



**ILLINOIS INSURANCE GUARANTY FUND**  
**GENERAL OPERATING ACCOUNT**  
**AUTO ACCOUNT**  
**OTHER ACCOUNT**

**FINANCIAL STATEMENTS**  
**(with independent auditors' reports thereon)**

**DECEMBER 31, 2016 and 2015**

# ILLINOIS INSURANCE GUARANTY FUND

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Illinois Insurance Guaranty Fund and  
the Director of Insurance of the State of Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the General Operating Account of the Illinois Insurance Guaranty Fund (the "Guaranty Fund"), which comprise the balance sheet as of December 31, 2016, and the related statements of activities and cash flows for the year 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 as described in Note B of the financial statements; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 2016 financial statements based on our audit. We conducted our audit 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 auditor's 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 entity'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 entity'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 2016 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note B of the financial statements.

***Basis of Accounting***

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared using accounting principles approved by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Prior Period Financial Statements***

The financial statements of the General Operating Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and for the year then ended were audited by other auditors, whose report dated April 28, 2016, expressed an unmodified opinion on those statements in accordance with the basis of accounting described in Note B of the financial statements.

***Restriction on Use***

This report is intended solely for the information and use of the board of directors and management 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.

*EisnerAmper LLP*

Iselin, New Jersey  
April 18, 2017

EISNERAMPER  
LLP

# ILLINOIS INSURANCE GUARANTY FUND

## General Operating Account Balance Sheets

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 922,730	\$ 791,930
Investments:		
Bonds, fair value	<u>126,450,683</u>	<u>130,222,192</u>
Total cash and investments	<b>127,373,413</b>	131,014,122
Accrued interest income	493,539	495,048
Prepaid expenses	279,740	232,346
Other assets	412	2,108
Furniture and equipment, net	<u>181,688</u>	<u>113,092</u>
Total assets	<u><b>\$ 128,328,792</b></u>	<u><b>\$ 131,856,716</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Outstanding checks payable	\$ 2,620,669	\$ 1,117,724
Due to other Illinois Insurance Guaranty Fund accounts:		
Auto account	6,124,084	5,743,839
Other account	117,499,236	122,694,276
Accounts payable and accrued expenses	622,212	648,985
Accrued postretirement benefit cost	<u>1,462,591</u>	<u>1,651,892</u>
Total liabilities	<u><b>128,328,792</b></u>	<u>131,856,716</u>
Net assets	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u><b>\$ 128,328,792</b></u>	<u><b>\$ 131,856,716</b></u>

**ILLINOIS INSURANCE GUARANTY FUND**

**General Operating Account**

**Statements of Activities**

Years Ended December 31, 2016 and 2015

	2016			2015		
	Total	Allocated to		Total	Allocated to	
		Auto Account	Other Account		Auto Account	Other Account
Investment return	\$ 2,153,850	\$ 184,680	\$ 1,969,170	\$ 1,437,825	\$ 101,829	\$ 1,335,996
Administrative expenses:						
Salaries, wages, and fringe benefits	2,077,127	932,947	1,144,180	2,001,247	569,871	1,431,376
Legal	552,157	248,003	304,154	623,526	177,554	445,972
Audit	191,038	85,805	105,233	115,500	32,890	82,610
Rent	150,456	67,578	82,878	261,673	74,513	187,160
Bank service fees	330,383	148,392	181,991	306,952	87,407	219,545
Payroll taxes	116,753	52,440	64,313	116,467	33,165	83,302
Depreciation and amortization	41,166	18,490	22,676	22,723	6,471	16,252
Outside services	532,844	239,328	293,516	528,538	150,505	378,033
Other	510,064	229,096	280,968	423,989	120,734	303,255
Total administrative expenses	<u>4,501,988</u>	<u>2,022,079</u>	<u>2,479,909</u>	<u>4,400,615</u>	<u>1,253,110</u>	<u>3,147,505</u>
Investment return less administrative expenses	<u>\$ (2,348,138)</u>	<u>\$ (1,837,399)</u>	<u>\$ (510,739)</u>	<u>\$ (2,962,790)</u>	<u>\$ (1,151,281)</u>	<u>\$ (1,811,509)</u>
Net assets at the beginning of year	\$ -			\$ -		
Investment return less administrative expenses	(2,348,138)			(2,962,790)		
Less:						
Investment return less administrative expenses allocated to:						
Auto account	(1,837,399)			(1,151,281)		
Other account	<u>(510,739)</u>			<u>(1,811,509)</u>		
Net assets at the end of year	<u>\$ -</u>			<u>\$ -</u>		

See accompanying independent auditors' report

# ILLINOIS INSURANCE GUARANTY FUND

## General Operating Account Statements of Cash Flows

	Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	41,166	22,723
Net realized investment gains	(475,720)	(338,029)
Change in unrealized investment losses	211,035	565,904
Amortization of premium and discount on investments	321,063	498,928
Changes in assets and liabilities:		
Accrued interest income	1,509	(82,436)
Prepaid expenses	(47,394)	(133,089)
Other assets	1,696	842
Due to other Illinois Insurance Guaranty Fund accounts:		
Auto account	380,245	84,750
Other account	(5,195,040)	20,104,581
Accounts payable and accrued expenses	(26,773)	109,267
Accrued postretirement benefit cost	(189,301)	(164,535)
	<u>(4,977,514)</u>	<u>20,668,906</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(109,762)	(99,767)
Purchases of investments	(84,373,859)	(148,881,014)
Sales, maturities, and redemptions of investments	88,088,990	123,569,492
	<u>3,605,369</u>	<u>(25,411,289)</u>
<b>Cash flows from financing activities:</b>		
Change in outstanding checks payable	1,502,945	(286,643)
	<u>1,502,945</u>	<u>(286,643)</u>
Net change in cash and cash equivalents	130,800	(5,029,026)
Cash and cash equivalents at beginning of year	791,930	5,820,956
Cash and cash equivalents at end of year	<u>\$ 922,730</u>	<u>\$ 791,930</u>

See accompanying independent auditors' report

# ILLINOIS INSURANCE GUARANTY FUND GENERAL OPERATING ACCOUNT

## Notes to Financial Statements December 31, 2016 and 2015

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The Illinois Insurance Guaranty Fund (the "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.

#### [2] Cash and cash equivalents:

The General Operating Account considers all highly-liquid instruments having maturities of three months or less to be cash and cash equivalents.

#### [3] Investments:

Investments comprise 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.

#### [4] 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.

#### [5] 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 \$160,458 and \$129,399 at December 31, 2016 and 2015, respectively.

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



# ILLINOIS INSURANCE GUARANTY FUND GENERAL OPERATING ACCOUNT

## Notes to Financial Statements December 31, 2016 and 2015

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [7] Concentration of credit risk:

Financial instruments which potentially expose the Guaranty Fund to concentrations of credit risk consist primarily of bonds, other than U.S. government bonds, and cash equivalents. Non-U.S. government bonds, and cash equivalents are diversified and no one investment accounts for a significant portion of the Guaranty Fund's invested assets.

