

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire and Casualty in Liquidation**  
**Statement of Affairs**  
**As of December 31, 2010**

|                                     | <u>Estimated<br/>Realizable<br/>Value</u> |
|-------------------------------------|---|
| <b>ASSETS</b>                       |   |
| Pooled Cash Due from the Admin Fund | \$10,044,289.14                           |
| Accrued Interest Receivable         | 8,371.86                                  |
| Reinsurance Recoverable             | 2,672,807.14                              |
| Allowance Reinsurance Recoverable   | (1,728,945.00)                            |
| Fixed Assets                        | 6,000.00                                  |
| Advance to Guaranty Associations    | <u>28,000,000.00</u>                      |
| Total Assets                        | <u><u>\$39,002,523.14</u></u>             |

|  |                        |
|--|------------------------|
| <b>LIABILITIES</b>   |                        |
| Administrative Claims (Class 1)                                    |                        |
| - Guaranty Associations  | 5,258,733.13           |
| Loss Claims (Class 2)  |                        |
| - Guaranty Associations  | 23,184,728.47          |
| - Other  | 23,600.00              |
| Unearned Premium Claims<br>under Non-assessable Policies (Class 3) |                        |
| - Guaranty Associations  | 32,448,894.03          |
| - Other  | 4,940,300.00           |
| Federal Government Claims (Class 4)                                | 14,081.34              |
| Employee Claims (Class 5)  | 30,949.30              |
| General Creditor Claims (Class 6)                                  |                        |
| - Other  | 17,962,444.23          |
| State & Local Government Claims (Class 7)                          | 8,380.80               |
| Late Filed Claims (Class 8)  | <u>2,393,959.51</u>    |
| Total Liabilities  | <u>\$86,266,070.81</u> |

|  |                               |
|--|-------------------------------|
| <b>EQUITY</b>                                  |                               |
| Contributed Equity - State of Florida          | 164,819.55                    |
| Estate Equity                                  | <u>(47,428,367.22)</u>        |
| Excess (Deficiency) of Assets over Liabilities | <u>(\$47,263,547.67)</u>      |
| Total Liabilities and Equity                   | <u><u>\$39,002,523.14</u></u> |

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire and Casualty Insurance in Liquidation**  
**Statement of Cash Receipts and Disbursements**  
**From the Date of Liquidation through December 31, 2010**

|  | Fiscal Year<br>to Date | Since Date<br>of<br>Liquidation |
|--|------------------------|---------------------------------|
| <b>CASH RECEIPTS</b>                                       |                        |                                 |
| Premium Collections  | \$0.00                 | \$460,463.30                    |
| Reinsurance Recoveries                                     | 256,898.41             | 31,561,869.57                   |
| Agents' Balances Recoveries                                | 0.00                   | 1,605,178.97                    |
| Subrogation and Salvage Recoveries                         | 5,100.00               | 391,532.69                      |
| Litigation Recoveries                                      | 0.00                   | 523,184.77                      |
| Other Collections / Recoveries                             | 2,807.40               | 2,127,503.08                    |
| Receipts Before Investment Activities                      | 264,805.81             | 36,669,732.38                   |
| Interest and Dividend Receipts                             | 150,802.01             | 1,313,839.31                    |
| Receipts From Investment Activities                        | 150,802.01             | 1,313,839.31                    |
| <b>Total Cash Receipts</b>                                 | <b>415,607.82</b>      | <b>37,983,571.69</b>            |
| <b>CASH DISBURSEMENTS &amp; DISTRIBUTIONS</b>              |                        |                                 |
| Professional Fees and Expenses                             | 68,335.74              | 1,816,764.55                    |
| Salaries and Fringe Benefits                               | 67,667.97              | 1,984,417.92                    |
| Employee Welfare   | 735.54                 | 3,040.32                        |
| Travel Expenses  | 502.00                 | 66,803.89                       |
| Admin Expenses   | 1,038.26               | 208,974.90                      |
| Equipment and Furniture Expenses                           | 3,130.35               | 251,013.22                      |
| Rent, Building and Equipment                               | 14,052.61              | 149,028.38                      |
| Taxes  | 0.00                   | 7.21                            |
| Disbursements  | 155,462.47             | 4,480,050.39                    |
| Distributions  |                        |                                 |
| Early Access-Guaranty Associations                         | 0.00                   | 28,000,000.00                   |
| Total Distributed  | 0.00                   | 28,000,000.00                   |
| Disbursements & Distributions Before Investment Activities | 155,462.47             | 32,480,050.39                   |
| Financial Expenses   | 6,078.95               | 55,697.88                       |
| Disbursements for Investment Activities                    | 6,078.95               | 55,697.88                       |
| <b>Total Cash Disbursements &amp; Distributions</b>        | <b>161,541.42</b>      | <b>32,535,748.27</b>            |
| <b>Net Increase (Decrease) in Cash</b>                     | <b>254,066.40</b>      | <b>5,447,823.42</b>             |
| <b>Beginning Cash Balance:</b>                             |                        |                                 |
| Beginning Cash   | 9,790,222.74           | 2,905,891.01                    |
| Adjustments to Beginning Cash                              | 0.00                   | 1,690,574.71                    |
| <b>Adjusted Beginning Cash Balance</b>                     | <b>9,790,222.74</b>    | <b>4,596,465.72</b>             |
| <b>Ending Cash Balance</b>                                 | <b>10,044,289.14</b>   | <b>10,044,289.14</b>            |

