



ILLINOIS INSURANCE GUARANTY FUND

Financial Statements and Schedules

December 31, 2015 and 2014

(With Independent Auditors' Reports Thereon)

ILLINOIS INSURANCE GUARANTY FUND

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Independent Auditors' Report

The Board of Directors
Illinois Insurance Guaranty Fund and
the Director of Insurance of the State of Illinois:

We have audited the accompanying balance sheets of the General Operating Account of the Illinois Insurance Guaranty Fund (the Guaranty Fund) as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, 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 basis of accounting described in note 2 to the financial statements. 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 auditor considers internal control relevant to the Guaranty Fund'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 Guaranty Fund'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 that 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 financial position of the General Operating Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with the basis of accounting described in note 2.



Basis of Accounting

We draw attention to note 2, which describes the basis of accounting. The Guaranty Fund prepared these financial statements using accounting principles approved by the Illinois Department of Insurance, which differ from U.S. generally accepted accounting principles. Accordingly, the financial statements referred to above present only the General Operating Account of the Guaranty Fund and are not intended to present fairly the financial position of the Guaranty Fund as of December 31, 2015 and 2014, or the changes in its financial position or its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Restricted Use

This report is intended solely for the information and use of the Guaranty Fund and the Illinois Department of Insurance, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
April 28, 2016

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Balance Sheets

December 31, 2015 and 2014

Assets	2015	2014
Cash	\$ 122,042	240,493
Investments:		
Short-term investments, fair value	669,888	5,636,330
Bonds, fair value	130,222,192	105,581,606
Total investments	130,892,080	111,217,936
Accrued interest income	495,048	412,612
Prepaid expenses	232,346	99,257
Other assets	2,108	2,950
Furniture and equipment, net	113,092	36,048
Total assets	\$ 131,856,716	112,009,296
Liabilities and Net Assets		
Liabilities:		
Outstanding checks payable	\$ 1,117,724	1,404,367
Due to other Illinois Insurance Guaranty Fund accounts:		
Auto Account	5,743,839	5,659,089
Other Account	122,694,276	102,589,695
Accounts payable and accrued expenses	648,985	539,718
Accrued postretirement benefit cost	1,651,892	1,816,427
Total liabilities	131,856,716	112,009,296
Net assets	—	—
Total liabilities and net assets	\$ 131,856,716	112,009,296

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Statements of Activities

Years ended December 31, 2015 and 2014

	2015			2014		
	Total	Allocated to		Total	Allocated to	
		Auto Account	Other Account		Auto Account	Other Account
Investment return	\$ 1,437,825	101,829	1,335,996	1,614,219	114,884	1,499,335
Administrative expenses:						
Salaries, wages, and fringe benefits	2,001,247	569,871	1,431,376	2,146,937	810,669	1,336,268
Legal	623,526	177,554	445,972	466,430	176,121	290,309
Audit	115,500	32,890	82,610	127,950	48,313	79,637
Rent	261,673	74,513	187,160	280,826	106,038	174,788
Bank service fees	306,952	87,407	219,545	227,401	85,865	141,536
Payroll taxes	116,467	33,165	83,302	125,349	47,331	78,018
Depreciation	22,723	6,471	16,252	15,039	5,679	9,360
Outside services	528,538	150,505	378,033	392,668	148,269	244,399
Other	423,989	120,734	303,255	338,836	127,942	210,894
Total administrative expenses	4,400,615	1,253,110	3,147,505	4,121,436	1,556,227	2,565,209
Investment return less administrative expenses	\$ (2,962,790)	(1,151,281)	(1,811,509)	(2,507,217)	(1,441,343)	(1,065,874)
Net assets at the beginning of year	\$ —			—		
Investment return less administrative expenses	(2,962,790)			(2,507,217)		
Less:						
Investment return less administrative expenses allocated to:						
Auto Account	(1,151,281)			(1,441,343)		
Other Account	(1,811,509)			(1,065,874)		
Net assets at the end of year	\$ —			—		

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Statements of Cash Flows

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ —	—
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,723	15,039
Net realized investment losses (gains)	(338,029)	5,906
Change in unrealized investment losses (gains)	565,904	(339,143)
Amortization of premium and discount on investments	498,928	397,272
Changes in assets and liabilities:		
Accrued interest income	(82,436)	(89,096)
Prepaid expenses	(133,089)	(59,856)
Other assets	842	768
Due to other Illinois Insurance Guaranty Fund accounts:		
Auto Account	84,750	1,525,507
Other Account	20,104,581	13,514,868
Accounts payable and accrued expenses	109,267	(75,473)
Accrued postretirement benefit cost	(164,535)	(156,558)
Net cash provided by (used in) operating activities	<u>20,668,906</u>	<u>14,739,234</u>
Cash flows from investing activities:		
Capital expenditures	(99,767)	(12,182)
Purchases of investments	(148,881,014)	(97,283,227)
Sales, maturities, and redemptions of investments	123,569,492	80,197,451
Change in short-term investments	4,910,575	(419,151)
Net cash provided by (used in) investing activities	<u>(20,500,714)</u>	<u>(17,517,109)</u>
Cash flows from financing activity:		
Change in outstanding checks payable	(286,643)	920,691
Net cash provided by (used in) financing activity	<u>(286,643)</u>	<u>920,691</u>
Net change in cash	(118,451)	(1,857,184)
Cash at beginning of year	240,493	2,097,677
Cash at end of year	\$ <u><u>122,042</u></u>	<u><u>240,493</u></u>

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies

(a) *Organization*

The Illinois Insurance Guaranty Fund (Guaranty Fund) is an unincorporated nonprofit agency created under the Illinois Insurance Guaranty Fund Act of 1971 for the purpose of providing a mechanism to pay covered claims of insolvent insurers and to assess the costs to companies holding a certificate of authority to transact insurance in the state of Illinois. The purpose of the General Operating Account is to account for investments owned by the Auto Account and Other Account and make disbursements for administrative expenses of the Guaranty Fund other than covered claims and return of unearned premiums. The Auto Account and Other Account are not consolidated in the General Operating Account's financial statements.

(b) *Investments*

Investments comprise short-term investment funds, U.S. government obligations, non-U.S. government obligations, asset-backed securities, mortgage-backed securities and corporate bonds. Investments are reported at fair value and are based on quoted market prices from independent pricing services or from readily available market quotations received from third-party brokers/dealers. Net realized and unrealized gains or losses on investments reported at fair value are presented in the statements of activities as part of investment return. Realized gains and losses from the sale of investments are recognized based on the specific-identification method.

Short-term investments are defined as money market accounts with maturities of less than 90 days.

(c) *Allocation of Administrative Expenses and Investment Return*

Administrative expenses, including investment expenses, are allocated to the Auto Account and Other Account from the General Operating Account using the ratio of hours incurred in the course of settlement of claims for each account in relation to the hours incurred in the course of settlement of claims for both accounts.

Investment return of the Guaranty Fund is allocated to the Auto Account and Other Account from the General Operating Account on a quarterly basis using the ratio of net assets for each account in relation to the total net assets.

(d) *Depreciation of Furniture and Equipment*

Furniture and equipment are depreciated over a life of five years using the straight-line method with the half-year convention. Accumulated depreciation was \$129,399 and \$407,877 at December 31, 2015 and 2014, respectively.

(e) *Income Taxes*

The Guaranty Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and from state income taxes under the provisions of Illinois statutes, except for taxes related to unrelated business income. The Guaranty Fund has no unrelated business income and,

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General Operating Account

Notes to Financial Statements

December 31, 2015 and 2014

therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

(f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although considerable variability is inherent in these estimates, management believes that the recorded amounts are adequate. Actual results could differ from those estimates. The estimates are continually reviewed and adjusted as necessary and such adjustments are reflected in the statements of activities. The most significant of these estimates involve the fair valuation of investment securities and assumptions used in the estimate of postretirement benefit liabilities.

(g) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) Basis of Presentation

A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. generally accepted accounting principles (GAAP), the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared in accordance with accounting principles approved by the Financial Accounting Standards Board (FASB) as confirmed by the Illinois Department of Insurance. These principles differ in some respects from GAAP for entities that are subject to GASB. The more significant of these differences are as follows:

- (1) Management's discussion and analysis of the Guaranty Fund's financial activities is not presented.
- (2) The statements of cash flows are prepared using only the indirect method of presenting cash flows from operating activities, rather than both the direct method and indirect method.
- (3) A balance sheet is presented instead of a statement of net position. The balance sheets are not prepared in a classified format that distinguishes between all current and long-term assets and liabilities, deferred outflows of resources, deferred inflows of resources, and net position.
- (4) Net assets are presented in total, rather than presenting net position and categorizing as:
 - a. Invested in capital assets, net of related debt
 - b. Restricted
 - c. Unrestricted

ILLINOIS INSURANCE GUARANTY FUND

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Notes to Financial Statements

December 31, 2015 and 2014

- (5) A statement of activities is presented instead of a statement of revenues, expenses, and changes in net position. The statements of activities do not distinguish between operating and nonoperating revenues and expenses, nor do they present a separate subtotal for operating revenues, operating expenses, and operating income.