#### [8] 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.

#### [9] Reclassifications:

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or net assets.

### NOTE B - BASIS OF PRESENTATION

The financial statements are prepared using accounting principles approved by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP").

Significant differences from U.S. GAAP are as follows:

A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. GAAP, the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board ("GASB"). These financial statements differ in some respects from U.S. 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  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE B - BASIS OF PRESENTATION (CONTINUED)**

- (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 non-operating revenues and expenses, nor do they present a separate subtotal for operating revenues, operating expenses, and operating income.

Other significant differences from U.S. GAAP are as follows:

- (1) The financial statements do not include a statement of comprehensive income. Current unrealized gains and losses are included in investment returns in the statements of activities. For U.S. GAAP purposes, unrealized gains and losses are either recognized in other comprehensive income or current operations dependent on management plans to hold or actively trade the related securities.
- (2) Changes in accrued postretirement benefit cost are included in administrative expenses in the statements of activities. Under U.S. GAAP, certain components of the postretirement obligation (principally prior service costs and other gains/losses) are recorded in other comprehensive income.

**NOTE C - INVESTMENTS**

The following tables present the amortized cost and estimated fair values of the Guaranty Fund's bonds at December 31, 2016 and 2015:

	<b>2016</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
U.S. government obligations	\$ 45,314,918	\$ 44,891,777
Non-U.S. government obligations	5,950,527	5,911,878
Mortgage-backed securities	2,604,359	2,606,461
Asset-backed securities	14,992,897	14,938,669
Corporate obligations	57,193,133	56,994,853
States, municipalities and political subdivisions	<u>1,125,000</u>	<u>1,107,045</u>
Total	<u>\$ 127,180,834</u>	<u>\$ 126,450,683</u>

	<b>2015</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
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	<u>303,065</u>	<u>303,105</u>
Total	<u>\$ 130,741,308</u>	<u>\$ 130,222,192</u>

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE C - INVESTMENTS (CONTINUED)**

Maturities of bonds were as follows at December 31, 2016 (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>Amortized Cost</u>	<u>Fair Value</u>
Due within one year	\$ 20,888,159	\$ 20,872,778
Due after one year through five years	106,058,416	105,356,718
Due after five years through ten years	<u>234,259</u>	<u>221,187</u>
Total	<u>\$ 127,180,834</u>	<u>\$ 126,450,683</u>

Investment return for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>			<u>2015</u>		
	<u>Total</u>	<u>Allocated to</u>		<u>Total</u>	<u>Allocated to</u>	
		<u>Auto Account</u>	<u>Other Account</u>		<u>Auto Account</u>	<u>Other Account</u>
Interest income	\$ 1,889,165	\$ 161,985	\$ 1,727,180	\$ 1,665,700	\$ 117,967	\$ 1,547,733
Net realized gain (loss) on sale of investments	475,720	40,790	434,930	338,029	23,940	314,089
Change in net unrealized gains and losses	<u>(211,035)</u>	<u>(18,095)</u>	<u>(192,940)</u>	<u>(565,904)</u>	<u>(40,078)</u>	<u>(525,826)</u>
Total investment return	<u>\$ 2,153,850</u>	<u>\$ 184,680</u>	<u>\$ 1,969,170</u>	<u>\$ 1,437,825</u>	<u>\$ 101,829</u>	<u>\$ 1,335,996</u>

Investment expenses during 2016 and 2015 were \$287,632 and \$260,047, respectively, and are reported in bank service fees within the statements of activities.

Proceeds from sales, maturities, and redemptions of investments during 2016 and 2015 were \$88,088,990 and \$123,569,492, respectively. Gross gains of \$565,059 and \$445,962 and gross losses of \$89,547 and \$118,373 were realized on those disposals in 2016 and 2015, respectively. Gross gains of \$1,772 and gross losses of \$1,564 were realized on pay downs of asset-backed and mortgage-backed securities in 2016. Gross gains of \$13,830 and gross losses of \$3,390 were realized on pay downs of asset-backed and mortgage-backed securities in 2015.

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE C - INVESTMENTS (CONTINUED)**

In December of 2016 the Guaranty Fund participated in a transaction with three other state guaranty associations and Reliance Insurance Company, In Liquidation ("Reliance") whereby the Guaranty Fund waived a claim it had against Reliance as a creditor valued at \$1,000 in return for 25 shares of Reliance common stock. This transaction, which was approved by the liquidation court in Pennsylvania after receiving a favorable Private Letter Ruling from the Internal Revenue Service, allowed Reliance to retain net operating losses that will be used to reduce its tax liability in 2016 and future years. This will increase the dividend recovery for all policy level creditors, including the Guaranty Fund, by a substantial yet undetermined amount. The Guaranty Fund's Board approved an amendment to its investment guidelines to permit the ownership of Reliance stock and approved this specific transaction. For financial statement purposes, the Guaranty Fund assigns no value to this stock. There is no market for Reliance stock and the Guaranty Fund's shares of Reliance stock are restricted as to sale. The Guaranty Fund signed a revocable proxy assigning the voting rights of the shares to the liquidator of Reliance. The proxy is revocable at any time upon written notice from the Guaranty Fund to the liquidator of Reliance. Once the liquidation is closed the stock will have no further purpose.

**NOTE D - FAIR VALUE MEASUREMENTS**

**[1] 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, 2016 and 2015. 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.

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Bonds	<b>\$ 126,450,683</b>	<b>\$ 126,450,683</b>	\$ 130,222,192	\$ 130,222,192

The carrying amounts shown in the table are included in bonds on the balance sheets.

The fair values of the financial instruments shown in the above table as of December 31, 2016 represent management's best estimates of the amounts that would be received to sell those assets in an 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.

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

**[1] Fair value of financial instruments: (continued)**

The following methods and assumptions were used to estimate the fair value of financial 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.

**[2] Fair value hierarchy:**

U.S. GAAP 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.

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.

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

**[2] Fair value hierarchy: (continued)**

The following tables present instruments that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

	<b>2016</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Bonds:				
U.S. government obligations	\$ 44,891,777	\$ -	\$ 44,891,777	\$ -
Non-U.S. government obligations	5,911,878	-	5,911,878	-
Mortgage-backed securities	2,606,461	-	2,606,461	-
Asset-backed securities	14,938,669	-	14,938,669	-
Corporate obligations	56,994,853	-	56,994,853	-
States, municipalities and political subdivisions	<u>1,107,045</u>	<u>-</u>	<u>1,107,045</u>	<u>-</u>
Total	<u>\$ 126,450,683</u>	<u>\$ -</u>	<u>\$ 126,450,683</u>	<u>\$ -</u>

	<b>2015</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
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	<u>303,105</u>	<u>-</u>	<u>303,105</u>	<u>-</u>
Total	<u>\$ 130,222,192</u>	<u>\$ -</u>	<u>\$ 130,222,192</u>	<u>\$ -</u>

The financial statements as of and for the years ended December 31, 2016 and 2015 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.

