

WESTERN GUARANTY FUND SERVICES

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 175,161	\$ 173,821
Accounts receivable	183,653	232,775
Prepaid expenses	<u>59,846</u>	<u>34,035</u>
Total current assets	418,660	440,631
FURNITURE AND EQUIPMENT, NET	28,662	35,767
DEPOSITS	<u>7,604</u>	<u>7,604</u>
TOTAL	<u>\$ 454,926</u>	<u>\$ 484,002</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,597	\$ 27,962
Accrued liabilities	<u>68,667</u>	<u>70,273</u>
Total current liabilities	76,264	98,235
ADVANCES FROM MEMBER FUNDS	<u>378,662</u>	<u>385,767</u>
TOTAL LIABILITIES	<u>454,926</u>	<u>484,002</u>
UNRESTRICTED NET ASSETS	<u>—</u>	<u>—</u>
TOTAL	<u>\$ 454,926</u>	<u>\$ 484,002</u>

See notes to financial statements.

WESTERN GUARANTY FUND SERVICES

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
REVENUES		
Operating assessments	\$ 1,864,013	\$ 1,926,630
EXPENSES		
Operating expenses (allocated to Member Guaranty Associations):		
Salaries and payroll taxes	1,216,169	1,170,051
Employee benefits	159,646	157,352
Rent	126,640	117,885
Professional services	121,847	238,080
Travel and meetings	66,347	81,954
Retirement plan contribution	64,091	65,956
Supplies and other	45,278	47,163
Equipment expense	31,238	29,923
Business insurance	25,384	11,142
Telephone	<u>7,373</u>	<u>7,124</u>
Total expenses	<u>1,864,013</u>	<u>1,926,630</u>
CHANGE IN UNRESTRICTED NET ASSETS	—	—
NET ASSETS, BEGINNING OF YEAR	<u>—</u>	<u>—</u>
NET ASSETS, END OF YEAR	<u>\$ —</u>	<u>\$ —</u>

See notes to financial statements.

WESTERN GUARANTY FUND SERVICES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ —	\$ —
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,436	24,957
Changes in operating assets and liabilities:		
Accounts receivable	49,122	40,164
Prepaid expenses and deposits	(25,811)	(11,947)
Accounts payable	(20,365)	10,865
Accrued liabilities	<u>(1,606)</u>	<u>1,171</u>
Net cash provided by operating activities	<u>27,776</u>	<u>65,210</u>
INVESTING ACTIVITIES		
Net cash used in investing activities —		
Purchases of furniture and equipment	<u>(19,331)</u>	<u>(5,195)</u>
FINANCING ACTIVITIES		
Net cash used in financing activities —		
Repayments of member funds, net	<u>(7,105)</u>	<u>(19,762)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,340	40,253
CASH AND CASH EQUIVALENTS, Beginning of year	<u>173,821</u>	<u>133,568</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 175,161</u>	<u>\$ 173,821</u>

See notes to financial statements.

WESTERN GUARANTY FUND SERVICES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business — Western Guaranty Fund Services (the Company) is a not-for-profit, unincorporated association of the insurance guaranty associations in the states of Colorado, Idaho, Kansas, Montana, Nebraska, Washington and Wyoming (Member Guaranty Associations). These Member Guaranty Associations were created by statute in their respective states to pay policy holder claims in connection with insolvent insurers covered by the guaranty fund statutes in their respective states. The Company, located in Denver, Colorado, provides management services to the Member Guaranty Associations, the expense of which is borne by the Member Guaranty Associations. Operating expenses are allocated to the Member Guaranty Associations and individual insolvencies based on claim volume and complexity.

Basis of Presentation — The financial statements of the Company have been prepared on the accrual basis.

Cash and Cash Equivalents — The Company considers all highly liquid temporary cash investments with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable — Accounts receivable are from the various Member Guaranty Associations for reimbursement of association-specific expenses paid by the Company and reimbursements of the Company's operating expenses allocated to the associations. Accounts receivable are considered by management to be fully collectible.

Furniture and Equipment — Furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to ten years.

Revenue and Operating Expenses — Revenue consists solely of assessments of Member Guaranty Associations for operating expenses. Assessments are recorded as revenue when operating expenses are incurred. Operating expenses are allocated to Member Guaranty Associations based on a claim rating system which factors in the complexity and time involved for open claims for each insolvency within each state.

