COMMONWEALTH OF PENNSYLVANIA
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May 30, 2008

Michael F. Krimmel
Chief Clerk
Commonwealth Court
628 Irvis Building
Harrisburg, PA 17120-0001

RE: Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania v. PHICO Insurance Company, One PHICO Drive, P.O. Box 85 Mechanicsburg, PA 17055-0085;
No. 427 M.D. 2001

Dear Mr. Krimmel:

Enclosed for filing please find the original and a copy of the Quarterly Report of the Liquidator on the Status of the Liquidation of PHICO Insurance Company as of March 31, 2008 ("Status Report"). Simultaneously, I am filing a Praecipe to Withdraw the Status Report that was filed on May 28, 2008, as I have subsequently realized that some of the exhibits did not print properly. Should you have any questions, please contact me.

Very truly yours,

Preston M. Buckman
Special Funds Counsel

PMB
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Liquidator of PHICO Insurance Company, Plaintiff, v. PHICO INSURANCE COMPANY, 100 Sterling Parkway, Suite 109 Mechanicsburg, PA 17055-0085 Defendant.	:	No. 427 M.D. 2001

2008 MAY 30 A 9: 59
COMMONWEALTH COURT OF PENNSYLVANIA

QUARTERLY REPORT OF THE LIQUIDATOR ON THE STATUS OF THE LIQUIDATION OF PHICO INSURANCE COMPANY AS OF MARCH 31, 2008

I. INTRODUCTION

Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of PHICO Insurance Company ("PHICO or Estate"), through his undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of PHICO for the period from January 1, 2008 through March 31, 2008 ("Report").

II. REPORT

A. Financial Statements

PHICO has prepared Special Purpose Statements of Assets, Liabilities, Changes in Policyholders' Surplus, Cash Flows and Changes in Liquid Investments and Operations for the period from January 1, 2008 through March 31, 2008 ("Statements"). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation upon many assets and liabilities. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or any clear indication as to the ultimate distribution that will be made from PHICO. The notes to the Special Purpose Statements, attached as Exhibit F, describe the nature of the line items on the Statements and should be included in any review of PHICO's financial information.

The Statements and Cash Flow Statement are addressed in more detail in sections 1 through 5 below.

1. Special Purpose Statements of Assets – EXHIBIT A

As of March 31, 2008, the attached Special Purpose Statements of Assets shows estimated total assets were $677.6 million, including $261.1 million of cash and liquid investments.

Reinsurance receivables and future reinsurance recoverables, net of allowance, totaled $99.7 million. These amounts may change significantly over time because, among other things, 1) the amount of reinsurance recoverable will change as valid Proofs of Claim ("POCs") continue to be evaluated and allowed amounts determined, 2) reinsurance collection will be

affected by valid offsets, disputes and uncollectible amounts due to the financial condition of reinsurers and 3) PHICO will actively pursue reinsurance commutations in an effort to collect reinsurance sooner, as this represents a significant asset of the Estate. PHICO established an allowance for uncollectible reinsurance for amounts disputed and other amounts that PHICO believes may not be collected.

Pooled loss, expense and inter-company receivable from subsidiary Pennsylvania Casualty Company (In Rehabilitation) ("PCC") was $36.9 million. This represents the net amount PHICO anticipates receiving when a run off plan is drafted and approved for PCC.

Early access advances to GAs totaled $248.7 million.

a. Cash and Liquid Investments

PHICO had cash and investments portfolio of $261.1 million as of March 31, 2008. Refer to the Cash Flow Report (Exhibit D) for major components of change for the quarter.

Conning Asset Management Company manages PHICO's intermediate and long-term bond portfolio. Conning utilizes PHICO's approved investment policy to trade specific securities held in the portfolio and to generally monitor and manage the portfolio in accordance with the guidelines. Overnight investments are mainly money market and variable rate demand notes managed by Fulton Financial Advisors.

b. Illiquid Investments

Excess cash flows over and above the immediate operating and distribution needs of the Estate were transferred to Fulton Financial Advisors and were invested mainly in variable rate demand notes. Representatives from Fulton met with PHICO and the Liquidator on May 14, 2008 to discuss liquidity issues. $20.7 million in student loan bonds purchased as demand notes are not currently liquid, although the bonds are still rated AAA.

c. **Premium Receivable**

As of March 31, 2008 PHICO reported premium receivables of $1.3 million, net of an estimated $989,000 allowance. A Collection Committee oversees premium collections and PHICO actively pursues receivable amounts due the Estate. Most accounts are current; however one insured's $2.1 million retro premium adjustment was significantly past due. The change in net receivable reflects a decrease in the allowance for this one account, which was subject to a negotiated settlement. All parties have agreed to the settlement; however a settlement agreement has not yet been signed. Part of the agreement allows for offset of $1 million of the insured's NOCE allowed amount against the retro premium receivable.