(3) Investments

The following tables present the cost and estimated fair values of the Guaranty Fund's bonds at December 31, 2015 and 2014:

	2015	
	<u>Cost</u>	<u>Fair value</u>
U.S. government obligations	\$ 46,543,866	46,393,022
Non-U.S. government obligations	6,331,522	6,311,364
Mortgage-backed securities	3,263,412	3,266,375
Asset-backed securities	15,601,032	15,488,573
Corporate obligations	58,698,411	58,459,753
States, municipalities and political subdivisions	303,065	303,105
Total	<u>\$ 130,741,308</u>	<u>130,222,192</u>

	2014	
	<u>Cost</u>	<u>Fair value</u>
U.S. government obligations	\$ 35,301,451	35,337,899
Non-U.S. government obligations	2,997,638	2,990,011
Mortgage-backed securities	4,688,664	4,702,741
Asset-backed securities	10,357,049	10,327,997
Corporate obligations	51,883,637	51,916,013
States, municipalities and political subdivisions	306,378	306,945
Total	<u>\$ 105,534,817</u>	<u>105,581,606</u>

Maturities of bonds were as follows at December 31, 2015 (maturities of mortgage-backed securities and collateralized mortgage obligations have been allocated based upon estimated cash flows, assuming no change in the current interest rate environment):

	<u>Cost</u>	<u>Fair value</u>
Due within one year	\$ 22,169,210	22,132,636
Due after one year through five years	108,014,955	107,540,703
Due after five years through ten years	557,143	548,853
	<u>\$ 130,741,308</u>	<u>130,222,192</u>

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Notes to Financial Statements

December 31, 2015 and 2014

Investment return for the years ended December 31, 2015 and 2014 is as follows:

	2015			2014		
	Total	Allocated to		Total	Allocated to	
		Auto Account	Other Account		Auto Account	Other Account
Interest income	\$ 1,665,700	117,967	1,547,733	1,280,982	91,167	1,189,815
Net realized gain (loss) on sale of investments	338,029	23,940	314,089	(5,906)	(420)	(5,486)
Change in net unrealized gains and losses	(565,904)	(40,078)	(525,826)	339,143	24,137	315,006
Total investment return	\$ 1,437,825	101,829	1,335,996	1,614,219	114,884	1,499,335

Investment expenses during 2015 and 2014 were \$260,047 and \$190,454, respectively, and are reported in bank service fees within the statements of activities.

Proceeds from sales, maturities, and redemptions of investments during 2015 and 2014 were \$123,569,492 and \$80,197,451, respectively. Gross gains of \$445,962 and \$165,768 and gross losses of \$118,373 and \$172,309 were realized on those disposals in 2015 and 2014, respectively. Gross gains of \$13,830 and gross losses of \$3,390 were realized on paydowns of asset-backed and mortgage-backed securities in 2015. Gross gains of \$3,165 and gross losses of \$2,530 were realized on paydowns of asset-backed and mortgage-backed securities in 2014.

(4) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Guaranty Fund's financial instruments at December 31, 2015 and 2014. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Short-term investments	\$ 669,888	669,888	5,636,330	5,636,330
Bonds	130,222,192	130,222,192	105,581,606	105,581,606

The carrying amounts shown in the table are included in the balance sheets under the indicated captions.

The fair values of the financial instruments shown in the above table as of December 31, 2015 represent management's best estimates of the amounts that would be received to sell those assets in an

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December 31, 2015 and 2014

orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Guaranty Fund's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Guaranty Fund based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Short-term investments: The carrying amounts approximate fair value because of the short-term maturity of these instruments.

Bonds: The Guaranty Fund invests in various classes of fixed income securities, for which fair values are determined as follows:

Investments in mortgage-backed securities – reported at fair value based upon quoted market prices. Mortgage-backed securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The Guaranty Fund invests in mortgage-backed securities to diversify the portfolio and to increase the returns while minimizing the extent of risk.

U.S. government obligations, non-U.S. government obligations, asset-backed securities, and corporate obligations – the fair values of debt securities are based on quoted market prices at the reporting date for those or similar investments.

(b) Fair Value Hierarchy

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Guaranty Fund has the ability to access at the measurement date.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.
- Level 3 – Valuations based on models where significant inputs are not observable inputs for the asset or liability.

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Notes to Financial Statements

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The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following tables present instruments that are measured at fair value on a recurring basis at December 31, 2015 and 2014:

	<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Short-term investments	\$ 669,888	669,888	—	—
Bonds:				
U.S. government obligations	46,393,022	—	46,393,022	—
Non-U.S. government obligations	6,311,364	—	6,311,364	—
Mortgage-backed securities	3,266,375	—	3,266,375	—
Asset-backed securities	15,488,573	—	15,488,573	—
Corporate obligations	58,459,753	—	58,459,753	—
States, municipalities and political subdivisions	303,105	—	303,105	—
Total	<u>\$ 130,892,080</u>	<u>669,888</u>	<u>130,222,192</u>	<u>—</u>
	<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Short-term investments	\$ 5,636,330	5,636,330	—	—
Bonds:				
U.S. government obligations	35,337,899	—	35,337,899	—
Non-U.S. government obligations	2,990,011	—	2,990,011	—
Mortgage-backed securities	4,702,741	—	4,702,741	—
Asset-backed securities	10,327,997	—	10,327,997	—
Corporate obligations	51,916,013	—	51,916,013	—
States, municipalities and political subdivisions	306,945	—	306,945	—
Total	<u>\$ 111,217,936</u>	<u>5,636,330</u>	<u>105,581,606</u>	<u>—</u>

The financial statements as of and for the years ended December 31, 2015 and 2014 do not include any nonrecurring fair value measurements relating to assets or liabilities for which the Guaranty Fund has adopted the provisions of FASB ASC 820.

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Notes to Financial Statements

December 31, 2015 and 2014

(5) Postretirement Employee Benefits

The Guaranty Fund provides certain healthcare benefits for retired employees and their eligible dependents. Employees age 55 or older with 14 years and one day of service will become eligible for these benefits if they retire while working for the Guaranty Fund. Postretirement benefit expense is recorded during the period that the employee renders the service to earn the benefit.

The following table sets forth the plan's benefit obligations, fair value of plan assets, funded status, and accrued benefit cost recognized at December 31, 2015 and 2014:

	2015	2014
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation		
at beginning of year:	\$ 942,381	748,437
Service cost	27,852	20,890
Interest cost	31,282	32,457
Amendments	—	—
Actuarial loss (gain)	(130,613)	161,443
Benefits paid	30,174	20,846
Accumulated postretirement benefit obligation		
at end of year	\$ 840,728	942,381
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	—
Actual return on plan assets	—	—
Employer contributions	30,174	20,846
Benefits paid	30,174	20,846
Benefit gain	—	—
Fair value of plan assets at end of year	\$ —	—
Funded status	\$ (840,728)	(942,381)
Unrecognized net actuarial loss	555,443	726,970
Unrecognized prior service credit	(1,366,607)	(1,601,016)
Unrecognized net transition obligation	—	—
Accrued postretirement benefit cost	\$ (1,651,892)	(1,816,427)

The Guaranty Fund amended their postretirement employee benefits plan with an effective date of July 1, 2013. This amendment to the plan transitions covered retirees from a traditional indemnity plan to a funded exchange approach. As a result of the change to a defined-contribution plan, the Guaranty Fund recorded an unrecognized prior service credit that will be amortized over the average expected working lifetime to full eligibility for active employees.

The 2015 and 2014 accumulated postretirement obligation was determined using a discount rate of 4.10% and 3.70%, respectively, with a measurement date as of December 31, 2015 and 2014, respectively.

ILLINOIS INSURANCE GUARANTY FUND

General Operating Account

Notes to Financial Statements

December 31, 2015 and 2014

The postretirement benefit (income) cost included in the above table is included in salaries, wages, and fringe benefits.

Components of the net periodic benefit (income) cost for 2015 and 2014 are shown below:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 27,852	20,890
Interest cost on accumulated postretirement benefit obligation	31,282	32,457
Amortization of accumulated loss	40,914	45,350
Amortization of unrecognized prior service credit	<u>(234,409)</u>	<u>(234,409)</u>
Net periodic benefit income	<u>\$ (134,361)</u>	<u>(135,712)</u>

The net actuarial loss for the accumulated postretirement benefit obligation and the prior service credit that will be amortized from unrecognized net actuarial loss into the net periodic benefit (income) cost over the next fiscal year are approximately \$34,439 and (\$234,409), respectively.

The following benefit payments are expected to be paid in the following fiscal years:

	<u>Benefits</u>
Fiscal year:	
2016	\$ 34,873
2017	38,018
2018	39,644
2019	40,839
2020	42,925
Aggregate for five fiscal years beginning 2021	239,309

(6) Lease Commitments

In March 2015, the Guaranty Fund entered into a new office lease for an eleven-year term ending August 31, 2026. Under the terms of the operating lease, the Guaranty Fund will pay an annual base rent equal to the rentable square feet of the space multiplied by a rate per square foot and its proportionate share of general operating expenses. The terms of the lease also call for annual increases in the rent per square foot, which approximate anticipated inflation.

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General Operating Account

Notes to Financial Statements

December 31, 2015 and 2014

The future minimum rental payments, including office equipment, are as follows:

2016	\$	96,491
2017		127,239
2018		187,306
2019		190,541
2020		185,471
Thereafter		1,110,016

Such rental payments are subject to adjustment for taxes and expenses. Total rental expense was \$261,673 and \$280,826 in 2015 and 2014, respectively.

(7) Contingencies

The Guaranty Fund is involved with various matters in litigation other than those related to individual covered claims arising in the normal course of business. Such matters include the statutory limitations of the Guaranty Fund's liability on covered claims, rights to "early access" distributions from insolvent estates, and the priority of payment on certain claims filed under the operations of the Guaranty Fund.

The ultimate outcome of these matters is currently uncertain. In all cases, the implication of an adverse ruling to the Guaranty Fund would be the possibility of additional assessments upon its member companies to fund payments required by such adverse rulings. Any such assessments would be recognized as of the date voted by the board of directors.