Direct costs related to specific insolvencies paid by the Company and reimbursed by the Member Guaranty Associations were \$572,877 and \$638,264 during the years ended December 31, 2016 and 2015, respectively. These expenses are not recorded as revenue or expense by the Company.

Income Taxes — The Company is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes.

Tax years that remain subject to examination include 2013 through the current period. The Company believes that it does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates — The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Company has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of December 31:

	2016	2015
Furniture and equipment	\$ 673,505	\$ 677,960
Less accumulated depreciation	<u>644,843</u>	<u>642,193</u>
Furniture and equipment, net	<u>\$ 28,662</u>	<u>\$ 35,767</u>

3. MEMBER GUARANTY ASSOCIATION FUNDS

The Member Guaranty Associations were established to provide funds for the settlement of covered claims for losses or return of unearned premiums on covered policies of insolvent insurers, through assessing member insurers within each state. These Member Guaranty Associations have organized the Company to assist in the discharge of their statutory responsibilities. Member Guaranty Association funds, reported on a cash basis, under management by the Company amounted to \$180,598,223 and \$182,441,774 as of December 31, 2016 and 2015, respectively.

The following summarizes fund transactions of Member Guaranty Associations during the years ended December 31.

	2016	2015
Member Guaranty Association funds, beginning of year	<u>\$ 182,441,774</u>	<u>\$ 175,775,821</u>
Cash receipts:		
Member insurer assessments	2,502,358	6,029,627
Interest income	1,586,517	1,059,623
Recoveries	4,198,145	12,402,417
Large deductible workers' compensation	<u>656,808</u>	<u> </u>
Total cash receipts	<u>8,943,828</u>	<u>19,491,667</u>

	2016	2015
Cash disbursements:		
Premium refunds		3,756
Losses	7,583,875	9,135,387
Loss adjusting expense — allocated	625,115	1,086,723
Loss adjusting expense — unallocated	2,478,828	2,585,580
Refund of assessments	<u>99,561</u>	<u>14,268</u>
Total cash disbursements	<u>10,787,379</u>	<u>12,825,714</u>
Member Guaranty Association funds, end of year	<u>\$ 180,598,223</u>	<u>\$ 182,441,774</u>

Member Guaranty Association funds, by state association are as follows as of December 31:

	2016	2015
Colorado	\$ 73,416,701	\$ 74,905,140
Idaho	6,758,410	7,303,048
Kansas	28,430,439	28,820,475
Montana	17,384,382	19,554,439
Nebraska	33,362,796	32,167,250
Washington	19,735,959	18,120,953
Wyoming	<u>1,509,536</u>	<u>1,570,469</u>
Total	<u>\$ 180,598,223</u>	<u>\$ 182,441,774</u>

Nebraska Guaranty Association has available a \$5,000,000 revolving line of credit, bearing interest at the prime rate, renewable annually. The line of credit bears interest at the prime interest rate (3.75% at December 31, 2016). The line of credit matures on September 30, 2017. There were no draws on the line during the years ended December 31, 2016 and 2015 and there is no outstanding balance at December 31, 2016 and 2015.

The unaudited reserve for unpaid loss and loss adjustment expenses as estimated by the Company for each Member Guaranty Association as of December 31 is as follows:

	2016 (Unaudited)	2015 (Unaudited)
Colorado	\$ 42,356,219	\$ 42,184,785
Idaho	6,356,191	6,740,898
Kansas	22,681,908	21,903,686
Montana	24,222,682	27,566,552
Nebraska	22,208,930	21,990,230
Washington	12,342,177	11,385,860
Wyoming	<u>318,357</u>	<u>386,467</u>
Total	<u>\$ 130,486,464</u>	<u>\$ 132,158,478</u>

4. **ADVANCES FROM MEMBER GUARANTY ASSOCIATIONS**

The Company receives advances from the Member Guaranty Associations to finance operations and to acquire furniture and equipment. If the Company Board of Directors voted to dissolve the Company (by a two-thirds vote), as of December 31, 2016, \$350,000 of the amount advanced is refundable to the respective state Member Guaranty Associations. Amounts in excess of \$350,000 are recognized as operating assessment revenue in connection with the recognition of depreciation of the furniture and equipment which were acquired with the advances.