**NOTE E - 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.

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE E - POSTRETIREMENT EMPLOYEE BENEFITS (CONTINUED)**

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year:	\$ 840,728	\$ 942,381
Service cost	21,321	27,852
Interest cost	33,817	31,282
Amendments	-	-
Actuarial loss (gain)	62,727	(130,613)
Benefits paid	<u>(41,807)</u>	<u>(30,174)</u>
Accumulated postretirement benefit obligation at end of year	<u>\$ 916,786</u>	<u>\$ 840,728</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	41,807	30,174
Benefits paid	(41,807)	(30,174)
Benefit gain	-	-
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	\$ (916,786)	\$ (840,728)
Unrecognized net actuarial loss	586,393	555,443
Unrecognized prior service credit	(1,132,198)	(1,366,607)
Unrecognized net transition obligation	-	-
Accrued postretirement benefit cost	<u>\$ (1,462,591)</u>	<u>\$ (1,651,892)</u>

The Guaranty Fund amended its 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 2016 and 2015 accumulated postretirement obligation was determined using a discount rate of 3.90% and 4.10%, respectively, with a measurement date as of December 31, 2016 and 2015, respectively.

The postretirement benefit income of \$189,301 and \$164,535 for the years ended December 31, 2016 and 2015, respectively, included in the above table, is included in salaries, wages, and fringe benefits on the statements of activities.

**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE E - POSTRETIREMENT EMPLOYEE BENEFITS (CONTINUED)**

Components of the net periodic benefit income for 2016 and 2015 are shown below:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 21,321	\$ 27,852
Interest cost on accumulated postretirement benefit obligation	33,817	31,282
Amortization of accumulated loss	31,777	40,914
Amortization of unrecognized prior service credit	<u>(234,409)</u>	<u>(234,409)</u>
Net periodic benefit income	<u>(147,494)</u>	<u>(134,361)</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 cost (income) over the next fiscal year are approximately \$35,540 and \$(234,409), respectively.

The following benefit payments are expected to be paid in the following years ending December 31:

<u>Year Ending December 31,</u>	
2017	\$ 41,948
2018	43,036
2019	43,289
2020	44,508
2021	47,073
Aggregate for five fiscal years beginning 2022	249,714

Contributions to be made into the plan by the Guaranty Fund during the year ended December 31, 2017 are expected to match the benefit payments made in that period.



**ILLINOIS INSURANCE GUARANTY FUND  
GENERAL OPERATING ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE F - 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.

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

2017	\$	130,771
2018		192,930
2019		197,880
2020		185,471
2021		186,128
Thereafter		923,888

Such rental payments are subject to adjustment for taxes and expenses. Total rental expense was \$150,456 and \$261,673 in 2016 and 2015, respectively.

**NOTE G - 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.

**NOTE H - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the accompanying financial statements were available to be issued, which was April 18, 2017.

No subsequent events requiring disclosure were noted.

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Illinois Insurance Guaranty Fund and  
the Director of Insurance of the State of Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Auto Account of the Illinois Insurance Guaranty Fund (the "Guaranty Fund"), which comprise the statement of net assets as of December 31, 2016, and the related statement of changes in net assets for the year 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 as described in Note B of the financial statements; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 2016 financial statements based on our audit. We conducted our audit 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 auditor's 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 entity'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 entity'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 2016 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, 2016, and the results of its operations for the year then ended in accordance with the basis of accounting described in Note B of the financial statements.

### ***Basis of Accounting***

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared using accounting principles approved by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Prior Period Financial Statements***

The financial statements of the Auto Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and for the year then ended were audited by other auditors, whose report dated April 28, 2016, expressed an unmodified opinion on those statements in accordance with the basis of accounting described in Note B of the financial statements.

### ***Report on Supplementary Information***

Our audit was performed for the purpose of forming an opinion on the financial statements 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 included 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 as a whole. The information included in Schedule II has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

### ***Restriction on Use***

This report is intended solely for the information and use of the board of directors and management 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.

*EisnerAmper LLP*

Iselin, New Jersey  
April 18, 2017

# ILLINOIS INSURANCE GUARANTY FUND

## Auto Account Statements of Net Assets

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Accounts receivable:		
Illinois Insurance Guaranty Fund:		
General operating account	\$ 6,124,084	\$ 5,743,839
Assessments receivable, net	35,264	-
Assessments called but not billed	<u>4,000,000</u>	<u>8,500,000</u>
	<u>10,159,348</u>	<u>14,243,839</u>
<b>LIABILITIES</b>		
Assessments payable	<u>648,015</u>	<u>2,814,293</u>
	<u>648,015</u>	<u>2,814,293</u>
Net assets	<u>\$ 9,511,333</u>	<u>\$ 11,429,546</u>

# ILLINOIS INSURANCE GUARANTY FUND

## Auto Account

### Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

	Year Ended December 31,	
	2016	2015
Revenues:		
Assessments called	\$ 3,970,836	\$ 8,500,000
Expense recoveries	50,283	15,387
Investment return	184,680	101,829
Advances against expenses and claim costs by insolvencies	387,609	433,213
Total revenues	<u>4,593,408</u>	<u>9,050,429</u>
Claims paid and other:		
Unearned premiums	194	-
Claims	3,712,929	4,481,903
Return assessments	645,336	2,660,932
Total claims, distributions paid and other	<u>4,358,459</u>	<u>7,142,835</u>
Allocated administrative expenses:		
Salaries, wages, and fringe benefits	932,947	569,871
Legal	248,003	177,554
Audit	85,805	32,890
Rent	67,578	74,513
Bank service fees	148,392	87,407
Payroll taxes	52,440	33,165
Depreciation and amortization	18,490	6,471
Outside services	239,328	150,505
Other	229,096	120,734
Total allocated administrative expenses	<u>2,022,079</u>	<u>1,253,110</u>
Direct administrative expenses:		
Legal	84,613	76,408
Outside services and other	46,470	157
Total allocated and direct administrative expenses	<u>2,153,162</u>	<u>1,329,675</u>
Total claims paid and administrative expenses	<u>6,511,621</u>	<u>8,472,510</u>
(Decrease) increase in net assets during the year	<u>(1,918,213)</u>	577,919
Net assets at beginning of year	<u>11,429,546</u>	<u>10,851,627</u>
Net assets at end of year	<u>\$ 9,511,333</u>	<u>\$11,429,546</u>

See accompanying independent auditors' report

# ILLINOIS INSURANCE GUARANTY FUND AUTO ACCOUNT

## Notes to Financial Statements December 31, 2016 and 2015

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

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.

