

NORTH CAROLINA

WAKE COUNTY

VERIFICATION

RAYMOND MARTINEZ, being first duly sworn, deposes and says that he is a Senior Deputy Commissioner of Insurance for the North Carolina Department of Insurance and appointed as Special Deputy Insurance Commissioner of American Yarn Spinners Self-Insurers Fund by the Commissioner of Insurance and Liquidator, that he has read the foregoing Statement of Financial Position as of December 31, 2009, and the Statement of Receipts and Disbursements for the three months ending December 31, 2009, and for the period from October 15, 2004, the date of rehabilitation, through December 31, 2009, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 1st day of March, 2010.

Senior Deputy Commissioner and
Special Deputy Insurance Commissioner for
American Yarn Spinners Self-Insurers Fund

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 1st day of March, 2010.



Notary Public

My Commission Expires: 5-14-2013

CERTIFICATE OF SERVICE

This is to certify that the original Domiciliary Liquidator's Quarterly Report was this day filed with the Wake County Clerk of Superior Court and that a copy of the Report was sent by first class United States mail to the following persons:

Honorable Donald W. Stephens
Senior Resident Judge
Wake County Superior Court
PO Box 351
Raleigh, NC 27602-0351

Cathy Stuart
Attorney for NCSISA
Stuart Law Firm
1033 Wade Avenue, Suite 202
Raleigh, NC 27605-1155

This the 1st day of March, 2010.

ROY COOPER
Attorney General

David W. Boone
Assistant Attorney General
N. C. State Bar No. 8648
N. C. Department of Justice
P. O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610

AMERICAN YARN SPINNERS SELF-INSURERS FUND
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE THREE MONTHS ENDING DECEMBER 31, 2009
AND FOR THE PERIOD FROM OCTOBER 15, 2004,
THROUGH DECEMBER 31, 2009

**INTRODUCTION TO AMERICAN YARN SPINNERS SELF-INSURERS FUND
FINANCIAL STATEMENTS**

DECEMBER 31, 2009

Introduction and Basis of Presentation: The American Yarn Spinners Self-Insurers Fund (Fund) is a North Carolina self-insured workers compensation fund that was placed into rehabilitation by the Wake County Superior Court on October 15, 2004, and subsequently placed into liquidation effective April 29, 2005. Accordingly, the Fund is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Liquidator of the Fund. It is the Liquidator's responsibility to recover and liquidate assets and to investigate the events that led to the insolvency of the Fund.

The accompanying statement of financial position reflects general ledger balances of the Fund as of December 31, 2009, adjusted to reflect circumstances currently known to the Liquidator. Amounts will be further adjusted prospectively as deemed appropriate based on the Liquidator's continued investigation. The amounts reflected on the statement of financial position represent the Liquidator's best estimate, as explained in the accompanying notes, of the Fund's assets and liabilities as of December 31, 2009. The accompanying statement of receipts and disbursements presents all actual cash receipts and disbursements for the three months ending December 31, 2009, and for the period from October 15, 2004, the date of rehabilitation, through December 31, 2009.

AMERICAN YARN SPINNERS SELF-INSURERS FUND
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Financial Position
As of December 31, 2009

Assets

Cash on Hand and Deposit	(Note A)	\$ 723,818
Other Receivables	(Note B)	0
Other Assets	(Note C)	<u>184,086</u>
Total Assets		<u>907,904</u>

Liabilities

Unpaid Loss and Loss Adjustment Expenses	(Note D)	334,011
Due North Carolina Self-Insurance Security Association	(Note E)	225,187
Amounts Available For Other Than Class 2 Claims	(Note F)	64,444
Accounts Payable - Other	(Note G)	<u>284,262</u>
Total Liabilities		<u>907,904</u>

Excess of Assets Over Liabilities \$ 0

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

**AMERICAN YARN SPINNERS SELF-INSURERS FUND
NORTH CAROLINA COMMISSIONER OF INSURANCE AS RECEIVER
Statement of Receipts and Disbursements**