5. **COMMITMENTS AND CONTINGENCIES**

The Company leases its office facilities under a non-cancellable operating lease. The lease requires the Company to be responsible for insurance, maintenance of the premises, and its pro rata share of the increase in building operating costs over such costs incurred in 2015, the base year of the lease. Additionally, the Company leases equipment under operating leases. Rent and lease expense was \$130,719 and \$121,694, respectively for the years ended December 31, 2016 and 2015. The future operating lease commitments, exclusive of operating costs, for the years ended December 31 are as follows:

2017	\$	121,004
2018		123,948
2019		124,443
2020		<u>72,975</u>
Total	\$	<u>442,370</u>

6. **CONCENTRATIONS OF CREDIT RISK**

Certain financial instruments potentially subject the Company to concentrations of credit risk, primarily cash maintained in banks. The Company's operating cash periodically exceeds the FDIC insurance limits.

7. **SCHEDULE OF PROGRAM AND SUPPORTING SERVICES**

The Company provides management and other supervisory services to Member Guaranty Associations in connection with insolvent insurers covered by the guaranty fund statutes in their respective states.

The following summarizes the Company's expenses by program and supporting services:

	2016	2015
Program services:		
Management and other supervisory services	\$ 1,677,612	\$ 1,733,967
Supporting services:		
General and administrative	<u>186,401</u>	<u>192,663</u>
Total	<u>\$ 1,864,013</u>	<u>\$ 1,926,630</u>

8. RETIREMENT PLAN

All employees are eligible to participate in a qualified 401(k) retirement plan on the first semi-annual plan date following one year of service. The Company makes a contribution of 3% of annual salary for all employees, regardless of participation, which is 100% vested immediately. In addition, the Company matches up to an additional 3% of an employee's contribution which is 100% vested after three years of service. Retirement plan contributions for the years ended December 31, 2016 and 2015 were \$64,091 and \$65,956, respectively.

WESTERN GUARANTY FUND SERVICES

SUPPLEMENTAL SCHEDULES

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Year Ended December 31, 2016

	Iowa National	Integrity	American Mutual of Boston	American Mutual Liability	Western Employers	Rockwood
Cash receipts:						
Member insurer assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	12,510	-	1,357	81	-	1,934
Recoveries	-	-	2,175	12,323	-	-
Large deductible workers compensation	-	-	-	-	-	-
Total cash receipts	<u>12,510</u>	<u>-</u>	<u>3,532</u>	<u>12,404</u>	<u>-</u>	<u>1,934</u>
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	6,933	-	1,994	-	-	8,944
Loss adjusting expenses - allocated	-	-	7	-	-	-
Loss adjusting expenses - unallocated	1,546	-	3,098	-	-	1,546
Refund of assessments	-	-	-	12,401	35,091	-
Total cash disbursements	<u>8,479</u>	<u>-</u>	<u>5,099</u>	<u>12,401</u>	<u>35,091</u>	<u>10,490</u>
Increase (decrease) in restricted member guaranty funds	4,031	-	(1,567)	3	(35,091)	(8,556)
Restricted member guaranty funds:						
Beginning of year	<u>1,656,474</u>	<u>(9,963)</u>	<u>178,891</u>	<u>12,350</u>	<u>35,091</u>	<u>260,405</u>
End of year	<u>\$ 1,660,505</u>	<u>\$ (9,963)</u>	<u>\$ 177,324</u>	<u>\$ 12,353</u>	<u>\$ -</u>	<u>\$ 251,849</u>
Composition of restricted member guaranty funds						
December 31, 2016:						
Cash and cash equivalents	\$ 144,322	\$ (9,963)	\$ 15,412	\$ 1,074	\$ -	\$ 21,889
Short-term investments	1,516,183	-	161,912	11,279	-	229,960
	<u>\$ 1,660,505</u>	<u>\$ (9,963)</u>	<u>\$ 177,324</u>	<u>\$ 12,353</u>	<u>\$ -</u>	<u>\$ 251,849</u>

See accompanying independent auditors' report

Schedule 5

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Year Ended December 31, 2016