#### [2] Assessments and return assessments:

Assessments called and return assessments are authorized by the board of directors and recognized as of the date called. Assessments and return assessments are then billed or paid to member insurers in the year subsequent to the authorization by the board of directors and are reported in assessments called but not billed and assessments payable, respectively, on the statements of net assets.

The Auto Account has recorded assessments called on the statements of changes in net assets of \$3,970,836 and \$8,500,000 for the years ended December 31, 2016 and 2015, respectively, which is comprised of assessments called by not billed for the years then ended, net of certain adjustments to assessments authorized in prior years totaling \$29,164 and \$0, respectively.

The Auto Account has recorded return assessments on the statements of changes in net assets of \$645,336 and \$2,660,932 for the years ended December 31, 2016 and 2015, respectively, which represent return assessments authorized by the board of directors in 2016 and 2015, net of certain adjustments to return assessments authorized in prior years totaling \$2,569 and \$0, respectively.

Amounts outstanding for assessments billed to member insurers as of December 31, 2016 and 2015 are recorded as assessments receivable, net on the statements of net assets. 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, 2016 and 2015, the allowance for uncollectible assessments receivable is \$29,653 and \$19,227, respectively.

#### [3] Claims paid and other:

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.

#### [4] Future recoveries:

The total realizable future recoveries from the estates are indeterminable at present. Recoveries from the estates are recognized when received by the Guaranty Fund and included in advances against expenses and claim costs by insolvencies in the statements of changes in net assets.

#### [5] Allocation of administrative expenses and investment return:

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.

## **ILLINOIS INSURANCE GUARANTY FUND AUTO ACCOUNT**

### **Notes to Financial Statements December 31, 2016 and 2015**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[5] Allocation of administrative expenses and investment return: (continued)**

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.

##### **[6] 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 changes in net assets. The most significant of these estimates involve the allowance for uncollectible assessments receivable.

##### **[7] Reclassifications:**

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or net assets.

#### **NOTE B - BASIS OF PRESENTATION**

The financial statements of the Auto Account are prepared using accounting principles approved by the Illinois Department of Insurance which for the Auto Account is the cash basis of accounting, modified to record assets or liabilities with respect to cash transactions and events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. This method of accounting represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). This basis differs from U.S. GAAP primarily because certain revenue and related assets have been recognized when received rather than when earned and certain expenses and related liabilities have been recognized when paid rather than when the obligations were incurred. Other significant departures from U.S. GAAP include:

- (1) A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. GAAP, the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board ("GASB").
- (2) There are no statements of cash flows prepared for the Auto Account of the Guaranty Fund.
- (3) 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, 2016 and 2015.

**ILLINOIS INSURANCE GUARANTY FUND  
AUTO ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE C - 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, 2016:

	<b><u>Outstanding Assessments</u></b>
Lincoln General Insurance Company	\$ 500,000
Affirmative Insurance Company	<u>1,000,000</u>
Total	<u>\$ 1,500,000</u>

**NOTE D - INSOLVENCIES**

**[1] With outstanding claims:**

Insolvent companies in which the Guaranty Fund has active open claims as of December 31, 2016 include the following:

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



## ILLINOIS INSURANCE GUARANTY FUND AUTO ACCOUNT

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE D - INSOLVENCIES (CONTINUED)

##### [2] 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, 2016 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
- 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

**ILLINOIS INSURANCE GUARANTY FUND  
AUTO ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - INSOLVENCIES (CONTINUED)**

**[2] Without outstanding claims: (continued)**

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  
River Forest Insurance Company  
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

**ILLINOIS INSURANCE GUARANTY FUND  
AUTO ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - INSOLVENCIES (CONTINUED)**

**[2] Without outstanding claims: (continued)**

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

**NOTE E - 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 the Guaranty Fund under the "early access" provisions during 2016 and 2015 and may be subject to recall at the discretion of the liquidators:

<u>Insolvency</u>	<u>2016</u>	<u>2015</u>
Constitutional Casualty Company	\$ -	\$ 72,483
Cosmopolitan Mutual Insurance Company	2,692	1,849
Gramercy Insurance Company	313,690	324,183
Merit Casualty Company	-	33,906
Reliance Insurance Company	-	792
Statewide Insurance Company	<u>71,227</u>	<u>-</u>
	<u>\$ 387,609</u>	<u>\$ 433,213</u>

**NOTE F - 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.

**ILLINOIS INSURANCE GUARANTY FUND  
AUTO ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE G - 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 during the years ended December 31, 2016 and 2015:

<u>Insolvency</u>	<u>2016</u>	<u>2015</u>
Acceleration National Insurance Company	\$ -	\$ 84
American Horizon Insurance Company	562	-
Atlantic Mutual Insurance Company	33,491	-
Classic Fire and Marine Insurance Company	536	-
Constitutional Casualty Company	500,000	2,320,969
Cosmopolitan Mutual Insurance Company	2,665	1,853
Credit General Insurance Company	-	194
Delta Casualty Company	774	-
Gallant Insurance Company	1,553	105,702
IGF Insurance Company	1,073	-
Illinois Insurance Company	2,398	-
Legion Indemnity Company	4,574	-
Legion Insurance Company	3,961	-
Merit Casualty Company	-	34,278
Oak Casualty Company	3,900	-
Shelby Casualty Insurance Company	-	15,507
Shelby Insurance Company	-	68,257
Statewide Insurance Company	82,318	-
Valor Insurance Company	580	105,805
Vesta Fire Insurance Company	1,662	8,283
Villanova Insurance Company	6,766	-
Western Specialty Insurance Company	1,092	-
	<u>\$ 647,905</u>	<u>\$ 2,660,932</u>

These return assessments are charged to operations and disbursed to member insurance companies in proportion to their assessments paid. Return assessments payable on the balance sheets at December 31, 2016 and 2015 are comprised of return assessments approved above as well as unpaid return assessments approved in prior years.

**NOTE H - 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  
AUTO ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE H - CONTINGENCIES (CONTINUED)**

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.

**NOTE I - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the accompanying financial statements were available to be issued, which was April 18, 2017.

No subsequent events requiring disclosure were noted.

