

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Company in Liquidation
Statement of Affairs
As of June 30, 2011

	<u>Estimated Realizable Value</u>
ASSETS	
Pooled Cash Due from the Admin Fund	\$17,339,865.30
Accrued Interest Receivable	34,983.36
Reinsurance Recoverable	5,817,334.84
Allowance Reinsurance Recoverable	(1,336,491.07)
Accounts Receivable	76,095,585.69
Allowance - Accounts Receivables	(76,000,000.00)
Fixed Assets	500.00
Advance to Guaranty Associations	25,425,000.00
Total Assets	<u><u>\$47,376,778.12</u></u>

LIABILITIES	
Secured Claims	69,282.26
Administrative Claims (Class 1)	
- Guaranty Associations	25,369,665.03
Loss Claims (Class 2)	
- Guaranty Associations	153,118,143.53
- Other	695,000.00
Unearned Premium Claims under Non-assessable Policies (Class 3)	
- Guaranty Associations	17,618,744.80
- Other	579,700.00
Federal Government Claims (Class 4)	21,928.63
Employee Claims (Class 5)	106,376.77
General Creditor Claims (Class 6)	
- Other	22,997,600.51
State & Local Government Claims (Class 7)	1,500.00
Late Filed Claims (Class 8)	12,660,956.70
Total Liabilities	<u>\$233,238,898.23</u>

EQUITY	
Contributed Equity - State of Florida	542,135.74
Estate Equity	<u>(186,404,255.85)</u>
Excess (Deficiency) of Assets over Liabilities	<u>(\$185,862,120.11)</u>
Total Liabilities and Equity	<u><u>\$47,376,778.12</u></u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Company
Statement of Cash Receipts and Disbursements
From the Date of Liquidation through June 30, 2011

	Fiscal Year to Date	Since Date of Liquidation
CASH RECEIPTS		
Premium Collections	\$141,190.40	\$2,526,939.11
Assessment Recoveries	0.00	5,706.22
Reinsurance Recoveries	819.13	22,772,969.00
Agents' Balances Recoveries	24,464.84	8,155,939.08
Subrogation and Salvage Recoveries	82,310.01	2,826,867.55
Litigation Recoveries	4,790,504.98	21,352,915.40
Tax Recoveries	0.00	676.68
Other Collections / Recoveries	(59.37)	1,086,933.08
Sale of Personal Property Inventory	0.00	74,816.82
Sale of Real Property Inventory	0.00	1,319,747.27
Rental Income	0.00	1,733,050.32
Sale of Other Assets	0.00	86.39
Receipts Before Investment Activities	5,039,229.99	61,856,646.92
Interest and Dividend Receipts	482,035.51	4,538,563.65
Sale of Short Term Investment	0.00	2,466,829.51
Sale of Long Term Investment	0.00	1,178,107.25
Receipts From Investment Activities	482,035.51	8,183,500.41
Total Cash Receipts	5,521,265.50	70,040,147.33
CASH DISBURSEMENTS & DISTRIBUTIONS		
Professional Fees and Expenses	1,040,381.14	13,371,088.11
Salaries and Fringe Benefits	308,059.03	14,611,640.50
Employee Welfare	1,436.94	4,108.10
Travel Expenses	2,212.46	222,875.55
Admin Expenses	24,615.62	2,434,339.51
Equipment and Furniture Expenses	8,136.36	587,972.37
Rent, Building and Equipment	96,465.19	874,989.97
Taxes	7,718.66	88,457.35
Litigation Settlement Payments	0.00	426,249.44
Purchase Other Assets	0.00	349,254.77
Disbursements	1,489,025.40	32,970,975.67
Distributions		
Secured Claims	0.00	3,966.29
Administrative Claims (Class 1)	0.00	32,548.07
Early Access-Guaranty Associations	2,750,000.00	25,425,000.00
Total Distributed	2,750,000.00	25,461,514.36
Disbursements & Distributions Before Investment Activities	4,239,025.40	58,432,490.03
Financial Expenses	23,298.61	309,310.20
Disbursements for Investment Activities	23,298.61	309,310.20
Total Cash Disbursements & Distributions	4,262,324.01	58,741,800.23
Net Increase (Decrease) in Cash	1,258,941.49	11,298,347.10
Beginning Cash Balance:		
Beginning Cash	16,080,923.81	4,821,260.22
Adjustments to Beginning Cash	0.00	1,220,257.98
Adjusted Beginning Cash Balance	16,080,923.81	6,041,518.20