	United Community	Lutheran Benevolent	Commercial Comp	Credit General	HIH America	Reliance
Cash receipts:						
Member insurer assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	18,035	-	108,541
Recoveries	-	1,546	-	-	1,115	36,584
Large deductible workers compensation	-	-	-	-	-	(7,481)
Total cash receipts	-	1,546	-	18,035	1,115	137,644
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	-	-	-	28,915	-	154,884
Loss adjusting expenses - allocated	-	-	-	171	-	10,749
Loss adjusting expenses - unallocated	-	-	-	3,098	-	35,398
Refund of assessments	14,886	1,546	5,502	-	-	-
Total cash disbursements	14,886	1,546	5,502	32,184	-	201,031
Increase (decrease) in restricted member guaranty funds	(14,886)	-	(5,502)	(14,149)	1,115	(63,387)
Restricted member guaranty funds:						
Beginning of year	14,886	-	5,502	2,397,611	(29,656)	14,426,826
End of year	\$ -	\$ -	\$ -	\$ 2,383,462	\$ (28,541)	\$ 14,363,439
Composition of restricted member guaranty funds December 31, 2016:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 207,157	\$ (28,541)	\$ 1,248,391
Short-term investments	-	-	-	2,176,305	-	13,115,048
	\$ -	\$ -	\$ -	\$ 2,383,462	\$ (28,541)	\$ 14,363,439

Schedule 5

See accompanying independent auditors' report

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Year Ended December 31, 2016

	Phico	Home	Fremont Insurance	Legion	Casualty Reciprocal Exchange	Imperial
Cash receipts:						
Member insurer assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	10,130	4,580	7,962	49,190	-	-
Recoveries	-	(52,281)	-	-	30,135	-
Large deductible workers compensation	-	-	-	3,998	-	-
Total cash receipts	10,130	(47,701)	7,962	53,188	30,135	-
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	50,826	2,565	2,146	118,366	-	-
Loss adjusting expenses - allocated	(1,061)	1,353	800	5,599	-	-
Loss adjusting expenses - unallocated	4,702	10,858	7,754	12,409	-	-
Refund of assessments	-	-	-	-	30,135	-
Total cash disbursements	54,467	14,776	10,700	136,374	30,135	-
Increase (decrease) in restricted member guaranty funds	(44,337)	(62,477)	(2,738)	(83,186)	-	-
Restricted member guaranty funds:						
Beginning of year	1,367,611	617,006	1,056,661	6,567,544	-	(2,253)
End of year	\$ 1,323,274	\$ 554,529	\$ 1,053,923	\$ 6,484,358	\$ -	\$ (2,253)
Composition of restricted member guaranty funds						
December 31, 2016:						
Cash and cash equivalents	\$ 115,012	\$ 48,197	\$ 91,601	\$ 563,585	\$ -	\$ (2,253)
Short-term investments	1,208,262	506,332	962,322	5,920,773	-	-
	\$ 1,323,274	\$ 554,529	\$ 1,053,923	\$ 6,484,358	\$ -	\$ (2,253)

See accompanying independent auditors' report

Schedule 5

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Year Ended December 31, 2016

	Atlantic Mutual	Centennial	Lumbermens Mutual Casualty	Ullico Casualty	Freestone	Red Rock
Cash receipts:						
Member insurer assessments	\$ -	\$ -	\$ 929,312	\$ -	\$ 126,908	\$ 945,431
Interest income	2,394	357	27,665	2,446	478	3,121
Recoveries	7,083	-	117,694	-	-	-
Large deductible workers compensation	-	-	-	-	-	-
Total cash receipts	<u>9,477</u>	<u>357</u>	<u>1,074,671</u>	<u>2,446</u>	<u>127,386</u>	<u>948,552</u>
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	3,941	6,933	229,889	5,612	2,824	158,531
Loss adjusting expenses - allocated	44	-	14,167	512	1,163	35,685
Loss adjusting expenses - unallocated	3,580	3,098	60,507	4,727	7,072	55,887
Refund of assessments	-	-	-	-	-	-
Total cash disbursements	<u>7,565</u>	<u>10,031</u>	<u>304,563</u>	<u>10,851</u>	<u>11,059</u>	<u>250,103</u>
Increase (decrease) in restricted member guaranty funds	1,912	(9,674)	770,108	(8,405)	116,327	698,449
Restricted member guaranty funds:						
Beginning of year	<u>318,630</u>	<u>51,688</u>	<u>3,014,420</u>	<u>327,289</u>	<u>(36,239)</u>	<u>(228,674)</u>
End of year	<u>\$ 320,542</u>	<u>\$ 42,014</u>	<u>\$ 3,784,528</u>	<u>\$ 318,884</u>	<u>\$ 80,088</u>	<u>\$ 469,775</u>
Composition of restricted member guaranty funds December 31, 2016:						
Cash and cash equivalents	\$ 27,860	\$ 3,652	\$ 328,930	\$ 27,716	\$ 6,961	\$ 40,830
Short-term investments	292,682	38,362	3,455,598	291,168	73,127	428,945
	<u>\$ 320,542</u>	<u>\$ 42,014</u>	<u>\$ 3,784,528</u>	<u>\$ 318,884</u>	<u>\$ 80,088</u>	<u>\$ 469,775</u>