(8) Subsequent Events

Management has evaluated subsequent events through the date the accompanying financial statements were issued, which was April 28, 2016.

No subsequent events requiring disclosure were noted.



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Independent Auditors' Report

The Board of Directors
Illinois Insurance Guaranty Fund and
the Director of Insurance of the State of Illinois:

We have audited the accompanying statements of net assets of the Auto Account of the Illinois Insurance Guaranty Fund (the Guaranty Fund) as of December 31, 2015 and 2014, and the related statements of changes in net assets for the years then ended, 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 basis of accounting described in note 1 to the financial statements. 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 auditor considers internal control relevant to the Guaranty Fund'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 Guaranty Fund'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 that 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 financial position of the Auto Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and 2014, and the results of its operations for the years then ended in accordance with the basis of accounting described in note 1.



Basis of Accounting

We draw attention to note 1, which describes the basis of accounting. The Guaranty Fund prepared these financial statements using accounting principles approved by the Illinois Department of Insurance, which principles differ from U.S. generally accepted accounting principles. Accordingly, the financial statements referred to above present only the Auto Account of the Guaranty Fund and are not intended to present fairly the financial position of the Guaranty Fund as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedule I has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in Schedule I is fairly stated in all material respects in relation to the financial statements taken as a whole. The information included in Schedule II has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restricted Use

This report is intended solely for the information and use of the Guaranty Fund and the Illinois Department of Insurance, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
April 28, 2016

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Statements of Net Assets

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Accounts receivable:		
Illinois Insurance Guaranty Fund:		
General Operating Account	\$ 5,743,839	5,659,089
Net assessments receivable	5,839,068	5,242,522
	<u>11,582,907</u>	<u>10,901,611</u>
Liabilities:		
Net assessments payable	153,361	49,984
Total liabilities	<u>153,361</u>	<u>49,984</u>
Net assets	<u>\$ 11,429,546</u>	<u>10,851,627</u>

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Statements of Changes in Net Assets

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Assessments called	\$ 8,500,000	8,050,000
Expense recoveries	15,387	6,466
Investment return	101,829	114,884
Advances against expenses and claim costs by insolvencies	433,213	3,532,877
Total revenues	<u>9,050,429</u>	<u>11,704,227</u>
Claims paid:		
Unearned premiums	—	10,053
Claims	4,481,903	5,318,225
Return assessments	2,660,932	2,807,478
Total claims and distributions paid	<u>7,142,835</u>	<u>8,135,756</u>
Allocated administrative expenses:		
Salaries, wages, and fringe benefits	569,871	810,669
Legal	177,554	176,121
Audit	32,890	48,313
Rent	74,513	106,038
Bank service fees	87,407	85,865
Payroll taxes	33,165	47,331
Depreciation	6,471	5,679
Outside services	150,505	148,269
Other	120,734	127,942
Total allocated administrative expenses	<u>1,253,110</u>	<u>1,556,227</u>
Direct administrative expenses:		
Legal	76,408	28,790
Outside services and other	157	1,175
Total allocated and direct administrative expenses	<u>1,329,675</u>	<u>1,586,192</u>
Total claims paid and administrative expenses	<u>8,472,510</u>	<u>9,721,948</u>
Increase in net assets during the year	577,919	1,982,279
Net assets at beginning of year	<u>10,851,627</u>	<u>8,869,348</u>
Net assets at end of year	<u>\$ 11,429,546</u>	<u>10,851,627</u>

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

(1) **Basis of Presentation of Financial Statements and Significant Accounting Policies**

The purpose of the Auto Account of the Illinois Insurance Guaranty Fund (Guaranty Fund) is to provide funds for the settlement of covered claims and the return of unearned premiums on auto policies under the Illinois Insurance Guaranty Fund Act of 1971.

A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. generally accepted accounting principles (GAAP), the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared in accordance with accounting principles approved by the Financial Accounting Standards Board (FASB) as confirmed by the Illinois Department of Insurance. These principles differ in some respects from GAAP for entities that are subject to GASB. The more significant of these differences are as follows:

- (1) Management's discussion and analysis of the Guaranty Fund's financial activities is not presented.
- (2) The financial statements are prepared using the modified cash basis of accounting. Under the modified cash basis of accounting, the financial statements do not include reserves for auto policy claims and unearned premiums that have not been paid by the Guaranty Fund as of December 31, 2015 and 2014.
- (3) There are no statements of cash flows prepared for the Auto Account of the Guaranty Fund.
- (4) A statement of net assets is presented instead of a statement of net position. The statements of net assets are not prepared in a classified format that distinguishes between all current and long-term assets and liabilities, deferred outflows of resources, deferred inflows of resources, and net position.
- (5) Net assets are presented in total, rather than presenting net position and categorizing as:
 - a. Invested in capital assets, net of related debt
 - b. Restricted
 - c. Unrestricted
- (6) A statement of changes in net assets is presented instead of a statement of revenues, expenses, and changes in net position. The statements of changes in net assets do not distinguish between operating and nonoperating revenues and expenses, nor do they present a separate subtotal for operating revenues, operating expenses, and operating income.

Assessment calls and return assessments are authorized by the board of directors and recognized as of the date called. Allowances are provided for amounts that are deemed by the Guaranty Fund to be uncollectible. Amounts are deemed uncollectible when management receives information as to the impairment of a member company's ability to pay. Such impairment could be a result of, but is not limited to, insolvency, supervision, liquidation, and special application for exemption from payment of assessments. At December 31, 2015 and 2014, the allowance for uncollectible assessments receivable is \$19,227 and \$49,984, respectively.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

Claims and unearned premiums paid on the Auto Account are recognized at the time of a cash disbursement. Liquidating dividend distributions on the Auto Account are also recognized at the time of disbursement.

The total realizable future recoveries from the estates are indeterminable at present. Recoveries from the estates are recognized when received by the Guaranty Fund.

All investments of the Guaranty Fund are held in the General Operating Account. A corresponding receivable from the General Operating Account is recorded in the Auto Account. Investment return of the Guaranty Fund is allocated to the Auto Account from the General Operating Account on a quarterly basis using the ratio of net assets for the Auto Account in relation to the Auto Account and Other Account total net assets.

The administrative expenses, including investment expenses, of the Guaranty Fund not directly applicable to the Auto Account are allocated from the General Operating Account using the ratio of hours incurred in the course of settlement of claims for each respective account in relation to the hours incurred in the course of settlement of claims for all accounts. Administrative expenses directly applicable to estates of the Auto Account were directly charged thereto.

(2) Assessments Approved Not Yet Called

The Guaranty Fund has responsibility for covered claim obligations of Illinois-licensed insurance companies, against which an order of liquidation with a finding of insolvency has been entered. The Guaranty Fund also assesses the costs of covered claim obligations to companies holding a certificate of authority to transact insurance in the state of Illinois (members). The Guaranty Fund's assessments against members are in relation to previous years' direct written premiums for auto policies in the state of Illinois. Upon the entry of the order of liquidation, the Guaranty Fund assesses member companies for the full estimated cost of the insolvency after the information needed for such estimate is available. The assessed amounts are then called for payment from the members as funds are needed to meet the Guaranty Fund's covered claim obligations and its expenses of operation. Listed below are the assessments approved by the board of directors, but not called as of December 31, 2015:

	Outstanding assessments
Gramercy Insurance Company	\$ 4,000,000
Ullico Casualty Company	3,000,000
Interstate Bankers Casualty Company	4,000,000
Lincoln General Insurance Company	500,000
Total	<u>\$ 11,500,000</u>

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

(3) Insolvencies

(a) *With Outstanding Claims*

Insolvent companies in which the Guaranty Fund has active open claims as of December 31, 2015 include the following:

Constitutional Casualty Company
Gramercy Insurance Company
Interstate Bankers Casualty Company
Ullico Casualty Company

(b) *Without Outstanding Claims*

Insolvent companies in which the Guaranty Fund has fulfilled its known responsibility and for which the Guaranty Fund no longer has outstanding claims as of December 31, 2015 include the following:

Acceleration National Insurance Company
Allied Fidelity Insurance Company
American Druggists Insurance Company
American Eagle Insurance Company
American Fidelity Fire Insurance Company
American Horizon Insurance Company
American Interinsurance Exchange Company
American Mutual Insurance Company of Boston
American Mutual Liability Insurance Company
American Reserve Insurance Company
American Universal Insurance Company
Aspen Indemnity Corporation
Atlantic Mutual Insurance Company
Carriers Insurance Company
Casualty Reciprocal Exchange
Classic Fire & Marine Insurance Company
Commercial Standard Insurance Company
Commonwealth General Insurance Company
Consolidated Mutual Insurance Company
Consolidated Underwriters
Coronet Insurance Company
Corporacion Insular de Seguros
Cosmopolitan Mutual Insurance Company
Credit General Insurance Company
Crown Casualty Company

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

Delta Casualty Company
Edison Insurance Company
Excalibur Insurance Company
Gallant Insurance Company
Great Global Assurance Company
Heritage Insurance Company of America
Home Insurance Company
Ideal Mutual Insurance Company
IGF Insurance Company
Illinois Insurance Company
Industrial Fire & Casualty Insurance Company
Integrity Insurance Company
Intercontinental Insurance Company
Iowa National Mutual Insurance Company
Kenilworth Insurance Company
Kent Insurance Company
LaSalle National Insurance Company
Legion Indemnity Company
Legion Insurance Company
Main Insurance Company
Manchester Insurance and Indemnity Company
MCA Insurance Company
Merit Casualty Company
Metro Casualty Company
Mid-American Insurance Company
Midland Insurance Company
Millers Insurance Company
Millers National Insurance Company
Mission Insurance Company
Mission National Insurance Company
Missouri General Insurance Company
National Assurance Indemnity Company
Oak Insurance Company
Ohio General Insurance Company
Oil & Gas Insurance Company
Optimum Insurance Company
Pine Top Insurance Company
Prestige Casualty Company
Proprietors Insurance Company
Protective Casualty Insurance Company
Reliable Insurance Company
Reliance Insurance Company
Reserve Insurance Company