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Company
Statement of Cash Receipts and Disbursements
From the Date of Liquidation through June 30, 2011

	<u>Fiscal Year to Date</u>	<u>Since Date of Liquidation</u>
Ending Cash Balance	<u>\$17,339,865.30</u>	<u>\$17,339,865.30</u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Co. in Liquidation
Schedule of Accrued Interest Receivable
For the Twelve Months Ended June 30, 2011

Accrued Interest Receivable

Due from	Account	Balance 7/1/10	Accrued	Received	Balance 6/30/11
State Treasury	SPIA, 4-20-0-010000-00000	31,741.50	476,951.35	(473,709.49)	34,983.36

Totals:	31,741.50	476,951.35	(473,709.49)	34,983.36
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Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Co. in Liquidation
Schedule of Reinsurance Recoverables - Net of Allowance
For the Twelve Months Ended June 30, 2011

Reinsurance Recoverables

Recovery Agent	Balance 07/01/2010	Billed	Recovered	*Adjustments	Balance 06/30/2011
Paragon	5,817,334.84	819.13	(819.13)	0.00	5,817,334.84
Total	<u>5,817,334.84</u>	<u>819.13</u>	<u>(819.13)</u>	<u>0.00</u>	<u>5,817,334.84</u>

Allowance Reinsurance

Recovery Agent	Balance 07/01/2010	Increases	Decreases	Balance 06/30/2011
Paragon	(1,336,491.07)	0.00	0.00	(1,336,491.07)
Total	<u>(1,336,491.07)</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,336,491.07)</u>

Reinsurance Recoverables - Net of Allowance

4,480,843.77

* Legal is determining whether this belongs in the Aries Estate.

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Co. in Liquidation
Schedule of Accounts Receivable - Net of Allowances
For the Twelve Months Ended June 30, 2011

Agent Balance Receivables - Unearned Commission

Description	Balance 7/1/10	Adjustments	Recovered	Balance 6/30/11
Promissory Notes	73,007.59	270.42	22,307.68	95,585.69
Totals:	<u>73,007.59</u>	<u>270.42</u>	<u>22,307.68</u>	<u>95,585.69</u>

Litigation Award Receivable

Description	Balance 7/1/10	Adjustments	Recovered	Balance 6/30/11
FLDFS Receiver vs Fraynd Judgment	0.00	76,000,000.00	0.00	76,000,000.00
Totals:	<u>0.00</u>	<u>76,000,000.00</u>	<u>0.00</u>	<u>76,000,000.00</u>

Total Accounts Receivable 76,095,585.69

Allowance - Litigation Award Receivable

Description	Balance 7/1/10	Adjustments	Allowance	Balance 6/30/11
FLDFS Receiver vs Fraynd Judgment	0.00	0.00	(76,000,000.00)	(76,000,000.00)
Totals:	<u>0.00</u>	<u>0.00</u>	<u>(76,000,000.00)</u>	<u>(76,000,000.00)</u>

Total Allowance - Accounts Receivable (76,000,000.00)

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Co. in Liquidation
Schedule of Fixed Assets
For the Twelve Months Ended June 30, 2011

Fixed Assets

Description	Balance 7/1/10	Adjustments	Purchases	Balance 6/30/11
Compaq/Unix Server	500.00	0.00	0.00	500.00

Totals:	<u>500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>500.00</u>
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Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Co. in Liquidation
Schedule of Advance to Guaranty Associations
For the Twelve Months Ended June 30, 2011

Advance To Guaranty Associations

Description	Balance 7/1/10	Advanced	Recovered	Balance 6/30/11
Florida Insurance Guaranty Association	18,430,000.00	3,500,000.00	0.00	21,930,000.00
Florida Workers Comp Insurance Guaranty Association	3,070,000.00	425,000.00	0.00	3,495,000.00
Totals:	<u>21,500,000.00</u>	<u>3,925,000.00</u>	<u>0.00</u>	<u>25,425,000.00</u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Aries Insurance Company in Liquidation
Schedule of Secured Claims
For the Twelve Months Ended June 30, 2011