d. **Accrued Retro Premium Receivable**

As of March 31, 2008 PHICO estimated $2.4 million for future billings under retrospectively rated policies, where future premium billings are based on developed incurred losses. As of March 31, 2008 only 20 plans were still active, accounting for $2.0 million in collateralized deferred receivable (difference between retro premium on an incurred loss versus paid loss basis) and $356,000 of IBNR retro premium receivable. Premiums on active retrospective policies will be billed and collected on an ongoing basis according to plan provisions (quarterly or annually); however PHICO will continue to monitor claim activity for opportunities to finalize the remaining plans.

e. **Ceded Paid Losses Receivable – Unaffiliated**

The GA data feeds reflecting paid claims plus the accepted or assumed accepted Notices of Claim Evaluation ("NOCEs") issued by PHICO result in ceded paid losses calculated according to the terms of applicable reinsurance contracts. As of March 31, 2008 PHICO estimated ceded paid losses receivable due from unaffiliated reinsurers was $12.0 million, net of

allowance. Allowances were set at 100% for specifically disputed billings, while allowances on other ceded receivables were generally set based on the financial rating of the particular reinsurers.

A Reinsurance Recovery Committee oversees collection of reinsurance. When necessary PHICO utilizes outside counsel and the arbitration clauses in the treaties to recover or negotiate payments. During the period January 1, 2008 through March 31, 2008 PHICO collected $4.6 million in reinsurance.

f. Pooled Loss, Expense & Inter-company Receivable, Net

PHICO was a wholly owned subsidiary of PHICO Group, Inc. and part of the PHICO group of companies including Pennsylvania Casualty Company (In Rehabilitation) ("PCC"), wholly owned by PHICO, Independence Indemnity Insurance Company ("IIIC"), PHICO Realty Corporation, PHICO Services Company, PHICO Capital Markets and PHICO Re, Ltd. In April 1999 PHICO, PCC and IIIC entered into an agreement for the purposes of pooling their respective insurance businesses. Liabilities of IIIC assumed under the Pooling Agreement were commuted in October 2000. The Pooling agreement that remained between PHICO and PCC was effectively canceled February 1, 2002 when PHICO was placed in Liquidation.

Inter-company balances between PHICO and the other members of the group of companies, excluding PCC, have either been satisfied or are reported as $0, net of full allowance. The balance in Pooled Loss, Expense & Inter-company Receivable at March 31, 2008 represents PHICO's net equity in its subsidiary, PCC. PCC has accrued for estimated liabilities due to third parties. The remaining net equity will be payable to PHICO after settlement is made with other creditors. The change for the quarter mainly resulted from PCC's investment income. Only one PCC direct claim remains open, which the Company is actively working to settle.

g. Reinsurance Recoverable

Estimated reinsurance recoverable was $87.7 million, net of allowance, at March 31, 2008. Reinsurance recoverable represents amounts due from unaffiliated reinsurers determined and recorded by applying the recovery terms under reinsurance contracts to individual reported case estimates of loss and loss adjustment expenses.

It also includes estimates for reinsurance recoverable on claims that have been incurred but not reported or have been reported but not developed (IBNR). PHICO essentially maintained the relationship of ceded loss to direct loss by line of business determined in the last outside actuarial review conducted September 30, 2006, except as modified for the estimated impact of specific reinsurance treaty commutations that occurred after the review. As of March 31, 2008 the amount of ceded direct IBNR included in reinsurance recoverable was $37.6 million, net of an estimated 25% allowance for uncollectible.

h. Early Access

Workers' compensation paid by PHICO on behalf of the GAs during the first 90 days after the date of the liquidation and pursuant to the Court's order is considered part of early access monies.

Special deposits retained by various states after receivership are also considered early access monies and are valued at market value plus accrued interest on the date a refunding agreement was signed or the date PHICO became aware that the applicable Insurance Department or guaranty association took control of the asset, whichever was earlier.

PHICO petitioned the Commonwealth Court to approve the Liquidator's fifth proposal to distribute assets to the GAs. The Court authorized that $17.0 million early access distribution on January 14, 2008 and PHICO made payment to eligible GAs on January 23rd.

2. Special Purpose Statements of Liabilities – EXHIBIT B

Total estimated liabilities at March 31, 2008 were $1.2 billion. The Statements include an estimate of the liquidation expenses that will be incurred by PHICO and the GAs in administering the Estate over time. PHICO liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. ("Act"), as are certain GA expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be paid before distributions for claims under policies for losses, class (b) priority, and other lower class creditors. As of March 31, 2008 there were $30.2 million in reserves for unpaid liquidator and GA administrative expenses.