	For The Three Months Ended <u>December 31, 2009</u>	Cumulative From October 15, 2004 through <u>December 31, 2009</u>
OPERATING ACTIVITIES		
<u>Receipts</u>		
Reinsurance Recoverable	\$ 0	66,291
Assessment Receipts	0	641,013
Self-Assessment Receipts	0	18,375
Surety Bond Receipts	0	55,850
Miscellaneous Income	0	2,495
Total Operating Receipts	0	784,024
<u>Disbursements</u>		
<u>Policy Related Disbursements</u>		
Losses and LAE Paid	0	223,144
Total Policy Related Disbursements	0	223,144
<u>General Expenses and Other</u>		
Personnel Expense	3,270	77,589
Rent and Occupancy	2,549	60,207
Accounting Fees	3,299	70,874
Legal Fees	0	13,265
Consulting Fees	0	594
Office Expenses	533	14,950
Furniture, Equipment & EDP	610	7,095
Taxes, Licenses & Fees	0	5,250
RAD Trust Deposit	0	10,000
Miscellaneous Expense	0	601
Total General Expense and Other Disbursements	10,261	260,425
Total Operating Disbursements	10,261	483,569
Net Operating Receipts Over Disbursements	(10,261)	300,455

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

INVESTING ACTIVITIES

Net (Purchases)/Sale of Bonds and CDs	0	295,173
Net Investment Income	64	34,919
Net Cash Provided by Investing Activities	64	330,092
Net Change in Cash and Cash Equivalents	(10,197)	630,547
Cash on Hand and on Deposit at Beginning of Period	734,015	93,271
Cash on Hand and on Deposit at End of Period	<u>\$ 723,818</u>	<u>723,818</u>

The financial statements should be read together with the notes to the financial statements which are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

- Note A:** Cash and cash equivalents have a maturity of less than 1 year and are carried at cost which equals market value.
- Note B:** On March 22, 2007, the Wake County Superior Court approved the Liquidator's Verified Amended Report and Motion for Amended Assessment Order of the former members of the Fund in the amount of \$1,390,000. As there are significant collection issues related to the assessment, the asset is reported as zero. The assessments collected are reported as cash receipts when received. The outstanding balance of the assessment is \$748,983 as of December 31, 2009.
- Note C:** Included in this line are the RAD Trust Deposit of \$10,000 and the balance of the proceeds from a \$600,000 Letter of Credit (LOC) of \$174,086. The Fund was the beneficiary on the LOC and the Liquidator assigned it to the NCSISA in December 2007. The NCSISA successfully drew the \$600,000 from the LOC. On October 13, 2008, the Wake County Superior Court Ordered that the NCSISA is authorized to apply the proceeds from the LOC to the payment of covered claims and reasonable claims-related expenses. As of December 31, 2009, proceeds of the LOC in the amount of \$425,914 have been applied to pure loss payments made by the NCSISA.
- Note D:** Unpaid Loss and Loss Adjustment Expenses is the amount estimated by the Fund's third party claims administrator required to pay all outstanding claims incurred by Fund members at December 31, 2009. This estimate is presented net of anticipated reinsurance recoverable and is based on case reserves and estimates of incurred but not reported losses.
- Note E:** Due North Carolina Self-Insurance Security Association (NCSISA) represents amounts paid and reported to the Liquidator by the Association for claims that have not been reimbursed by the Fund. The amount reflects the application of \$425,914 of proceeds from the LOC (Note C).
- Note F:** The allocation of the proceeds of the LOC (Note C) resulted in reportable funds available for distribution to claims other than Class 2 policyholder claims. The liquidator does not anticipate that these funds will remain once all claims have been paid and the proceeds of the LOC applied. If there are funds available, they will be returned on a pro-rata basis to those members who paid the March 22, 2007, assessment.
- Note G:** Accounts Payable-Other represents amounts incurred by NCSISA for administrative expenses. The Liquidator is reviewing the expenses.