Schedule 5

See accompanying independent auditors' report

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Year Ended December 31, 2016

	Lumbermen Underwriting Alliance	Admin	Total
Cash receipts:			
Member insurer assessments	\$ -	\$ 42,700	\$ 2,044,351
Interest income	-	844	251,625
Recoveries	-	-	156,374
Large deductible workers compensation	-	-	(3,483)
Total cash receipts	<u>-</u>	<u>43,544</u>	<u>2,448,867</u>
Cash disbursements:			
Premium refunds	-	-	-
Losses	-	-	783,303
Loss adjusting expenses - allocated	-	-	69,189
Loss adjusting expenses - unallocated	1,496	84,492	301,268
Refund of assessments	-	-	99,561
Total cash disbursements	<u>1,496</u>	<u>84,492</u>	<u>1,253,321</u>
Increase (decrease) in restricted member guaranty funds	(1,496)	(40,948)	1,195,546
Restricted member guaranty funds:			
Beginning of year	<u>-</u>	<u>165,150</u>	<u>32,167,250</u>
End of year	<u>\$ (1,496)</u>	<u>\$ 124,202</u>	<u>\$ 33,362,796</u>
Composition of restricted member guaranty funds			
December 31, 2016:			
Cash and cash equivalents	\$ (1,496)	\$ 10,795	\$ 2,861,131
Short-term investments	-	113,407	30,501,665
	<u>\$ (1,496)</u>	<u>\$ 124,202</u>	<u>\$ 33,362,796</u>

See accompanying independent auditors' report

Schedule 5

Nebraska (concluded)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Period from Insolvency Through December 31, 2016 (Unaudited)

	Iowa National 10/10/1985	Integrity 3/24/1987	American Mutual of Boston 3/9/1989	American Mutual Liability 3/9/1989	Western Employers 4/19/1991	Rockwood 8/26/1991
Cash receipts:						
Member insurer assessments	\$ 4,083,823	\$ 74,497	\$ 1,199,966	\$ -	\$ -	\$ 1,100,000
Interest income	1,658,632	17,592	88,280	108		292,550
Recoveries	2,786,063	85,681	89,748	24,646	35,091	304,931
Large deductible workers compensation	-	-	-	-	-	-
Transfers (to) from other insolvencies	-	-	-	-	-	-
Total cash receipts	8,528,518	177,770	1,377,994	24,754	35,091	1,697,481
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	2,521,333	24,733	864,639	-	-	1,164,841
Loss adjusting expenses - allocated	84,463	-	30,656	-	-	20,090
Loss adjusting expenses - unallocated	178,394	80,512	305,375	-	-	260,701
Refund of assessments	4,083,823	82,488	-	12,401	35,091	-
Total cash disbursements	6,868,013	187,733	1,200,670	12,401	35,091	1,445,632
Operating expenses:						
Advance to WGFS	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-
Total cash disbursements	6,868,013	187,733	1,200,670	12,401	35,091	1,445,632
BALANCE, End of year	\$ 1,660,505	\$ (9,963)	\$ 177,324	\$ 12,353	\$ -	\$ 251,849
Composition of restricted member Guaranty Funds December 31, 2016:						
Cash and cash equivalents	\$ 144,322	\$ (9,963)	\$ 15,412	\$ 1,074	\$ -	\$ 21,889
Short-term investments	1,516,183	-	161,912	11,279	-	229,960
	\$ 1,660,505	\$ (9,963)	\$ 177,324	\$ 12,353	\$ -	\$ 251,849
Reserve for losses and allocated						
Adjusting expense at December 31, 2016	\$ 107,269	\$ -	\$ 63,177	\$ -	\$ -	\$ 80,864

Schedule 12

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Period from Insolvency Through December 31, 2016 (Unaudited)