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

Sable Insurance Company
 Security Casualty Company
 Shelby Insurance Company
 Shelby Casualty Insurance Company
 State Security Insurance Company
 Statewide Insurance Company
 Summit Insurance Company of New York
 Transit Casualty Company
 Union Indemnity Insurance Company of New York
 United Community Insurance Company
 United Fire Insurance Company
 United Southern Assurance Company
 Universal Security Insurance Company
 Valor Insurance Company
 Vesta Fire Insurance Corporation
 Villanova Insurance Company
 Western Employers Insurance Company
 Western Specialty Insurance Company
 Yorktown Indemnity Company

(4) Advances against Expenses and Claims Costs by Insolvencies

The liquidation estates for the insolvencies listed below have implemented the “early access” provisions of their respective state insurance laws, and the Guaranty Fund has received advances of funds for administrative and claim adjustment expenses and claims and unearned premiums paid, which are attributed to these insolvencies. Under the terms of the “early access” provisions, a reconciliation by the liquidator of advanced funds is required prior to the determination and payment by the liquidator of a liquidating dividend. Therefore, the liquidator has the right to recall the “early access” money advanced to the Guaranty Fund. In anticipation of billings for future administrative expenses, the Guaranty Fund has also recorded advances for amounts received and expected to be assessed in the future. The following amounts were advanced to (returned by) the Guaranty Fund under the “early access” provisions during 2015 and 2014:

<u>Insolvency</u>	<u>2015</u>	<u>2014</u>
Constitutional Casualty Company	\$ 72,483	3,487,556
Coronet Insurance Company	—	45,321
Cosmopolitan Mutual Insurance Company	1,849	—
Gramercy Insurance Company	324,183	—
Merit Casualty Company	33,906	—
Reliance Insurance Company	792	—
	<u>\$ 433,213</u>	<u>3,532,877</u>

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

(5) Income Taxes

The Guaranty Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and from state income taxes under the provisions of Illinois statutes. Therefore, the Guaranty Fund has made no provision for federal or state income taxes in the accompanying financial statements.

(6) Return Assessments

Return assessments represent excess amounts collected compared to claim obligations and settlement amounts at the time of closed insolvencies. The board of directors adopted a resolution to return assessments on insolvencies to the members for the following estates:

<u>Insolvency</u>	<u>2015</u>	<u>2014</u>
Acceleration National Insurance Company	\$ 84	—
American Fidelity Fire Insurance Company	—	10,508
American Horizon Insurance Company	—	35
Classic Fire and Marine Insurance Company	—	45,326
Constitutional Casualty Company	2,320,969	1,000,000
Coronet Insurance Company	—	45,994
Cosmopolitan Mutual Insurance Company	1,853	3,755
Credit General Insurance Company	194	—
Crown Casualty Company	—	77,620
Gallant Insurance Company	105,702	407,241
IGF Insurance Company	—	109,167
Illinois Insurance Company	—	159,740
Legion Indemnity Company	—	204,959
Legion Insurance Company	—	17,647
Merit Casualty Company	34,278	—
Oak Casualty Company	—	142,351
Shelby Casualty Insurance Company	15,507	—
Shelby Insurance Company	68,257	—
Statewide Insurance Company	—	53,905
Valor Insurance Company	105,805	448,590
Vesta Fire Insurance Company	8,283	—
Villanova Insurance Company	—	29,722
Western Specialty Insurance Company	—	50,918
	<u>\$ 2,660,932</u>	<u>2,807,478</u>

These return assessments are charged to operations and disbursed to member insurance companies in proportion to their assessments paid. Return assessments for 2015 and 2014 were payable to members at December 31, 2015 and 2014, respectively.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Notes to Financial Statements

December 31, 2015 and 2014

(7) Contingencies

The Guaranty Fund is involved with various matters in litigation other than those related to individual covered claims arising in the normal course of business. Such matters include the statutory limitations of the Guaranty Fund's liability on covered claims, rights to "early access" distributions from insolvent estates, and the priority of payment on certain claims filed under the operations of the Guaranty Fund.

The ultimate outcome of these matters is currently uncertain. In all cases, the implication of an adverse ruling to the Guaranty Fund would be the possibility of additional assessments upon its member companies to fund payments required by such adverse rulings. Any such assessments would be recognized as of the date voted by the board of directors.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Schedule of Assets Activity by Insolvency

Year ended December 31, 2015

	Total recorded assets at December 31, 2014	Assessment calls	Advances against expenses and claim costs	Claims, unearned premiums, and administrative expenses, net of recoveries		Returned assessments	Investment return (2)	Total recorded assets at December 31, 2015
				Claims and unearned premiums paid	Administrative expenses (1)			
Acceleration National Insurance Company	\$ 59	—	—	—	(24)	84	1	—
Atlantic Mutual Insurance Company	30,760	—	—	—	(1,758)	—	331	32,849
Constitutional Casualty Company	3,299,282	—	72,483	78,871	29,644	2,320,969	35,995	978,276
Cosmopolitan Mutual Insurance Company	—	—	1,849	—	—	1,853	4	—
Credit General Insurance Company	171	—	—	—	(22)	194	1	—
Gallant Insurance Company	101,645	—	—	(333)	(2,620)	105,702	1,104	—
Gramercy Insurance Company	1,359,829	—	324,183	845,006	64,971	—	12,087	786,122
Interstate Bankers Casualty Company	—	4,000,000	—	23,327	448,213	—	1,399	3,529,859
Lincoln General Insurance Company	—	500,000	—	—	1,235	—	4	498,769
Merit Casualty Company	—	—	33,906	—	—	34,278	372	—
Reliance Insurance Company	(781)	—	792	—	—	—	(11)	—
Shelby Casualty Insurance Company	15,147	—	—	—	(194)	15,507	166	—
Shelby Insurance Company	67,201	—	—	—	(320)	68,257	737	1
Ullico Casualty Company	5,869,193	4,000,000	—	3,535,207	778,769	—	48,453	5,603,670
Valor Insurance Company	101,097	—	—	(175)	(3,435)	105,805	1,098	—
Vesta Fire Insurance Corp.	8,024	—	—	—	(171)	8,283	88	—
Total	\$ 10,851,627	8,500,000	433,213	4,481,903	1,314,288	2,660,932	101,829	11,429,546

- (1) Administrative expenses, net of recoveries, including investment expenses, are allocated on a quarterly basis to each insolvency using the ratio of hours incurred in the course of settlement of claims for each respective insolvency in relation to the number of hours incurred in the course of settlement of claims for all claims paid. Administrative expenses directly applicable to an estate are directly charged thereto.
- (2) Investment return is allocated on a quarterly basis to each insolvency using the ratio of assets before investment income for each respective insolvency in relation to the total assets before investment income.

See accompanying independent auditors' report.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and
Advances against Expenses and Claim Costs by Insolvency

Year ended December 31, 2015

(Unaudited)

	Cumulative totals (1), unaudited			Advances against expenses and claim costs
	Claims, unearned premiums, and administrative expenses, net of recoveries			
	Claims and unearned premiums paid	Administrative expenses (2)	Total	
Acceleration National Insurance Company	\$ 103,253	26,422	129,675	123,207
Allied Fidelity Insurance Company	7,208	287	7,495	1,922
American Druggists Insurance Company	441,399	36,970	478,369	761,508
American Eagle Insurance Company	277,693	67,952	345,645	229,908
American Fidelity Fire Insurance Company	73,099	3,953	77,052	232,271
American Horizon Insurance Company	373,361	197,751	571,112	389,799
American Interinsurance Exchange	668,170	37,754	705,924	357,012
American Mutual Insurance Company of Boston	2,092	826	2,918	—
American Mutual Liability Insurance Company	16,467	4,158	20,625	—
American Reserve Insurance Company	104,594	7,549	112,143	87,958
American Universal Insurance Company	11,579	4,753	16,332	1,420
Atlantic Mutual Insurance Company	5,836	36,528	42,364	—
California Compensation Insurance Company	—	(107)	(107)	—
Carriers Insurance Company	3,344,065	195,158	3,539,223	2,600,504
Classic Fire & Marine Insurance Company	253,893	107,554	361,447	365,133
Commercial Standard Insurance Company	36,703	1,986	38,689	38,689
Commonwealth General Insurance Company	15,698	9,278	24,976	50,309
Consolidated Mutual Insurance Company	—	278	278	1,625
Consolidated Underwriters	84,426	9,601	94,027	—
Constitutional Casualty Company	3,993,255	3,177,984	7,171,239	5,092,281
Coronet Insurance Company	7,078,164	2,631,839	9,710,003	4,176,236
Corporation Insular de Seguros	1,519,728	220,293	1,740,021	1,770,451
Cosmopolitan Mutual Insurance Company	12,676	278	12,954	5,824
Credit General Insurance Company	26,267	2,049	28,316	—
Crown Casualty Company	1,616,300	738,050	2,354,350	757,666
Delta Casualty Company	323,804	117,261	441,065	441,011
Edison Insurance Company	1,969,002	272,560	2,241,562	961,067
Excalibur Insurance Company	723,647	49,098	772,745	541,887
Fremont Indemnity Co.	—	15	15	—
Gallant Insurance Company	8,486,150	5,766,250	14,252,400	14,121,398
Gramercy Ins. Co.	1,235,905	337,625	1,573,530	324,183
Great Global Assurance Company	27,673	2,683	30,356	16,305
Heritage Insurance Company of America	3,645,563	235,254	3,880,817	967,138
Home Insurance Company	—	(25,976)	(25,976)	167,426
Ideal Mutual Insurance Company	1,429,006	274,992	1,703,998	286,248
IGF Insurance Company	9,503	2,367	11,870	3,820
Illinois Insurance Company	874,080	919,966	1,794,046	1,704,911
Industrial Fire & Casualty Insurance Company	1,034,544	120,675	1,155,219	102,051
Integrity Insurance Company	357,313	24,491	381,804	113,571
Interstate Bankers Casualty Company	23,327	448,213	471,540	—
Iowa National Mutual Insurance Company	2,400,754	145,954	2,546,708	1,950,476
Kenilworth Insurance Company	1,478,350	335,390	1,813,740	1,344,793
Kent Insurance Company of New York	10,302	470	10,772	—
LaSalle National Insurance Company	1,992,579	139,728	2,132,307	—
Legion Indemnity Company	2,355,623	190,708	2,546,331	2,016,776
Legion Insurance Company	515,610	72,318	587,928	66,871
Lincoln General Insurance Company	—	1,235	1,235	—
LMI Insurance Company	—	(4)	(4)	—
Main Insurance Company	278,483	37,824	316,307	—
Manchester Insurance Company	—	24,561	24,561	137,155
MCA Insurance Company	4,969	574	5,543	1,584
Merit Casualty Company	4,136,228	1,207,062	5,343,290	1,983,303

