

REGULATORY ACTIONS DIVISION TRUST

**Statement of Recorded Cash Receipts
and Disbursements**

Year ended December 31, 2007

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Honorable James E. Long,
Commissioner of Insurance
State of North Carolina:

We have audited the accompanying statement of recorded cash receipts and disbursements of the Regulatory Actions Division Trust (the "Trust") for the year ended December 31, 2007. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the statement of recorded cash receipts and disbursements presents a summary of cash activity, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement referred to above presents fairly, in all material respects, the recorded cash receipts and disbursements of the Trust for the year ended December 31, 2007 and its cash and short-term investment balances as of December 31, 2007 and 2006 on the basis of accounting described in note 1 to the financial statements.

Batchelor, Tillery & Roberts, LLP

September 24, 2008

REGULATORY ACTIONS DIVISION TRUST

Statement of Recorded Cash Receipts and Disbursements

Year ended December 31, 2007

Operating activities:

Receipts:

Assessment	\$ 716,572
Change in estate deposits	208
Foreign receiverships	35,969
Miscellaneous income	<u>19,792</u>
Total operating receipts	<u>772,541</u>

Disbursements:

Salaries and benefits	232,036
Rent	420,094
Facilities	2,282
Computer expenses	9,400
Consultants	7,944
Office and equipment - supplies and maintenance	14,026
Telephone and postage	9,418
Training	2,235
Travel	1,490
Miscellaneous	<u>89</u>
Total operating disbursements	<u>699,014</u>

Net cash provided by operating activities 73,527

Investing activities:

Receipts - interest income	<u>5,269</u>
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Net increase in cash 78,796

Cash, December 31, 2006 114,838

Cash, December 31, 2007 \$ 193,634

See accompanying notes to financial statement.

REGULATORY ACTIONS DIVISION TRUST

Notes to Financial Statement

Year ended December 31, 2007

(1) Organization and Basis of Presentation

Organization - The Commissioner of Insurance of the State of North Carolina, under N.C. General Statute, Chapter 58, Article 30, is responsible for delinquency proceedings for domestic and foreign insurance entities licensed to transact business in North Carolina. Regulatory Actions Division Trust ("RAD Trust") was created as a central purchasing unit and professional labor pool to help administer and manage these delinquent insurance entities (the "Estates"). On July 5, 1995, the Superior Court of Wake County, North Carolina approved the establishment of RAD Trust naming the Commissioner of Insurance as the Grantor.

RAD Trust is managed by the employees of the North Carolina Department of Insurance. All expenses of RAD Trust are incurred for the direct or indirect benefit of the Estates. These costs are recouped through assessments of the Estates that are primarily based on labor hours incurred on behalf of the Estates.

Basis of presentation - The accompanying statement of recorded cash receipts and disbursements has been prepared on the cash basis of accounting without regard to any revenue or expense accruals which may have existed at the beginning or end of the period.

(2) Cash

Cash accounts consist of the following:

BB&T operating account	\$	15,400
BB&T savings account		<u>178,234</u>
	\$	<u>193,634</u>

Cash accounts are carried at cost which equals market value.

The Trust maintains cash and invested cash balances at one financial institution in North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Trust's uninsured cash balances total \$130,088 as of December 31, 2007.

REGULATORY ACTIONS DIVISION TRUST

Notes to Financial Statement

Year ended December 31, 2007

(3) Assessments

Insolvent Estates, under the direct control of the Regulatory Actions Division of the North Carolina Department of Insurance, are assessed to cover expenses incurred on their behalf by RAD Trust. These costs include rent, computer expenses, salaries and benefits, and other operating expenses. Assessments for the year ended December 31, 2007 are as follows:

	<u>Amount</u>	<u>Percent of total</u>
Nationwide Truckers Association Self-Insurers Fund of N.C.	\$ (2,470)	(0.34) %
American Yarn Spinners Self Insurers Fund	81,803	11.42
Phoenix Fund	46,845	6.54
London Pacific Life and Annuity Company	152,782	21.32
Commercial Casualty Insurance Company of N.C.	231,367	32.29
State Capital Insurance Company	30,084	4.20
Other estates	<u>176,161</u>	<u>24.58</u>
	<u>\$ 716,572</u>	<u>100.00</u> %