ILLINOIS INSURANCE GUARANTY FUND

Auto Account  
 Schedule of Assets Activity by Insolvency  
 Year Ended December 31, 2016

Schedule I

	Total Recorded Assets at December 31, 2015	Assessments Called	Advances Against Expenses and Claim Costs	Claims, Unearned premiums, and Administrative Expenses, Net of Recoveries			Investment Return (2)	Total Recorded Assets at December 31, 2016
				Claims and Unearned Premiums Paid	Administrative Expenses (1)	Return Assessments		
Affirmative Insurance Company	\$ -	\$ 2,000,000	\$ -	\$ 678,176	\$ 739,050	\$ -	\$ 7,865	\$ 590,639
American Horizon Insurance Company	-	-	-	-	(568)	562	(6)	-
Atlantic Mutual Insurance Company	32,849	-	-	-	(110)	33,491	532	-
Classic Fire & Marine Insurance Company	-	-	-	-	(541)	536	(5)	-
Constitutional Casualty Company	978,276	-	-	41,838	13,539	499,731	15,730	438,898
Cosmopolitan Mutual Insurance Company	-	-	2,692	-	-	2,665	(27)	-
Delta Casualty Company	-	-	-	-	(782)	774	(8)	-
Gallant Insurance Company	-	-	-	(1,233)	(316)	1,553	4	-
Gramercy Insurance Company	786,122	(39)	313,690	106,906	11,190	-	8,077	989,754
IGF Insurance Company	-	-	-	-	(1,084)	1,073	(11)	-
Illinois Insurance Company	-	-	-	-	(2,422)	2,398	(24)	-
Interstate Bankers Casualty Company	3,529,859	1,996,815	-	1,742,032	1,193,127	-	52,777	2,644,292
Legion Indemnity Company	-	-	-	-	(4,620)	4,574	(46)	-
Legion Insurance Company	-	-	-	-	(4,001)	3,961	(40)	-
Lincoln General Insurance Company	498,769	(411)	-	3,825	4,011	-	8,012	498,534
Oak Casualty Insurance Company	-	-	-	-	(3,940)	3,900	(40)	-
Statewide Insurance Company	-	-	71,227	-	(9,621)	80,116	(732)	-
Ullico Casualty Company	5,603,671	(25,529)	-	1,141,829	179,916	(97)	92,722	4,349,216
Valor Insurance Company	-	-	-	(250)	(333)	580	(3)	-
Vesta Fire Insurance Corporation	-	-	-	-	(1,679)	1,662	(17)	-
Villanova Insurance Company	-	-	-	-	(6,835)	6,766	(69)	-
Western Specialty Insurance Company	-	-	-	-	(1,102)	1,091	(11)	-
<b>Total</b>	<b>\$ 11,429,546</b>	<b>\$ 3,970,836</b>	<b>\$ 387,609</b>	<b>\$ 3,713,123</b>	<b>\$ 2,102,879</b>	<b>\$ 645,336</b>	<b>\$ 184,680</b>	<b>\$ 9,511,333</b>

- (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.

## Auto Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and  
 Advances against Expenses and Claim Costs by Insolvency  
 Year Ended December 31, 2016

	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
Affirmative Insurance Company	678,176	739,050	1,417,226	-
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	197,183	570,544	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	36,418	42,254	-
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	107,013	360,906	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	4,035,093	3,191,523	7,226,616	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	8,516
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	116,479	440,283	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	8,484,917	5,765,934	14,250,851	14,121,398
Gramercy Ins. Co.	1,342,811	348,815	1,691,626	637,873
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	1,283	10,786	3,820
Illinois Insurance Company	874,080	917,544	1,791,624	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 Casuatly Company	1,765,359	1,641,340	3,406,699	-
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	186,088	2,541,711	2,016,776
Legion Insurance Company	515,610	68,317	583,927	66,871
Lincoln General Insurance Company	3,825	5,246	9,071	-
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

## Auto Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and  
 Advances against Expenses and Claim Costs by Insolvency (continued)  
 Year Ended December 31, 2016

	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	
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	1,745,082	3,474,154	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	341,774	725,071	682,456
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.	9,677,161	3,096,197	12,773,358	-
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	15,034,068	6,879,614	21,913,682	21,928,419
Vesta Fire Insurance Company	-	2,072	2,072	407
Villanova Insurance Company	5,296	(4,145)	1,151	560
Western Specialty Insurance Company	463,495	447,225	910,720	71,159
Yorktown Indemnity Company	23,382	2,613	25,995	18,732
<b>Total</b>	<b>\$ 138,962,644</b>	<b>\$ 40,440,746</b>	<b>\$ 179,403,390</b>	<b>\$ 112,397,100</b>

(1) Includes all years through December 31, 2016.

(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.



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Illinois Insurance Guaranty Fund and  
the Director of Insurance of the State of Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Other Account of the Illinois Insurance Guaranty Fund (the "Guaranty Fund"), which comprise the statement of net assets as of December 31, 2016, and the related statement of changes in net assets for the year 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 as described in Note B of the financial statements; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 2016 financial statements based on our audit. We conducted our audit 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 auditor's 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 entity'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 entity'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 2016 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, 2016, and the results of its operations for the year then ended in accordance with the basis of accounting described in Note B of the financial statements.

### ***Basis of Accounting***

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared using accounting principles approved by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Prior Period Financial Statements***

The financial statements of the Other Account of the Illinois Insurance Guaranty Fund as of December 31, 2015 and for the year then ended were audited by other auditors, whose report dated April 28, 2016, expressed an unmodified opinion on those statements in accordance with the basis of accounting described in Note B of the financial statements.

### ***Report on Supplementary Information***

Our audit was performed for the purpose of forming an opinion on the financial statements 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 included 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 as a whole. The information included in Schedule II has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

### ***Restriction on Use***

This report is intended solely for the information and use of the board of directors and management 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.

*EisnerAmper LLP*

Iselin, New Jersey  
April 18, 2017

# ILLINOIS INSURANCE GUARANTY FUND

## Other Account

### Statements of Net Assets

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Accounts receivable:		
Illinois Insurance Guaranty Fund:		
General operating account	\$ 117,499,236	\$ 122,694,276
Assessments receivable, net	10,069	-
Assessments called but not billed	<u>27,000,000</u>	<u>3,353,404</u>
	<u>144,509,305</u>	<u>126,047,680</u>
<b>LIABILITIES</b>		
Assessments payable	<u>26,585,704</u>	<u>4,381,473</u>
	<u>26,585,704</u>	<u>4,381,473</u>
Net assets	<u>\$ 117,923,601</u>	<u>\$ 121,666,207</u>

# ILLINOIS INSURANCE GUARANTY FUND

## Other Account

### Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

	Year Ended December 31,	
	2016	2015
Revenues:		
Assessments called	\$ 26,787,701	\$ 1,964,546
Expense recoveries	926,027	69,963
Investment return	1,969,170	1,335,996
Advances against expenses and claim costs by insolvencies	5,595,606	8,940,269
	<u>35,278,504</u>	<u>12,310,774</u>
Total revenues		
Claims paid and other:		
Unearned premiums	-	752
Claims	8,926,221	13,779,817
Return assessments	26,577,684	2,194,370
	<u>35,503,905</u>	<u>15,974,939</u>
Total claims, distributions paid and other		
Allocated administrative expenses:		
Salaries, wages, and fringe benefits	1,144,180	1,431,376
Legal	304,154	445,972
Audit	105,233	82,610
Rent	82,878	187,160
Bank service fees	181,991	219,545
Payroll taxes	64,313	83,302
Depreciation and amortization	22,676	16,252
Outside services	293,516	378,033
Other	280,968	303,255
	<u>2,479,909</u>	<u>3,147,505</u>
Total allocated administrative expenses		
Direct administrative expenses:		
Legal	546,859	399,485
Outside services and other	490,437	478
	<u>1,037,296</u>	<u>877,963</u>
Total allocated and direct administrative expenses	<u>3,517,205</u>	<u>3,547,468</u>
Total claims paid and administrative expenses	<u>39,021,110</u>	<u>19,522,407</u>
Decrease in net assets during year	(3,742,606)	(7,211,633)
Net assets at beginning of year	<u>121,666,207</u>	<u>128,877,840</u>
Net assets at end of year	<u>\$ 117,923,601</u>	<u>\$ 121,666,207</u>

See accompanying independent auditors' report

## **ILLINOIS INSURANCE GUARANTY FUND OTHER ACCOUNT**

### **Notes to Financial Statements December 31, 2016 and 2015**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Organization:**

The purpose of the Other Account of the Illinois Insurance Guaranty Fund (the "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.