Secured Claims Against Estate

Description	Balance 7/1/10	Received	Interest	Adjustment	Balance 6/30/11
Furniture Auction Proceeds	58,585.01	0.00	0.00	0.00	58,585.01
Special Contingency Risk check	10,697.25	0.00	0.00	0.00	10,697.25
Totals:	<u>69,282.26</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>69,282.26</u>

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
Aries Insurance Co. in Liquidation
Notes to Financial Statements
Dated June 30, 2011

1. **Estate Information.** Aries Insurance Co. was a property and casualty company domiciled in Florida and placed in liquidation on November 14, 2002.
2. **Basis of Presentation.** The accompanying financial statements have been prepared on the liquidation basis of accounting using a fiscal year of July 1, 2010 through June 30, 2011. The assets are stated at their estimated realizable values, while the liabilities are stated at their ultimate (gross filed) amounts and are periodically adjusted as evaluated, adjudicated and/or paid. In addition, the statements do not provide accruals for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others.
3. **Unaudited.** The accompanying financial statements have not been audited by an independent certified public accountant and no opinion is expressed on their compliance with generally accepted accounting principles.
4. **Statement Format Changes.** On July 1, 2001, the Receiver converted accounting systems, which resulted in the historical accounting data being presented differently in this set of financial statements than the previously prepared statements for this estate. Because the new system uses a more detailed chart-of-accounts and summarizes data into categories different than previously used, the 'Since Date of Liquidation' column of historical data on the 'Statement of Cash Receipts and Disbursements' may not correspond directly to previous statement presentations. Users of this "Liquidation to-date" information should solicit additional information from the Receiver before making assumptions about the data.
5. **Pooled Investments.** The majority of the invested assets of the estates are combined into two main pooled accounts: the Receiver's operating account held at the Bank of America and the Special Purpose Investment Account held at the State of Florida Treasury. Each estate's share of the pooled investments is presented on the accompanying financial statements as "Pooled Cash Due from the Admin Fund".
6. **Reinsurance.** Reinsurance receivables have resulted from losses that have been paid and billed to the reinsurer(s). The financial statements reflect the gross amount of the billed losses less an allowance for any receivable(s) currently considered to be uncollectible. The receivable amount may include paid losses that are ceded to one or more reinsurance contracts being collected on behalf of the Receiver by an intermediary.
7. **Accounts Receivable.** Represents the gross amount payable to the Receiver for agent balance receivable.
8. **Litigation Award Receivable.** Represents the Final Judgment signed on April 13, 2011 in favor of the Florida Department of Financial Services as Receiver of Aries Insurance Company, plaintiff against Marcos Fraynd, et al defendant.
9. **Allowance – Litigation Award Receivable.** A 100% allowance is recorded for the Final Judgment signed on April 13, 2011.
10. **Fixed Assets.** Assets of a durable nature such as buildings, furniture, computer hardware, and machinery. The fixed asset in this estate consists of a Compaq/Unix Server.
11. **Advance to Guaranty Association(s).** Represents funds advanced to guaranty associations for the payment of covered claims and expenses. The guaranty association is obligated to promptly return any or all of these funds if the Receiver determines that repayment of claims of equal or superior priority is necessary.
12. **Secured Claims.** The secured claims consist of proceeds from the furniture auction and a check from Special Contingency Risk that our Legal section is investigating as it does not appear to belong to the Aries' estate.
13. **Claims.** Unless otherwise noted, the Statement of Affairs contains claim liabilities by priority class pursuant to 631.271, Florida Statutes. Unless otherwise stated, the claim liabilities reported are gross filed, unadjudicated, and have not been reduced by any early access payments from the Florida Receiver. Claims liability numbers are based upon information and documentation provided to the Receiver as of March 31, 2011.
 - The First Interim Claims Report was filed with the Court on October 11, 2007.
 - Non guaranty fund Class II and Class III claims are being reported at their reserved amount. All other claims are being reported as gross filed.

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation
Aries Insurance Co. in Liquidation
Notes to Financial Statements**

Dated June 30, 2011

14. **Contributed Equity – State of Florida.** The Receiver will, from time to time, expend public funds to carry out certain duties during the course of liquidating an insurance company. The Division accounts for these expenditures as a contribution of equity by the State.
15. **Excess (Deficiency) of Assets over Liabilities.** The excess or (deficiency) represents the estimated realizable value of assets after deducting the current estimate of liabilities. This excess or (deficiency) does not take into consideration any estimates for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others.