ILLINOIS INSURANCE GUARANTY FUND

Auto Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and
Advances against Expenses and Claim Costs by Insolvency

Year ended December 31, 2015

(Unaudited)

	Cumulative totals (1), unaudited			Advances against expenses and claim costs
	Claims, unearned premiums, and administrative expenses, net of recoveries			
	Claims and unearned premiums paid	Administrative expenses (2)	Total	
Metro Casualty Company	\$ 357,891	24,805	382,696	—
Mid-American Insurance Company	886,924	395,282	1,282,206	286,525
Midland Insurance Company	1,332,286	139,363	1,471,649	216,000
Millers Insurance Company	863	6,335	7,198	22,043
Millers National Insurance Company	1,713,398	209,549	1,922,947	1,904,370
Mission Insurance Company	22,339	13,748	36,087	34,425
Mission National Insurance Company	1,211,877	112,990	1,324,867	1,403,908
Missouri General Insurance Company	129,009	29,951	158,960	—
National Assurance Indemnity Company	394,182	286,658	680,840	680,715
Oak Casualty Insurance Company	1,729,072	1,749,022	3,478,094	3,539,759
Ohio General Insurance Company	870	92	962	652
Oil & Gas Insurance Company	30,510	3,699	34,209	—
Optimum Insurance Company	33,945	—	33,945	—
Prestige Casualty Company	13,822,239	1,794,155	15,616,394	10,649,561
Proprietors Insurance Company	—	1,754	1,754	17,111
Protective Casualty Company	563,346	85,484	648,830	—
Realm National Insurance Company	—	(212)	(212)	—
Reliable Insurance Company	7,737,727	636,057	8,373,784	7,242,479
Reliance Insurance Company	3,600,232	849,667	4,449,899	4,077,615
Reserve Insurance Company	13,954	54,900	68,854	402,671
Sable Insurance Company	340,976	88,576	429,552	196,792
Security Casualty Company	3,987,175	569,036	4,556,211	5,358,211
Shelby Casualty Insurance Company	272	(2,986)	(2,714)	—
Shelby Insurance Company	128,626	34,835	163,461	114,438
South Carolina Insurance Company	—	1	1	—
State Security Insurance Company	6,945,767	1,067,070	8,012,837	797,131
Statewide Insurance Company	383,297	351,395	734,692	611,229
Summit Insurance Company of New York	31,444	4,998	36,442	—
Transit Casualty Company	1,034,838	53,752	1,088,590	394,758
Ullico Casualty Co.	8,535,332	2,916,281	11,451,613	—
Union Indemnity Insurance Company of New York	217,603	40,036	257,639	277,434
United Community Insurance Company	653,230	40,791	694,021	202,927
United Fire Insurance Company	5,055,849	479,570	5,535,419	4,340,254
United Southern Assurance Company	6,294	24,245	30,539	—
Universal Security Insurance Company	5,443,322	719,202	6,162,524	2,923,509
Valor Insurance Company	15,034,318	6,879,947	21,914,265	21,928,419
Vesta Fire Insurance Company	—	3,751	3,751	407
Villanova Insurance Company	5,296	2,690	7,986	560
Western Specialty Insurance Company	463,495	448,327	911,822	71,159
Yorktown Indemnity Company	23,382	2,613	25,995	18,732
Total	\$ 135,249,521	38,337,867	173,587,388	112,009,491

(1) Includes all years through December 31, 2015.

(2) Administrative expenses, net of recoveries, including investment expenses, are allocated to each insolvency using the ratio of total hours incurred in the course of settlement of claims for each respective insolvency in relation to the number of hours incurred in the course of settlement of all claims. Administrative expenses directly applicable to an estate are directly charged thereto.

See accompanying independent auditors' report.



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Illinois Insurance Guaranty Fund and
the Director of Insurance of the State of Illinois:

We have audited the accompanying statements of net assets of the Other Account of the Illinois Insurance Guaranty Fund (the Guaranty Fund) as of December 31, 2015 and 2014, and the related statements of changes in net assets for the years then ended, 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 basis of accounting described in note 1 to the financial statements. 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 auditor considers internal control relevant to the Guaranty Fund'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 Guaranty Fund'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 that 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 financial position of the Other Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and 2014, and the results of its operations for the years then ended in accordance with the basis of accounting described in note 1.



Basis of Accounting

We draw attention to note 1, which describes the basis of accounting. The Guaranty Fund prepared these financial statements using accounting principles approved by the Illinois Department of Insurance, which principles differ from U.S. generally accepted accounting principles. Accordingly, the financial statements referred to above present only the Other Account of the Guaranty Fund and are not intended to present fairly the financial position of the Guaranty Fund as of December 31, 2015 and 2014, or the changes in its financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedule I has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in Schedule I is fairly stated in all material respects in relation to the financial statements taken as a whole. The information included in Schedule II has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restricted Use

This report is intended solely for the information and use of the Guaranty Fund and the Illinois Department of Insurance, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
April 28, 2016

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Statements of Net Assets

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Accounts receivable:		
Illinois Insurance Guaranty Fund:		
General Operating Account	\$ 122,694,276	102,589,695
Net assessments receivable	1,159,034	26,864,984
	<u>123,853,310</u>	<u>129,454,679</u>
Liabilities:		
Net assessments payable	2,187,103	576,839
Total liabilities	<u>2,187,103</u>	<u>576,839</u>
Net assets	<u>\$ 121,666,207</u>	<u>128,877,840</u>

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Statements of Changes in Net Assets

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Assessments called	\$ 1,964,546	31,180,893
Expense recoveries	69,963	34,630
Investment return	1,335,996	1,499,335
Advances against expenses and claim costs by insolvencies	8,940,269	14,230,586
Total revenues	<u>12,310,774</u>	<u>46,945,444</u>
Claims paid:		
Unearned premiums	752	16,214
Claims	13,779,817	12,964,907
Return assessments	2,194,370	4,315,909
Total claims and distributions paid	<u>15,974,939</u>	<u>17,297,030</u>
Allocated administrative expenses:		
Salaries, wages, and fringe benefits	1,431,376	1,336,268
Legal	445,972	290,309
Audit	82,610	79,637
Rent	187,160	174,788
Bank service fees	219,545	141,536
Payroll taxes	83,302	78,018
Depreciation	16,252	9,360
Outside services	378,033	244,399
Other	303,255	210,894
Total allocated administrative expenses	<u>3,147,505</u>	<u>2,565,209</u>
Direct administrative expenses:		
Legal	399,485	297,898
Outside services and other	478	395
Total allocated and direct administrative expenses	<u>3,547,468</u>	<u>2,863,502</u>
Total claims paid and administrative expenses	<u>19,522,407</u>	<u>20,160,532</u>
Increase in net assets during year	(7,211,633)	26,784,912
Net assets at beginning of year	<u>128,877,840</u>	<u>102,092,928</u>
Net assets at end of year	<u>\$ 121,666,207</u>	<u>128,877,840</u>

See accompanying notes to financial statements.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

(1) Basis of Presentation of Financial Statements and Significant Accounting Policies

The purpose of the Other Account of the Illinois Insurance Guaranty Fund (Guaranty Fund) is to provide funds for the settlement of covered claims and the return of unearned premiums on other than auto policies under the Illinois Insurance Guaranty Fund Act of 1971.