##### **[2] Assessments and return assessments:**

Assessments called and return assessments are authorized by the board of directors and recognized as of the date called. Assessments and return assessments are then billed or paid to member insurers in the year subsequent to the authorization by the board of directors and are reported in assessments called but not billed and assessments payable, respectively, on the statements of net assets.

The Other Account has recorded assessments called on the statements of changes in net assets of \$26,787,701 and \$1,964,546 for the years ended December 31, 2016 and 2015, respectively, which is comprised of assessments called by not billed for the years then ended, net of certain adjustments to assessments authorized in prior years totaling \$212,299 and \$1,388,858, respectively.

The Other Account has recorded return assessments on the statements of changes in net assets of \$26,577,684 and \$2,194,370 for the years ended December 31, 2016 and 2015, respectively, which represent return assessments authorized by the board of directors in 2016 and 2015, net of certain adjustments to return assessments authorized in prior years totaling \$5,230 and \$0, respectively.

Amounts outstanding for assessments billed to member insurers as of December 31, 2016 and 2015 are recorded as assessments receivable, net on the statements of net assets. 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, 2016 and 2015, the allowance for uncollectible assessments receivable is \$331,649 and \$671,590, respectively.

##### **[3] Claims paid and other:**

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.

##### **[4] Future recoveries:**

The total realizable future recoveries from the estates are indeterminable at present. Recoveries from the estates are recognized when received by the Guaranty Fund and included in advances against expenses and claim costs by insolvencies in the statements of changes in net assets.

##### **[5] Allocation of administrative expenses and investment return:**

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.

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[5] Allocation of administrative expenses and investment return: (continued)**

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.

**[6] 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 changes in net assets. The most significant of these estimates involve the allowance for uncollectible assessments receivable.

**[7] Reclassifications:**

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or net assets.

**NOTE B - BASIS OF PRESENTATION**

The financial statements of the Other Account are prepared using accounting principles approved by the Illinois Department of Insurance which for the Other Account is the cash basis of accounting, modified to record assets or liabilities with respect to cash transactions and events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. This method of accounting represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). This basis differs from U.S. GAAP primarily because certain revenue and related assets have been recognized when received rather than when earned and certain expenses and related liabilities have been recognized when paid rather than when the obligations were incurred. Other significant departures from U.S. GAAP include:

- (1) A state government official approves the Guaranty Fund's governing board members. As such, in accordance with U.S. GAAP, the Guaranty Fund's financial statements would normally be prepared in accordance with accounting principles approved by the Governmental Accounting Standards Board ("GASB").
- (2) There are no statements of cash flows prepared for the Other Account of the Guaranty Fund.
- (3) The financial statements do not include reserves for other than auto policy claims and unearned premiums that have not been paid by the Guaranty Fund as of December 31, 2016 and 2015.

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE C - 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, 2016:

	<b><u>Outstanding Assessments</u></b>
American Mutual Liability Insurance Company	\$ 2,000,000
Atlantic Mutual Insurance Company	2,000,000
Casualty Reciprocal Exchange	2,500,000
Centennial Insurance Company	1,000,000
Freestone Insurance Company	30,000,000
Fremont Indemnity Company	14,000,000
Home Insurance Company	1,500,000
Legion Insurance Company	15,000,000
Lincoln General Insurance Company	500,000
Lumbermens Mutual Casualty Co.	8,500,000
Lumbermens Underwriting Alliance	3,000,000
Professional Liability Insurance Company of America	3,250,000
Ullico Casualty Co.	<u>4,500,000</u>
Total	<u>\$ 87,750,000</u>

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - INSOLVENCIES**

**[1] With outstanding claims:**

Insolvent companies in which the Guaranty Fund has active open claims as of December 31, 2016 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  
Intercontinental Insurance Company  
Legion Indemnity Insurance Company  
Legion Insurance Company  
Lincoln General Insurance Company  
Lumbermens Mutual Casualty Company  
Lumbermens Underwriting Alliance  
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  
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 Growers Insurance Company



**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - INSOLVENCIES (CONTINUED)**

**[2] 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, 2016 include the following:

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  
Corporation Insular de Seguros  
Cosmopolitan Mutual Insurance Company  
Delta Casualty 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  
Insurance Corporation of New York  
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

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE D - INSOLVENCIES (CONTINUED)**

**[2] Without outstanding claims: (continued)**

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  
National Colonial 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  
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, 2016 and 2015**

**NOTE E - 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 2016 and 2015 and may be subject to recall at the discretion of the liquidators:

<u>Insolvency</u>	<u>2016</u>	<u>2015</u>
American Mutual Insurance Company of Boston	\$ 20,798	\$ 20,798
American Mutual Liability Insurance Company	309,590	248,253
Atlantic Mutual Insurance Company	102,900	66,279
California Compensation Insurance Company	292,311	114,919
Casualty Reciprocal Exchange	782,977	-
Centennial Insurance Company	-	11,547
Constitutional Casualty Company	-	8,054
Equity Mutual Insurance Company	1,272	-
HIH America C&L Insurance Company	-	(994,882)
Home Insurance Company	646,750	754,536
Imperial Casualty & Indemnity Company	73,234	563,261
Insurance Company of Florida	-	247,888
Insurance Corporation of New York	-	170,932
Integrity Insurance Company	-	543,325
Legion Indemnity Company	-	38,879
Legion Insurance Company	468,371	-
Lumbermens Mutual Casualty Company	812,865	-
MIIIX Insurance Company	-	995,166
Professional Liability Insurance Company of America	2,041,195	-
Reliance Insurance Company	43,343	5,983,775
Statewide Insurance Company	-	9,457
United Community Insurance Company	-	237,004
Western Employers Insurance Company	-	(78,922)
	<u>\$ 5,595,606</u>	<u>\$ 8,940,269</u>

**NOTE F - 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.

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE G - 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 during the years ended December 31, 2016 and 2015:

<u>Insolvency</u>	<u>2016</u>	<u>2015</u>
Acceleration National Insurance Company	\$ 693	\$ -
Alliance General Insurance Company	2,313	-
Alpine Insurance Company	1,416	-
American Growers Insurance Company	2,475	-
American Mutual Insurance Company of Boston	1,200,000	-
Associated Physicians Insurance Company	6,591	-
Centennial Insurance Company	500,000	-
Classic Fire and Marine Insurance Company	449	-
Constitutional Casualty Company	1,600,000	-
Credit General Insurance Company	4,500,000	-
Delta Casualty Company	817	-
Employers Casualty Company	846	894
Equity General Insurance Company	1,992	-
Equity Mutual Insurance Company	1,293	335,439
Frontier Insurance Company	497,051	-
Ideal Mutual Insurance Company	150,000	-
Insurance Company of Florida	250,934	-
Insurance Corporation of New York	301,576	-
Integrity Insurance Company	-	549,786
Legion Indemnity Company	2,000,000	-
Legion Insurance Company	5,000,000	-
LMI Insurance Company	188	-
Midland Insurance Company	800,000	-
MIIIX Insurance Company	500,000	1,000,000
Millers National Insurance Company	10,113	-
Mission Insurance Company	200,000	-
Mission National Insurance Company	1,656	-
National Colonial Insurance Company	4,803	-
Phico Insurance Company	2,000,000	-

**ILLINOIS INSURANCE GUARANTY FUND  
OTHER ACCOUNT**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**NOTE G - RETURN ASSESSMENTS (CONTINUED)**

<u>Insolvency</u>	<u>2016</u>	<u>2015</u>
Prestige Casualty Company	-	2,420
Protective National Insurance Company	672	-
Reliance Insurance Company	4,500,000	-
Shelby Casualty Insurance Company	-	66,991
Shelby Insurance Company	-	234,744
Statewide Insurance Company	750,000	-
Transit Casualty Company	150,000	-
United Community Insurance Company	239,916	-
Vesta Fire Insurance Company	-	4,096
Villanova Insurance Company	1,400,000	-
Western Specialty Insurance Company	7,120	-
	<u>\$ 26,582,914</u>	<u>\$ 2,194,370</u>

These return assessments are charged to operations and disbursed to member insurance companies in proportion to their assessments paid. Return assessments payable on the balance sheets at December 31, 2016 and 2015 are comprised of return assessments approved above as well as unpaid return assessments approved in prior years.

**NOTE H - 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.

**NOTE I - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the accompanying financial statements were available to be issued, which was April 18, 2017.

No subsequent events requiring disclosure were noted.

Other Account  
Schedule of Assets Activity by Insolvency  
Year Ended December 31, 2016

	Total Assets at December 31, 2015	Assessments Called	Advances Against Expenses and Claim Costs	Claims, Unearned Premiums, and Administrative Expenses, Net of Recoveries			Investment Return (2)	Total Assets at December 31, 2016
				Claims and Unearned Premiums Paid	Administrative Expenses (1)	Return Assessments		
Acceleration National Insurance Company	\$ 577	\$ -	\$ -	\$ -	\$ (108)	\$ 693	\$ 8	\$ -
Alliance General Insurance Company	1,602	-	-	-	(692)	2,313	19	-
Alpine Insurance Company	1,394	-	-	-	-	1,416	22	-
American Growers Insurance Company	-	-	-	-	(2,500)	2,475	(25)	-
American Mutual Insurance Company of Boston	1,261,576	-	20,798	-	(1,983)	1,200,000	20,276	104,633
American Mutual Liability Insurance Company	3,508,363	-	309,590	203,406	20,054	-	57,232	3,651,725
Associated Physicians Insurance Company	6,438	-	-	-	(49)	6,591	104	-
Atlantic Mutual Insurance Company	968,129	2,000,000	102,900	121,238	13,754	-	14,441	2,950,478
California Compensation Insurance Company	434,360	-	292,311	(112)	2,153	-	9,761	734,391
Casualty Reciprocal Exchange	1,098,326	-	782,977	66,646	(9,972)	-	30,277	1,854,906
Centennial Insurance Company	874,791	-	-	3,372	(3,949)	500,000	14,153	389,521
Classic Fire & Marine Insurance Company	-	-	-	-	(453)	449	(4)	-
Constitutional Casualty Company	1,672,756	-	-	1,155	(1,915)	1,599,112	27,130	101,534
Credit General Insurance Company	7,119,701	-	-	40,516	13,224	4,500,000	115,520	2,681,481
Delta Casualty Company	-	-	-	-	(825)	817	(8)	-
Employers Casualty Company	-	-	-	-	(855)	846	(9)	-
Equity General Insurance Company	-	-	-	-	(2,012)	1,992	(20)	-
Equity Mutual Insurance Company	-	-	1,272	-	-	1,293	21	-
Freestone Insurance Company	13,832,981	(61,084)	-	2,096,861	1,424,334	-	230,623	10,481,325
Fremont Indemnity Company	36,218,231	7,979,262	-	2,391,901	277,747	-	590,341	42,118,186
Frontier Insurance Company	498,162	(1,056)	-	-	741	497,052	687	-
HIH America C&L Insurance Company	2,955,418	-	-	127,166	9,278	-	47,936	2,866,910
Home Insurance Company	7,586,098	(1,290)	646,750	509,977	23,031	-	116,785	7,815,335
Ideal Mutual Insurance Company	296,389	-	-	-	192	150,000	4,810	151,007
Imperial Casualty & Indemnity Company	625,443	-	73,234	8,715	17,236	-	11,274	684,000
Insurance Company of Florida	246,926	-	-	-	-	250,934	4,008	-
Insurance Corporation of New York	309,274	-	-	2,274	427	301,576	5,003	10,000
Intercontinental Insurance Company	955,692	-	-	31,552	(7,952)	-	15,450	947,542
Legion Indemnity Company	4,595,222	-	-	70,306	(42,461)	2,000,000	74,104	2,641,481
Legion Insurance Company	11,411,454	(9,960)	468,371	271,454	(121,637)	5,000,000	191,404	6,911,452
Lincoln General Insurance Company	497,857	(8,399)	-	1,561	10,440	-	8,177	485,634
LMI Insurance Company	185	-	-	-	-	188	3	-
Lumbermens Mutual Casualty Company	1,306,611	2,986,688	812,865	204,998	(299,125)	-	11,334	5,211,625
Lumbermens Underwriting Alliance	-	2,000,000	-	214,683	333,789	-	5,020	1,456,548
Midland Insurance Company	1,347,278	-	-	27,872	1,720	799,863	21,876	539,699
MIIIX Insurance Company	779,353	-	-	2,867	961	500,000	12,659	288,184
Millers National Insurance Company	-	-	-	-	(10,216)	10,113	(103)	-
Mission Insurance Company	429,172	-	-	16,282	-	197,573	6,940	222,257
Mission National Insurance Company	1,630	-	-	-	-	1,656	26	-
National Colonial Insurance Company	-	-	-	-	(4,852)	4,803	(49)	-
Phico Insurance Company	2,183,123	-	-	-	(10,159)	1,998,221	35,234	230,295

