTIVITIES</b>		
<b><u>Receipts</u></b>		
Reinsurance Receipts	\$ 0	5,896,865
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	0	10,825,642
<b><u>Disbursements</u></b>		
<b><u>Distributions to Guaranty Associations</u></b>	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</u></b> (Note J)		
Personnel Expenses	0	1,149,641
Rent and Occupancy	1,215	188,422
Accounting Fees	6,000	215,998
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	94,723
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>7,215</u>	<u>2,700,769</u>
Total Operating Disbursements	<u>7,215</u>	<u>15,619,100</u>
<b>Net Cash Provided by Operating Activities</b>	<u>(7,215)</u>	<u>(4,793,458)</u>
<b>INVESTING ACTIVITIES</b>		
Net (Purchases) Sales of Invested Assets	0	8,215,656
Net Investment Income	16,162	932,213
<b>Net Cash Provided by Investing Activities</b>	<u>16,162</u>	<u>9,147,869</u>
<b>OTHER</b>		
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>	8,947	4,465,068
<b>Cash and Cash Equivalents at Beginning of Period</b>	5,838,877	1,382,756
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 5,847,825</u>	<u>5,847,825</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 \$1,175,071 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 \$1,001,205 and South Carolina holds a special deposit for the benefit of South Carolina policyholders in the amount of \$173,866.

**Note C:** Reinsurance Recoverable represents amounts due from reinsurers for paid losses and loss adjustment expenses. The balance increased \$418,941 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 \$7,036,046, ULAE of \$0, and Reinsurance Pool of \$357,234.

For the quarter ended December 31, 2018, reserves increased by \$272,122 from the prior quarter. This amount is comprised of payments for loss and LAE of \$402,463, ULAE of \$154,940, and reserve adjustments from the various guaranty associations, net of reinsurance, of \$519,645.

**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 December 31, 2018, the associations have paid \$12,790,681 of loss and LAE, and \$1,596,733 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:

- \$1,214 to various vendors for storage fees.
- \$6,000 to Batchelor, Tillery & Roberts, LLP for audit and tax services.



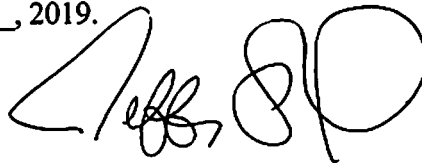
NORTH CAROLINA

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 December 31, 2018, and the Statement of Receipts and Disbursements for the three months ending December 31, 2018, and for the period from January 26, 2012, the date of rehabilitation, through December 31, 2018, 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 FEBRUARY, 2019.



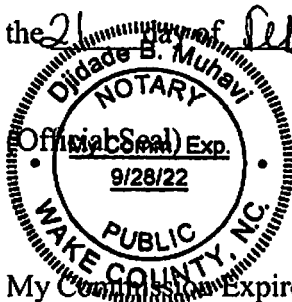
Deputy Commissioner of Insurance and  
Special Deputy Insurance Commissioner for  
CAGC Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 21<sup>st</sup> day of February, 2019.



Djidace B. Muhai  
Notary Public

## 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 Paul Ridgeway  
Senior Resident Judge  
Wake County Superior Court  
Post Office Box 351  
Raleigh, NC 27602-0351

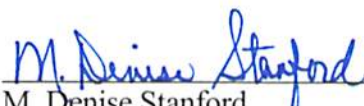
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Mr. David Liggett  
Ragsdale Liggett  
P.O. Box 31507  
Raleigh, NC 27622-1507

This the 21<sup>st</sup> day of February, 2019.

North Carolina  
Attorney General

  
\_\_\_\_\_  
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Assistant Attorney General  
N. C. State Bar No. 17601  
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