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire & Casualty, Inc. in Liquidation**  
**Schedule of Cash - Company Operating**  
For the Six Months Ended December 31, 2010

**Accrued Interest Receivable**

| <b>Description</b> |                           | <b>Balance<br/>7/1/10</b> | <b>Accrued</b>    | <b>Received</b>     | <b>Balance<br/>12/31/10</b> |
|--------------------|---------------------------|---------------------------|-------------------|---------------------|-----------------------------|
| State Treasury     | SPIA, 4-20-0-010000-00000 | 21,496.88                 | 140,100.26        | (153,225.28)        | 8,371.86                    |
| Totals:            |                           | <u>21,496.88</u>          | <u>140,100.26</u> | <u>(153,225.28)</u> | <u>8,371.86</u>             |

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire & Casualty Company in Liquidation**  
**Schedule of Reinsurance Recoverables - Net of Allowance**  
For the Six Months Ended December 31, 2010

**Reinsurance Recoverables**

| <b>Recovery Agent</b> | <b>Balance<br/>07/01/2010</b> | <b>Billed</b>     | <b>Recovered</b>    | <b>Adjustments</b> | <b>Balance<br/>12/31/2010</b> |
|-----------------------|-------------------------------|-------------------|---------------------|--------------------|-------------------------------|
| Chiltington           | 2,672,807.14                  | 256,898.41        | (256,898.41)        | 0.00               | 2,672,807.14                  |
| <b>Total</b>          | <u>2,672,807.14</u>           | <u>256,898.41</u> | <u>(256,898.41)</u> | <u>0.00</u>        | <u>2,672,807.14</u>           |

**Allowance Reinsurance**

| <b>Recovery Agent</b> | <b>Balance<br/>07/01/2010</b> | <b>Increases</b>      | <b>Decreases</b> | <b>Balance<br/>12/31/2010</b> |
|-----------------------|-------------------------------|-----------------------|------------------|-------------------------------|
| Chiltington           | 0.00                          | (1,728,945.00)        |                  | (1,728,945.00)                |
| <b>Total</b>          | <u>0.00</u>                   | <u>(1,728,945.00)</u> | <u>0.00</u>      | <u>(1,728,945.00)</u>         |

**Reinsurance Recoverables - Net of Allowance**

943,862.14

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire & Casualty, Inc. in Liquidation**  
**Fixed Assets**  
**For the Six Months Ended December 31, 2010**

**Fixed Assets**

| <b>Description</b>                   | <b>Balance<br/>7/1/10</b> | <b>Acquired</b> | <b>Disposed</b> | <b>Balance<br/>12/31/10</b> |
|--------------------------------------|---------------------------|-----------------|-----------------|-----------------------------|
| Computer Equipment - Server at Qwest | 6,000.00                  | 0.00            | 0.00            | 6,000.00                    |
| Totals:                              | <u>6,000.00</u>           | <u>0.00</u>     | <u>0.00</u>     | <u>6,000.00</u>             |

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Vanguard Fire & Casualty, Inc. in Liquidation**  
**Schedule of Advance to Guaranty Associations**  
**For the Six Months Ended December 31, 2010**

**Advance To Guaranty Associations**

| <b>Description</b>                     | <b>Balance<br/>7/1/10</b> | <b>Advanced</b> | <b>Recovered</b> | <b>Balance<br/>12/31/10</b> |
|--|---------------------------|-----------------|------------------|-----------------------------|
| Florida Insurance Guaranty Association | 28,000,000.00             | 0.00            | 0.00             | 28,000,000.00               |
| Totals:                                | <u>28,000,000.00</u>      | <u>0.00</u>     | <u>0.00</u>      | <u>28,000,000.00</u>        |

**Florida Department of Financial Services, Division of Rehabilitation and  
Liquidation  
Vanguard Fire & Casualty, Inc. in Liquidation  
Notes to Financial Statements**

**Dated December 31, 2010**

1. **Estate Information.** Vanguard Fire & Casualty, Inc. was a property and casualty insurance organization domiciled in Florida and placed in liquidation on March 26, 2007.
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. **Fixed Assets.** Server equipment located at the Qwest facility in Tampa.
8. **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.
9. **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. The company claim liability is based upon the company's reserves as of September 30, 2010.
  - The proof of claim form filing deadline has expired.
  - Claims classified as Class II and Class III other are reported at the reserved amount. All other claims are reported as gross filed.
10. **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.
11. **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.