	United Community 11/10/1995	Lutheran Benevolent 12/2/1996	Commercial Comp 9/26/2000	Credit General 1/5/2001	HIH America 5/8/2001	Reliance 10/3/2001
Cash receipts:						
Member insurer assessments	\$ -	\$ -	\$ 496,561	\$ 2,938,217	\$ -	\$ 12,816,161
Interest income	-	-	82,899	413,914	-	1,960,693
Recoveries	14,886	1,546	266,873	757,385	(28,541)	9,654,199
Large deductible workers compensation	-	-	-	-	-	(7,481)
Transfers (to) from other insolvencies	-	-	-	-	-	-
Total cash receipts	14,886	1,546	846,333	4,109,516	(28,541)	24,423,572
Cash disbursements:						
Premium refunds	-	-	2,625	1,385	-	36,472
Losses	-	-	218,231	1,513,946	-	8,890,730
Loss adjusting expenses - allocated	-	-	8,106	27,280	-	197,049
Loss adjusting expenses - unallocated	-	-	61,305	183,443	-	935,882
Refund of assessments	14,886	1,546	556,066	-	-	-
Total cash disbursements	14,886	1,546	846,333	1,726,054	-	10,060,133
Operating expenses:						
Advance to WGFS	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-
Total cash disbursements	14,886	1,546	846,333	1,726,054	-	10,060,133
BALANCE, End of year	\$ -	\$ -	\$ -	\$ 2,383,462	\$ (28,541)	\$ 14,363,439
Composition of restricted member						
Guaranty Funds December 31, 2016:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 207,157	\$ (28,541)	\$ 1,248,391
Short-term investments	-	-	-	2,176,305	-	13,115,048
	\$ -	\$ -	\$ -	\$ 2,383,462	\$ (28,541)	\$ 14,363,439
Reserve for losses and allocated						
Adjusting expense at December 31, 2016	\$ -	\$ -	\$ -	\$ 829,546	\$ -	\$ 5,020,387

Schedule 12

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Period from Insolvency Through December 31, 2016 (Unaudited)

	Phico 2/1/2002	Home 6/13/2003	Fremont Insurance 7/2/2003	Legion 7/28/2003	Casualty Reciprocal 8/13/2004	Imperial 5/12/2010	Atlantic Mutual 4/27/2011
Cash receipts:							
Member insurer assessments	\$ 2,349,945	\$ 930,585	\$ 2,073,658	\$ 6,653,383	\$ -	\$ -	\$ 391,281
Interest income	142,548	160,155	32,326	482,191	-	-	3,724
Recoveries	2,699,312	767,312	1,674,155	3,424,912	30,135	3,749	13,152
Large deductible workers compensation	-	-	-	3,998	-	-	-
Transfers (to) from other insolvencies	-	-	-	-	-	-	-
Total cash receipts	5,191,805	1,858,052	3,780,139	10,564,484	30,135	3,749	408,157
Cash disbursements:							
Premium refunds	145,182	-	-	55,733	-	-	-
Losses	3,381,033	1,112,751	2,493,127	3,510,242	-	2,253	57,583
Loss adjusting expenses - allocated	72,422	25,127	79,758	55,070	-	-	3,059
Loss adjusting expenses - unallocated	269,894	165,645	153,331	459,081	-	3,749	26,973
Refund of assessments	-	-	-	-	30,135	-	-
Total cash disbursements	3,868,531	1,303,523	2,726,216	4,080,126	30,135	6,002	87,615
Operating expenses:							
Advance to WGFS	-	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-	-
Total cash disbursements	3,868,531	1,303,523	2,726,216	4,080,126	30,135	6,002	87,615
BALANCE, End of year	\$ 1,323,274	\$ 554,529	\$ 1,053,923	\$ 6,484,358	\$ -	\$ (2,253)	\$ 320,542
Composition of restricted member Guaranty Funds December 31, 2016:							
Cash and cash equivalents	\$ 115,012	\$ 48,197	\$ 91,601	\$ 563,585	\$ -	\$ (2,253)	\$ 27,860
Short-term investments	1,208,262	506,332	962,322	5,920,773	-	-	292,682
	<u>\$ 1,323,274</u>	<u>\$ 554,529</u>	<u>\$ 1,053,923</u>	<u>\$ 6,484,358</u>	<u>\$ -</u>	<u>\$ (2,253)</u>	<u>\$ 320,542</u>
Reserve for losses and allocated							
Adjusting expense at December 31, 2016	\$ 1,507,160	\$ 542,876	\$ 256,171	\$ 5,465,591	\$ -	\$ -	\$ 286,364