A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. generally accepted accounting principles (GAAP), the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared in accordance with accounting principles approved by the Financial Accounting Standards Board (FASB) as confirmed by the Illinois Department of Insurance. These principles differ in some respects from GAAP for entities that are subject to GASB. The more significant of these differences are as follows:

- (1) Management's discussion and analysis of the Guaranty Fund's financial activities is not presented.
- (2) The financial statements are prepared using the modified cash basis of accounting. Under the modified cash basis of accounting, the financial statements do not include reserves for policy claims and unearned premiums that have not been paid by the Guaranty Fund as of December 31, 2015 and 2014.
- (3) There are no statements of cash flows prepared for the Other Account of the Guaranty Fund.
- (4) A statement of net assets is presented instead of a statement of net position. The statements of net assets are not prepared in a classified format that distinguishes between all current and long-term assets and liabilities, deferred outflows of resources, deferred inflows of resources, and net position.
- (5) Net assets are presented in total, rather than presenting net position and categorizing as:
 - a. Invested in capital assets, net of related debt
 - b. Restricted
 - c. Unrestricted
- (6) A statement of changes in net assets is presented instead of a statement of revenues, expenses, and changes in net position. The statements of changes in net assets do not distinguish between operating and nonoperating revenues and expenses, nor do they present a separate subtotal for operating revenues, operating expenses, and operating income.

Assessment calls and return assessments are authorized by the board of directors and recognized as of the date called. Allowances are provided for amounts that are deemed by the Guaranty Fund to be uncollectible. Amounts are deemed uncollectible when management receives information as to the impairment of a member company's ability to pay. Such impairment could be a result of, but is not limited to, insolvency, supervision, liquidation, and special application for exemption from payment of assessments. At December 31, 2015 and 2014, the allowance for uncollectible assessments receivable is \$671,590 and \$576,839, respectively.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

Claims and unearned premiums paid on the Other Account are recognized at the time of a cash disbursement. Liquidating dividend distributions on the Other Account are also recognized at the time of disbursement.

The total realizable future recoveries from the estates are indeterminable at present. Recoveries from the estates are recognized when received by the Guaranty Fund.

All investments of the Guaranty Fund are held in the General Operating Account. A corresponding receivable from the General Operating Account is recorded in the Other Account. Investment return of the Guaranty Fund is allocated to the Other Account from the General Operating Account on a quarterly basis using the ratio of net assets for the Other Account in relation to the Auto Account and Other Account total net assets.

The administrative expenses, including investment expenses of the Guaranty Fund not directly applicable to the Other Account, are allocated from the General Operating Account using the ratio of hours incurred in the course of settlement of claims for each respective account in relation to the hours incurred in the course of settlement of claims for all accounts. Administrative expenses directly applicable to estates of the Other Account were directly charged thereto.

(2) Assessments Approved Not Yet Called

The Guaranty Fund has responsibility for covered claim obligations of Illinois-licensed insurance companies, against which an order of liquidation with a finding of insolvency has been entered. The Guaranty Fund also assesses the costs of covered claim obligations to companies holding a certificate of authority to transact insurance in the state of Illinois (members). The Guaranty Fund's assessments against members are in relation to previous years' direct written premiums for other than auto policies in the state of Illinois. Upon the entry of the order of liquidation, the Guaranty Fund assesses member companies for the full estimated cost of the insolvency after the information needed for such estimate is available. The assessed amounts are then called for payment from the members as funds are needed to meet the Guaranty Fund's covered claim obligations and its expenses of operation. Listed below are the assessments approved by the board of directors, but not called as of December 31, 2015:

	Outstanding assessments
American Mutual Liability Insurance Company	\$ 3,500,000
Atlantic Mutual Insurance Company	4,000,000
Casualty Reciprocal Exchange	2,500,000
Centennial Insurance Company	1,000,000
Constitutional Casualty Company	3,000,000
Freestone Insurance Company	30,000,000
Fremont Indemnity Company	22,000,000
Home Insurance Company	1,500,000
Imperial Casualty & Indemnity Company	2,000,000
Insurance Corporation of New York	2,500,000
Legion Insurance Company	15,000,000

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

	Outstanding assessments
Lincoln General Insurance Company	\$ 500,000
Lumbermens Mutual Casualty Co.	11,500,000
Professional Liability Insurance Company of America	3,250,000
Ullico Casualty Co.	16,500,000
Total	<u>\$ 118,750,000</u>

(3) Insolvencies

(a) With Outstanding Claims

Insolvent companies in which the Guaranty Fund has active open claims as of December 31, 2015 include the following:

American Mutual of Boston
American Mutual Liability Insurance Company
Atlantic Mutual Insurance Company
California Compensation Insurance Company
Casualty Reciprocal Exchange
Centennial Insurance Company
Constitutional Casualty Company
Credit General Insurance Company
Freestone Insurance Company
Fremont Indemnity Company
HIH America Compensation & Liability Insurance Company
Home Insurance Company
Ideal Mutual Insurance Company
Imperial Casualty and Indemnity Company

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

Insurance Corporation of New York
Intercontinental Insurance Company
Legion Indemnity Insurance Company
Legion Insurance Company
Lumbermens Mutual Casualty Company
Midland Insurance Company
MIIX Insurance Company
Mission Insurance Company
Phico Insurance Company
Professional Liability Insurance Company of America
Red Rock Insurance Company
Reinsurance Company of America
Reliance Insurance Company
Shelby Insurance Company
Statewide Insurance Company
Transit Casualty Company
Ullico Casualty Company
Villanova Insurance Company

(b) Without Outstanding Claims

Insolvent companies in which the Guaranty Fund has fulfilled its known responsibility and for which the Guaranty Fund no longer has outstanding claims as of December 31, 2015 include the following:

Acceleration National Insurance Company
Alliance General Insurance Company
Allied Fidelity Insurance Company
Alpine Insurance Company
American Druggists Insurance Company
American Eagle Insurance Company
American Fidelity Fire Insurance Company
American Interinsurance Exchange Company
American Universal Insurance Company
Amwest Surety Insurance Company
Aspen Indemnity Corporation
Associated Physicians Insurance Company
Carriers Insurance Company
Casualty Indemnity Exchange
Classic Fire & Marine Insurance Company
Commercial Compensation Casualty Company
Commonwealth General Insurance Company
Consolidated Mutual Insurance Company
Consolidated Underwriters
Coronet Insurance Company

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

Corporation Insular de Seguros
Cosmopolitan Mutual Insurance Company
Edison Insurance Company
Employers Casualty Company
Enterprise Insurance Company
Equity General Insurance Company
Equity Mutual Insurance Company
Excalibur Insurance Company
Frontier Insurance Company
Gallant Insurance Company
Great Global Assurance Company
Great States Insurance Company
Heritage Insurance Company of America
IGF Insurance Company
Illinois Insurance Company
Industrial Fire & Casualty Insurance Company
Inland American Insurance Company
Insurance Company of Florida
Integrity Insurance Company
Iowa National Mutual Insurance Company
Kenilworth Insurance Company
Kent Insurance Company
LaSalle National Insurance Company
LMI Insurance Company
Long Island Insurance Company
Lutheran Benevolent Insurance Exchange
Main Insurance Company
Manchester Insurance Company
Market Insurance Company
Merit Casualty Company
Millers Insurance Company
Millers National Insurance Company
Mission Insurance Company
Mission National Insurance Company
Missouri General Insurance Company
Ohio General Insurance Company
Oil & Gas Insurance Company
Optimum Insurance Company
Pine Top Insurance Company
Premier Alliance Insurance Company
Prestige Casualty Company
Professional Medical Insurance Company
Professional Mutual Insurance Company

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

Proprietors Insurance Company
Protective Casualty Insurance Company
Protective National Insurance Company
Realm National Insurance Company
Reciprocal of America
Reliable Insurance Company
Reserve Insurance Company
River Forest Insurance Company
Sable Insurance Company
Security Casualty Company
Senior Citizens Mutual Insurance Company
Shelby Casualty Insurance Company
State Security Insurance Company
Summit Insurance Company
Union Indemnity Insurance Company
United Capitol Insurance Company
United Community Insurance Company
United Fire Insurance Company
United Southern Assurance Company
Universal Security Insurance Company
Valor Insurance Company
Vesta Fire Insurance Company
Western Employers Insurance Company
Western Specialty Insurance Company
Wisconsin Surety Corporation
Yorktown Indemnity Company

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

(4) Advances against Expenses and Claims Costs by Insolvencies

The liquidation estates for the insolvencies listed below have implemented the “early access” provisions of their respective state insurance laws, and the Guaranty Fund has received advances of funds for administrative and claim adjustment expenses and claims and unearned premiums paid, which are attributed to these insolvencies. Under the terms of the “early access” provisions, a reconciliation by the liquidator of advanced funds is required prior to the determination and payment by the liquidator of a liquidating dividend. Therefore, the liquidator has the right to recall the “early access” money advanced to the Guaranty Fund. In anticipation of billings for future administrative expenses, the Guaranty Fund has also recorded advances for amounts received and expected to be assessed in the future. The following amounts were advanced to (returned by) the Guaranty Fund under the “early access” provisions during 2015 and 2014:

Insolvency	2015	2014
American Mutual Insurance Company of Boston	\$ 20,798	—
American Mutual Liability Insurance Company	248,253	98,115
Atlantic Mutual Insurance Company	66,279	—
California Compensation Insurance Company	114,919	28,349
Casualty Reciprocal Exchange	—	176,526
Centennial Insurance Company	11,547	—
Constitutional Casualty Company	8,054	947,199
Credit General Insurance Company	—	6,266,496
Equity Mutual Insurance Company	—	283
HIH America C&L Insurance Company	(994,882)	—
Home Insurance Company	754,536	54,588
Ideal Mutual Insurance Company	—	26,444
Imperial Casualty & Indemnity Company	563,261	—
Insurance Company of Florida	247,888	—
Insurance Corporation of New York	170,932	54,690
Integrity Insurance Company	543,325	1,908,982
Legion Indemnity Company	38,879	116,512
Legion Insurance Company	—	1,753,296
LMI Insurance Company	—	143
MIIX Insurance Company	995,166	—
Phico Insurance Company	—	2,552,162
Reliance Insurance Company	5,983,775	89,624
Shelby Insurance Company	—	979
Statewide Insurance Company	9,457	33,044
United Community Insurance Company	237,004	—
Villanova Insurance Company	—	123,154
Western Employers Insurance Company	(78,922)	—
	\$ 8,940,269	14,230,586

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

(5) Income Taxes

The Guaranty Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and from state income taxes under the provisions of Illinois statutes. Therefore, the Guaranty Fund has made no provision for federal or state income taxes in the accompanying financial statements.