## Other Account

## Schedule of Assets Activity by Insolvency (continued)

Year Ended December 31, 2016

	Total assets at December 31, 2015	Assessments Called	Advances Against Expenses and Claim Costs	Claims, Unearned Premiums, and Administrative Expenses, Net of Recoveries			Investment Return (2)	Total Assets at December 31, 2016
				Claims and Unearned Premiums Paid	Administrative Expenses (1)	Return Assessments		
Professional Liability Insurance Company of America	\$ 1,778,302	\$ (64,298)	\$ 2,041,195	\$ 296,072	\$ 60,841	\$ -	\$ 9,700	\$ 3,407,986
Protective National Insurance Company	-	-	-	-	(679)	672	(7)	-
Red Rock Insurance Company	133,884	(3,597)	-	3,851	6,748	-	2,232	121,920
Reinsurance Company of America	1,401,369	-	-	445,773	59,578	-	21,611	917,629
Reliance Insurance Company	8,351,122	-	43,343	258,091	216,221	4,500,000	135,895	3,556,048
Shelby Insurance Company	50,002	(3,352)	-	-	(20)	-	845	47,515
Statewide Insurance Company	899,789	-	-	827	(39,414)	750,000	14,798	203,174
Transit Casualty Company	285,025	-	-	377	377	150,000	4,626	138,897
Ullico Casualty Company	3,764,703	11,974,787	-	1,478,313	679,201	-	65,127	13,647,103
United Community Insurance Company	236,084	-	-	-	-	239,916	3,832	-
Villanova Insurance Company	1,741,415	-	-	28,227	(11,849)	1,400,000	28,143	353,180
Western Employers Insurance Company	-	-	-	-	(7,192)	7,120	(72)	-
Total	<u>\$ 121,666,207</u>	<u>\$ 26,787,701</u>	<u>\$ 5,595,606</u>	<u>\$ 8,926,221</u>	<u>\$ 2,591,178</u>	<u>\$ 26,577,684</u>	<u>\$ 1,969,170</u>	<u>\$ 117,923,601</u>

(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.

## Other Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and  
Advances Against Expenses and Claim Costs by Insolvency  
Year Ended December 31, 2016

	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	\$ 8,563	\$ 10,488	\$ 1,375
Alliance General Insurance Company	1,091,920	360,075	1,451,995	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	-	(21,499)	(21,499)	-
American Horizon Insurance Company	-	209	209	-
American Interinsurance Exchange	4,028	1,718	5,746	3,573
American Mutual Insurance Company of Boston	5,109,606	500,614	5,610,220	2,037,354
American Mutual Liability Insurance Company	17,460,379	2,003,643	19,464,022	12,711,557
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	91,457	811,441	756,791
Atlantic Mutual Insurance Company	1,022,972	257,308	1,280,280	169,179
California Compensation Insurance Company	4,665,577	1,699,552	6,365,129	3,585,616
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	2,093,893	630,623	2,724,516	1,765,286
Centennial Insurance Company	167,153	(807)	166,346	11,547
Classic Fire & Marine Insurance Company	525,019	182,992	708,011	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	3,134,521	2,155,042	5,289,563	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	20,134,372	2,592,301	22,726,673	8,695,258
Crown Casualty Insurance Company	632	-	632	-
Delta Casualty Company	-	(825)	(825)	-
Edison Insurance Company	74,414	8,186	82,600	29,424
Employers Casualty Company	426,659	38,282	464,941	458,637
Enterprise Insurance Company	56,854	3,060	59,914	60,241
Equity General Insurance Company	455,092	37,214	492,306	494,317
Equity Mutual Insurance Company	3,533	1,044	4,577	3,181
Excalibur Insurance Company	1,750,971	175,754	1,926,725	1,500,712
Freestone Insurance Company	5,169,721	3,842,935	9,012,656	-
Fremont Indemnity Company	90,115,643	8,075,929	98,191,572	60,178,814
Frontier Insurance Company	-	4,774	4,774	-
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	19,832,121	2,377,467	22,209,588	9,198,624
Home Insurance Company	6,396,704	77,376	6,474,080	4,416,448
Ideal Mutual Insurance Company	17,795,689	4,938	17,800,627	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	388,980	586,867	975,847	636,495
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	292,532	174,676	467,208	258,937
Integrity Insurance Company	14,028,144	1,519,646	15,547,790	14,617,282
Intercontinental Insurance Company	18,634,487	1,869,499	20,503,986	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	8,140,473	1,006,864	9,147,337	9,594,968
Legion Insurance Company	38,400,151	6,653,710	45,053,861	37,813,085
Lincoln General Insurance Company	1,561	12,591	14,152	-
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.	1,527,247	533,965	2,061,212	812,865
Lumbermens Underwriting Alliance	214,683	333,789	548,472	-
Lutheran Benevolent Insurance Exchange	686,861	85,449	772,310	523,932



## Other Account

Schedule of Cumulative Claims, Expenses, Liquidating Dividends, and  
 Advances Against Expenses and Claim Costs by Insolvency (continued)  
 Year Ended December 31, 2016

	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	27,174,073	2,487,423	29,661,496	7,334,693
MIIX Insurance Company	1,232,931	681,375	1,914,306	995,166
Millers Insurance Company	77,730	3,470	81,200	62,127
Millers National Insurance Company	3,092,626	378,215	3,470,841	3,499,632
Mission Insurance Company	1,321,765	223,905	1,545,670	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	-	(14,895)	(14,895)	-
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	2,746,778	25,466,373	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	2,759,386	449,687	3,209,073	2,041,195
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	-	11,212	11,212	11,878
Realm National Insurance Company	-	(516)	(516)	-
Reciprocal of America	-	13,070	13,070	-
Red Rock Insurance Company	49,686	23,464	73,150	-
Reinsurance Company of America	4,188,195	672,479	4,860,674	74,089
Reliable Insurance Company	-	(17)	(17)	-
Reliance Insurance Company	52,854,387	9,603,375	62,457,762	42,714,231
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	30,793	105,969	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	11,833,262	2,435,087	14,268,349	14,428,641
Summit Insurance Company of New York	96,035	13,535	109,570	-
Transit Casualty Company	8,508,575	680,216	9,188,791	7,509,847
Ullico Casualty Company	8,836,895	2,814,679	11,651,574	-
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	3,082,949	393,012	3,475,961	6,172,984
Western Employers Insurance Company	356,335	73,560	429,895	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
<b>Total</b>	<b>\$ 550,712,104</b>	<b>\$ 76,187,582</b>	<b>\$ 626,899,686</b>	<b>\$ 369,101,499</b>

(1) Includes all years through December 31, 2016.

(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.