Schedule 12

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Period from Insolvency Through December 31, 2016 (Unaudited)

	Centennial 4/27/2011	Lumbermen Mutual Casualty 5/10/2013	Ullico Casualty 5/30/2013	Freestone 8/15/2014	Red Rock 8/21/2014	Lumbermen Underwriting 5/23/2016
Cash receipts:						
Member insurer assessments	\$ 97,815	\$ 4,795,358	\$ 496,505	\$ 194,520	\$ 1,443,822	\$ -
Interest income	1,319	38,985	3,907	478	3,121	-
Recoveries	1,703	117,694	-	-	-	-
Large deductible workers compensation	-	-	-	-	-	-
Transfers (to) from other insolvencies	-	-	-	-	-	-
Total cash receipts	100,837	4,952,037	500,412	194,998	1,446,943	-
Cash disbursements:						
Premium refunds	-	-	-	-	-	-
Losses	39,881	847,580	160,215	82,744	695,085	-
Loss adjusting expenses - allocated	-	35,685	4,948	4,047	133,337	-
Loss adjusting expenses - unallocated	18,942	284,244	16,365	28,119	148,746	1,496
Refund of assessments	-	-	-	-	-	-
Total cash disbursements	58,823	1,167,509	181,528	114,910	977,168	1,496
Operating expenses:						
Advance to WGFS	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-
Total cash disbursements	58,823	1,167,509	181,528	114,910	977,168	1,496
BALANCE, End of year	\$ 42,014	\$ 3,784,528	\$ 318,884	\$ 80,088	\$ 469,775	\$ (1,496)
Composition of restricted member						
Guaranty Funds December 31, 2016:						
Cash and cash equivalents	\$ 3,652	\$ 328,930	\$ 27,716	\$ 6,961	\$ 40,830	\$ (1,496)
Short-term investments	38,362	3,455,598	291,168	73,127	428,945	-
	\$ 42,014	\$ 3,784,528	\$ 318,884	\$ 80,088	\$ 469,775	\$ (1,496)
Reserve for losses and allocated						
Adjusting expense at December 31, 2016	\$ 36,244	\$ 4,242,216	\$ 309,750	\$ 119,207	\$ 3,315,297	\$ 26,811

Schedule 12

Nebraska (continued)

WESTERN GUARANTY FUND SERVICES

Statement of Cash Receipts and Disbursements of Insolvencies
on Behalf of the Nebraska Property & Liability
Insurance Guaranty Association

Period from Insolvency Through December 31, 2016 (Unaudited)

	Admin	Closed Insolvencies	Total	
Cash receipts:				
Member insurer assessments	\$ 1,269,465	\$ 2,033,252	\$ 45,438,814	
Interest income	227,792	130,330	5,741,544	* Casualty Reciprocal; Transit Casualty; Villanova
Recoveries	211,805	200,318	23,136,755	
Large deductible workers compensation	-	-	(3,483)	
Transfers (to) from other insolvencies	-	-	-	
Total cash receipts	<u>1,709,062</u>	<u>2,363,900</u>	<u>74,313,630</u>	
Cash disbursements:				
Premium refunds	-	-	241,397	
Losses	77,277	257,485	27,915,709	
Loss adjusting expenses - allocated	-	7,327	788,424	
Loss adjusting expenses - unallocated	1,237,102	79,226	4,898,525	
Refund of assessments	220,481	2,019,862	7,056,779	
Total cash disbursements	<u>1,534,860</u>	<u>2,363,900</u>	<u>40,900,834</u>	
Operating expenses:				
Advance to WGFS	50,000	-	50,000	
Total operating expenses	<u>50,000</u>	<u>-</u>	<u>50,000</u>	
Total cash disbursements	<u>1,584,860</u>	<u>2,363,900</u>	<u>40,950,834</u>	
BALANCE, End of year	<u>\$ 124,202</u>	<u>\$ -</u>	<u>\$ 33,362,796</u>	
Composition of restricted member Guaranty Funds December 31, 2016:				
Cash and cash equivalents	\$ 10,795	\$ -	\$ 2,861,131	
Short-term investments	113,407	-	30,501,665	
	<u>\$ 124,202</u>	<u>\$ -</u>	<u>\$ 33,362,796</u>	
Reserve for losses and allocated				
Adjusting expense at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,208,930</u>	

Schedule 12

Nebraska (concluded)