(6) Return Assessments

Return assessments represent excess amounts collected compared to claim obligations and settlement amounts at the time of closed insolvencies. The board of directors adopted a resolution to return assessments on insolvencies to the members for the following estates:

<u>Insolvency</u>	<u>2015</u>	<u>2014</u>
American Growers Insurance Company	\$ —	2,691
Carriers Insurance Company	—	301,548
Classic Fire and Marine Insurance Company	—	77,800
Consolidated Mutual Insurance Company	—	1,220
Constitutional Casualty Company	—	500,000
Employers Casualty Company	894	902
Equity Mutual Insurance Company	335,439	—
Ideal Mutual Insurance Company	—	400,000
Integrity Insurance Company	549,786	1,929,395
Legion Insurance Company	—	—
MIIX Insurance Company	1,000,000	—
Phico Insurance Company	—	1,000,000
Prestige Casualty Company	2,420	1,472
Realm National Insurance Company	—	443
Senior Citizens Mutual Insurance Company	—	438
Shelby Casualty Insurance Company	66,991	—
Shelby Insurance Company	234,744	—
Transit Casualty Company	—	100,000
Vesta Fire Insurance Company	4,096	—
	<u>\$ 2,194,370</u>	<u>4,315,909</u>

These return assessments are charged to operations and disbursed to member insurance companies in proportion to their assessments paid. Return assessments for 2015 and 2014 were payable to members at December 31, 2015 and 2014, respectively.

(7) Contingencies

The Guaranty Fund is involved with various matters in litigation other than those related to individual covered claims arising in the normal course of business. Such matters include the statutory limitations of the Guaranty Fund’s liability on covered claims, rights to “early access” distributions from insolvent estates, and the priority of payment on certain claims filed under the operations of the Guaranty Fund.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Notes to Financial Statements

December 31, 2015 and 2014

The ultimate outcome of these matters is currently uncertain. In all cases, the implication of an adverse ruling to the Guaranty Fund would be the possibility of additional assessments upon its member companies to fund payments required by such adverse rulings. Any such assessments would be recognized as of the date voted by the board of directors.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Schedule of Assets Activity by Insolvency

Year ended December 31, 2015

	Total assets at December 31, 2014	Assessment calls	Advances against claim costs	Claims, unearned premiums, and administrative expenses, net of recoveries			Total assets at December 31, 2015
				Claims and unearned premiums paid	Administrative expenses (1)	Returned assessments	
Acceleration National Insurance Company	\$ 446	—	—	—	(127)	—	577
Alliance General Insurance Company	1,035	—	—	—	(558)	—	1,602
Alpine Insurance Company	1,378	—	—	—	—	—	1,394
American Mutual Insurance Company of Boston	1,225,044	—	20,798	53	(2,290)	—	1,261,576
American Mutual Liability Insurance Company	3,538,707	—	248,253	300,824	16,983	—	3,508,363
Associated Physicians Insurance Company	6,368	—	—	—	—	—	6,438
Atlantic Mutual Insurance Company	1,123,135	—	66,279	216,255	17,011	—	968,129
California Compensation Insurance Company	325,968	—	114,919	9,130	535	—	434,360
Casualty Reciprocal Exchange	1,171,869	—	—	65,818	20,321	—	1,098,326
Centennial Insurance Company	847,910	—	11,547	877	(6,979)	—	874,791
Constitutional Casualty Company	1,649,565	—	8,054	2,687	292	—	1,672,756
Credit General Insurance Company	7,118,150	—	—	55,764	20,649	—	7,119,701
Employers Casualty Company	—	—	—	—	(897)	894	—
Equity Mutual Insurance Company	331,795	—	—	—	—	335,439	—
Freestone Insurance Company	18,815,641	(866,478)	—	2,405,056	1,906,927	—	13,832,981
Fremont Indemnity Company	39,378,568	—	—	3,349,430	231,298	—	36,218,231
Frontier Insurance Company	497,969	—	—	—	(210)	—	498,162
HIH America C&L Insurance Company	4,052,710	—	(994,882)	132,883	11,101	—	2,955,418
Home Insurance Company	7,306,730	—	754,536	547,246	8,307	—	7,586,098
Ideal Mutual Insurance Company	295,420	—	—	1,647	617	—	296,389
Imperial Casualty & Indemnity Company	99,211	—	563,261	15,917	23,328	—	625,443
Insurance Company of Florida	—	—	247,888	—	—	—	(962)
Insurance Corporation of New York	138,355	—	170,932	3,118	(1,563)	—	1,542
Integrity Insurance Company	—	—	543,325	—	(495)	549,786	5,966
Intercontinental Insurance Company	970,102	—	—	32,850	(7,915)	—	10,525
Legion Indemnity Company	4,582,941	—	38,879	70,306	6,455	—	50,163
Legion Insurance Company	11,871,287	—	—	521,560	65,626	—	127,353
Lincoln General Insurance Company	—	500,000	—	—	2,151	—	8
LMI Insurance Company	183	—	—	—	—	—	2
Lumbermens Mutual Casualty Company	1,150,186	939,898	—	613,601	180,154	—	10,282
Midland Insurance Company	1,366,975	—	—	27,441	7,165	—	14,909
MIIX Insurance Company	783,582	—	995,166	6,723	3,677	1,000,000	11,005
Mission Insurance Company	439,916	—	—	15,656	(132)	—	4,780
Mission National Insurance Company	—	—	—	—	(1,636)	—	(6)
Phico Insurance Company	2,395,505	—	—	231,302	6,776	—	25,696

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Schedule of Assets Activity by Insolvency

Year ended December 31, 2015

	Total assets at December 31, 2014	Assessment calls	Advances against expenses and claim costs	Claims, unearned premiums, and administrative expenses, net of recoveries			Investment return (2)	Total assets at December 31, 2015
				Claims and unearned premiums paid	Administrative expenses (1)	Returned assessments		
Prestige Casualty Company	\$ —	—	—	(2,404)	(25)	2,420	(9)	—
Professional Liability Insurance Company of America	2,174,406	1,620,030	—	1,926,813	104,322	—	15,001	1,778,302
Red Rock Insurance Company	92,606	95,670	—	45,835	9,353	—	796	133,884
Reinsurance Company of America	2,361,629	—	—	542,140	50,183	—	(367,937)	1,401,369
Reliance Insurance Company	2,483,404	—	5,983,775	387,073	123,561	—	394,577	8,351,122
Shelby Casualty Insurance Company	66,247	—	—	—	(17)	66,991	727	—
Shelby Insurance Company	281,410	—	—	—	(246)	234,744	3,090	50,002
Statewide Insurance Company	884,242	—	9,457	5,276	(1,681)	—	9,685	899,789
Transit Casualty Company	282,324	—	—	186	215	—	3,102	285,025
Ullico Casualty Company	6,933,351	(324,561)	—	2,224,034	684,434	—	64,381	3,764,703
United Community Insurance Company	—	—	237,004	—	—	—	(920)	236,084
Vesta Fire Insurance Corporation	4,051	—	—	—	—	4,096	45	—
Villanova Insurance Company	1,748,597	—	—	25,472	835	—	19,125	1,741,415
Western Employers Insurance Company	78,922	(13)	(78,922)	—	—	—	13	—
Total	\$ 128,877,840	1,964,546	8,940,269	13,780,569	3,477,505	2,194,370	1,335,996	121,666,207

- (1) Administrative expenses, net of recoveries, including investment expenses, are allocated on a quarterly basis to each insolvency using the ratio of hours incurred in the course of settlement of claims for each respective insolvency in relation to the number of hours incurred in the course of settlement of claims for all claims paid. Administrative expenses directly applicable to an estate are directly charged thereto.
- (2) Investment return is allocated on a quarterly basis to each insolvency using the ratio of assets before investment income for each respective insolvency in relation to the total assets before investment income.

See accompanying independent auditors' report.

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and
Advances against Expenses and Claim Costs by Insolvency

Year ended December 31, 2015

(Unaudited)

	Cumulative totals (1), unaudited			
	Claims, unearned premiums, and administrative expenses, net of recoveries			Advances against expenses and claim costs
	Claims and unearned premiums paid	Administrative expenses (2)	Total	
Acceleration National Insurance Company	\$ 1,925	8,671	10,596	1,375
Alliance General Insurance Company	1,091,920	360,767	1,452,687	1,453,156
Allied Fidelity Insurance Company	191,701	17,605	209,306	172,404
Alpine Insurance Company	40,104	122,400	162,504	190,828
American Druggists Insurance Company	1,700,456	112,300	1,812,756	1,797,522
American Eagle Insurance Company	1,822,518	322,740	2,145,258	1,382,188
American Fidelity Fire Insurance Company	12,088	891	12,979	—
American Growers Insurance Company	—	(18,999)	(18,999)	—
American Horizon Insurance Company	—	209	209	—
American Interinsurance Exchange	4,028	1,718	5,746	3,573
American Mutua	5,109,606	502,597	5,612,203	2,016,556
American Mutual Liability Insurance Company	17,256,973	1,983,589	19,240,562	12,401,967
American Universal Insurance Company	501,756	28,562	530,318	83,447
Amwest Surety Insurance Company	508	8,297	8,805	—
Aspen Indemnity Corporation	154,666	11,818	166,484	166,484
Associated Physicians Insurance Company	719,984	91,506	811,490	756,791
Atlantic Mutual Insurance Company	901,734	243,554	1,145,288	66,279
California Compensation Insurance Company	4,665,689	1,697,399	6,363,088	3,293,305
Carriers Insurance Company	6,791,180	426,513	7,217,693	5,053,979
Casualty Indemnity Exchange	2,369	1,770	4,139	—
Casualty Reciprocal Exchange	2,027,247	640,595	2,667,842	982,309
Centennial Insurance Company	163,781	3,142	166,923	11,547
Classic Fire & Marine Insurance Company	525,019	183,445	708,464	707,677
Commercial Compensation Casualty Company	284,879	64,054	348,933	236,414
Commonwealth General Insurance Company	—	1,206	1,206	4,576
Consolidated Mutual Insurance Company	32,871	29,781	62,652	101,027
Consolidated Underwriters	36,643	4,888	41,531	—
Constitutional Casualty Company	3,133,366	2,156,957	5,290,323	2,415,484
Coronet Insurance Company	412,378	33,092	445,470	563,076
Corporation Insular de Seguros	161,390	21,825	183,215	—
Cosmopolitan Mutual Insurance Company	84	3,691	3,775	1,571
Credit General Insurance Company	20,093,856	2,579,077	22,672,933	8,695,258
Crown Casualty Insurance Company	632	—	632	—
Edison Insurance Company	74,414	8,186	82,600	29,424
Employers Casualty Company	426,659	39,137	465,796	458,637
Enterprise Insurance Company	56,854	3,060	59,914	60,241
Equity General Insurance Company	455,092	39,226	494,318	494,317
Equity Mutual Insurance Company	3,533	1,044	4,577	1,909
Excalibur Insurance Company	1,750,971	175,754	1,926,725	1,500,712
Freestone Insurance Company	3,072,860	2,418,601	5,491,461	—
Fremont Indemnity Company	87,723,742	7,798,182	95,521,924	60,178,814
Frontier Insurance Company	—	4,033	4,033	—
Gallant Insurance Company	7,605	(245)	7,360	170,772
Great Global Assurance Company	27,100	1,596	28,696	31,632
Great States Insurance Company	341,918	31,650	373,568	72,800
Heritage Insurance Company of America	908,550	64,663	973,213	457,158
HIH America Compensation & Liability Insurance Company	19,704,955	2,368,189	22,073,144	9,198,624
Home Insurance Company	5,886,727	54,345	5,941,072	3,769,698
Ideal Mutual Insurance Company	17,795,689	4,746	17,800,435	1,083,601
IGF Mutual Insurance Company	—	1,253,064	1,253,064	7,456,764
Illinois Insurance Company	—	(5,547)	(5,547)	—
Imperial Casualty & Indemnity Company	380,265	569,631	949,896	563,261
Industrial Fire & Casualty Insurance Company	652,600	94,599	747,199	45,849
Inland American Insurance Company	6,223,527	751,929	6,975,456	3,928,783
Insurance Company of Florida	516,269	34,821	551,090	551,090
Insurance Company of New York	290,258	174,249	464,507	258,937
Integrity Insurance Company	14,028,144	1,519,646	15,547,790	14,617,282
Intercontinental Insurance Company	18,602,935	1,877,451	20,480,386	6,590,988
Iowa National Mutual Insurance Company	8,154,298	459,187	8,613,485	9,497,483
Kenilworth Insurance Company	167,155	30,643	197,798	94,370
Kent Insurance Company of New York	1,733,373	108,384	1,841,757	—
LaSalle National Insurance Company	4,880,934	369,809	5,250,743	—
Legion Indemnity Company	8,070,167	1,049,325	9,119,492	9,594,968
Legion Insurance Company	38,128,697	6,775,347	44,904,044	37,344,714
Lincoln General Insurance Company	—	2,151	2,151	—
LMI Insurance Company	722	5,119	5,841	6,806
Long Island Insurance Company	16,673	7,660	24,333	7,255
Lumbermens Mutual Casualty Co.	1,322,249	833,090	2,155,339	—
Lutheran Benevolent Insurance Exchange	686,861	85,449	772,310	523,932

ILLINOIS INSURANCE GUARANTY FUND

Other Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and
Advances against Expenses and Claim Costs by Insolvency

Year ended December 31, 2015

(Unaudited)

	Cumulative totals (1), unaudited			Advances against expenses and claim costs
	Claims, unearned premiums, and administrative expenses, net of recoveries			
	Claims and unearned premiums paid	Administrative expenses (2)	Total	
Main Insurance Company	\$ 151,966	12,411	164,377	—
Manchester Insurance Company	1,872	142,909	144,781	870,798
Market Insurance Company	675,472	171,321	846,793	1,590,149
Merit Casualty Company	2,443,546	161,660	2,605,206	1,793,470
Mid-American Insurance Company	21,248	—	21,248	—
Midland Insurance Company	27,146,201	2,485,703	29,631,904	7,334,693
MIIX Insurance Company	1,230,064	680,414	1,910,478	995,166
Millers Insurance Company	77,730	3,470	81,200	62,127
Millers National Insurance Company	3,092,626	388,431	3,481,057	3,499,632
Mission Insurance Company	1,305,483	223,905	1,529,388	4,037,135
Mission National Insurance Company	7,289,284	660,946	7,950,230	8,180,790
Missouri General Insurance Company	184,909	28,204	213,113	—
National Colonial Insurance Company	—	(10,043)	(10,043)	—
Oak Casualty Insurance Company	—	16,775	16,775	—
Ohio General Insurance Company	—	—	—	217
Oil & Gas Insurance Company	649,099	87,486	736,585	769,343
Optimum Insurance Company of Illinois	23,721,099	1,522,669	25,243,768	6,464,849
Phico Insurance Company	22,719,595	2,756,937	25,476,532	16,204,349
Pine Top Insurance Company	1,914,865	162,945	2,077,810	2,077,812
Premier Alliance Insurance Company	4,662,091	319,639	4,981,730	6,025,284
Prestige Casualty Company	2,430,294	334,616	2,764,910	789,020
Professional Liability Insurance Company of America	2,463,314	388,846	2,852,160	—
Professional Medical Insurance Company	1,064,322	108,718	1,173,040	1,116,701
Professional Mutual Insurance Company	4,964,916	513,255	5,478,171	2,946,714
Proprietors' Insurance Company	496,132	164,528	660,660	1,343,882
Protective Casualty Company	9,086	186	9,272	—
Protective National Insurance Company	—	11,891	11,891	11,878
Realm National Insurance Company	—	(516)	(516)	—
Reciprocal of America	—	13,070	13,070	—
Red Rock Insurance Company	45,835	16,716	62,551	—
Reinsurance Company of America	3,742,422	612,901	4,355,323	74,089
Reliable Insurance Company	—	(17)	(17)	—
Reliance Insurance Company	52,596,296	9,387,154	61,983,450	42,670,888
Reserve Insurance Company	1,802,303	1,299,833	3,102,136	9,364,850
River Forest Insurance Company	20,657,466	2,764,532	23,421,998	1,574,860
Sable Insurance Company	—	11,872	11,872	—
Security Casualty Company	94,499	13,463	107,962	30,662
Senior Citizens Mutual Insurance Company	—	547	547	409
Shelby Casualty Insurance Company	1,122	19,805	20,927	24,371
Shelby Insurance Company	75,176	30,813	105,989	151,055
South Carolina Insurance Company	—	(1,460)	(1,460)	—
State Security Insurance Company	3,462,125	394,773	3,856,898	162,282
Statewide Insurance Company	11,832,435	2,474,501	14,306,936	14,428,641
Summit Insurance Company of New York	96,035	13,535	109,570	—
Transit Casualty Company	8,508,198	679,839	9,188,037	7,509,847
Ullico Casualty Company	7,358,582	2,135,478	9,494,060	—
Union Indemnity Insurance Company of New York	4,923,332	396,026	5,319,358	1,524,644
United Capitol Insurance Company	142,244	28,957	171,201	169,331
United Community Insurance Company	828,403	137,662	966,065	638,964
United Fire Insurance Company	—	4,907	4,907	1,596
United Southern Assurance Company	—	(47)	(47)	—
Universal Security Insurance Company	2,225,731	269,480	2,495,211	1,191,734
Vesta Fire Insurance Company	—	(3,883)	(3,883)	—
Villanova Insurance Company	3,054,722	404,861	3,459,583	6,172,984
Western Employers Insurance Company	356,335	80,752	437,087	437,068
Western Insurance Company	—	1,916	1,916	—
Western Specialty Insurance Company	1,207,634	399,876	1,607,510	95,222
Wisconsin Surety Corporation	101,800	15,874	117,674	—
Yorktown Indemnity Company	24,827	1,528	26,355	18,773
Total	\$ 541,785,883	73,596,404	615,382,287	363,505,893

(1) Includes all years through December 31, 2015.

(2) Administrative expenses, including investment expenses, are allocated to each insolvency using the ratio of total hours incurred in the course of settlement of claims for each respective insolvency in relation to the number of hours incurred in the course of settlement of all claims. Administrative expenses directly applicable to an estate are directly charged thereto.

See accompanying independent auditors' report.