However the most significant liability is the $1.1 billion assigned to priority class (b) POCs. This category includes direct insurance policyholder benefits reported by the GAs as paid ($700.5 million) and reserved ($116.6 million). In addition PHICO estimated other reserves of $187.4 million to include the value of POCs in excess of the GAs limits or uncovered by the GAs and for claims not yet reported or reported and not yet fully developed ("IBNR"). As of March 31, 2008 PHICO's liability for non-guaranty fund NOCEs was $109.3 million.

a. Priority Class A

The Operating Expense Analysis attached as Exhibit G lists the $831,000 of statutory liquidator administrative operating expenses paid by PHICO for the quarter January 1, 2008 through March 31, 2008. PHICO has estimated that an additional $14.5 million may be spent from April 1, 2008 through the end of the Liquidation period.

The GAs report their administrative expenses to PHICO via financial reports generally received quarterly from most GAs. Attached as Exhibit J is the Guaranty Fund Claim Overview

Report showing by state the total $46.3 million in the administrative expenses reported to PHICO as paid by GAs as of March 31, 2008. PHICO conducts periodic desk reviews and is represented by Reliance Insurance Company (In Liquidation) ("RIL") when it conducts its on-site reviews of GA administrative expenses. PHICO makes adjustments for inaccuracies or material expenses as appropriate. PHICO provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on PHICO's behalf. All such expenses will be settled through the formal NOCE process.

b. Priority Class B

The amounts set forth on this Statement for losses and loss adjustment expense IBNR for March 31, 2008 were based upon independent actuarial estimates, utilizing data as of September 30, 2006. These estimates considered GA claim data, POC and NOCE data, pre-liquidation historical data and industry data. Actual liability figures will not be known until the claims fully develop or, if the claims are contingent upon the resolution of underlying litigation, that litigation is resolved. An independent actuarial firm prepared the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct business. The actuary also estimated reinsurance recoverable on the direct business. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different than the estimate of loss and ALAE reserves included in the Statements.

PHICO essentially maintained the actuarially determined ultimate direct loss by changing the IBNR by the amount of direct paid loss and increase/decrease in outstanding specific case reserves since the actuary's review was completed as of September 30, 2006. As of March 31, 2008 the amount of direct IBNR included in priority class (b) was $120.2 million.

c. Priority Classes Below Class B

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which summarize to $55.9 million. See the accompanying notes for a brief description of each line item.

3. Special Purpose Statement of Changes in Policyholders' Surplus – EXHIBIT C

Attached to this report is a Special Purpose Statement of Changes in Policyholders' Surplus for the period from January 1, 2008 to March 31, 2008. The estimated net deficit at March 31, 2008 was $568.8 million. Net Income (Loss) is the largest component of the surplus change and is described in more detail below in the Operating Report section.

4. Statement of Cash Flows and Changes in Liquid Investments – EXHIBIT D

Attached to this report is a Statement of Cash Flows and Changes in Liquid Investments ("Cash Flow Statement") for the quarter January 1, 2008 to March 31, 2008. Reinsurance collections of $4.6 million and $4.0 million of investment income were the primary sources of cash receipts for the period. Total sources of cash and liquid investments for the quarter were $11.2 million.

The largest cash disbursements related to $17.1 million for early access paid to guaranty associations and $831,000 for operating expenses. Another significant decrease resulted from reclassification of $20.7 million student loan variable demand notes from liquid to illiquid investments. Total uses of cash and liquid investments were $38.7 million for the report period.

a. Reinsurance Collections

Reinsurance is a significant asset of PHICO. PHICO claims and accounting staff provide reinsurers with required claims documentation to support reinsurance billings, respond to

inquiries, resolve disputes and verify proper offsets. Nevertheless reinsurance collections can be difficult and often take significant amounts of time in liquidation. In many cases, time frames for responses and payments from reinsurers have lengthened considerably. Many reinsurers now require much more documentation (significantly more than prior to liquidation and sometimes often more than is contractually required), have repeated inquiries for information already provided and then respond with many questions before even stating their payment position on the billings. Formal and informal dispute resolution actions have been required against a few reinsurers with substantial overdue balances.

PHICO records an estimated allowance for uncollectible reinsurance, as noted earlier. During the period in which $4.6 million of reinsurance was collected, PHICO wrote off no specific claim receivables.

In addition to standard billing and collection efforts, PHICO is also using commutations as a way to accelerate collections. In a commutation, PHICO would receive a lump sum payment today from a reinsurer representing an estimate of all known and future unknown losses. The Reinsurance Collection Committee approves all settlements. There were no signed commutation agreements this quarter; however PHICO contacted six consulting firms to propose on a project to commute all remaining reinsurance treaties. The Reinsurance Collection Committee is currently reviewing the proposals and will soon make a selection recommendation to the Insurance Department.

b. Premium Collections

During the period January 1, 2008 to March 31, 2008 PHICO collected $14,000, net of refunds. Unearned premiums are priority class E claims and have not been paid by PHICO.

However PHICO has refunded premium on finalized retro policies to the extent the refund was the result of premium previously billed and collected by PHICO during the Liquidation period.

During this quarter PHICO wrote off no premium receivables. Specific collection steps are utilized before referring past due balances to collection services. The Collection Committee approves all settlements.

c. Early Access Paid to Guaranty Associations

PHICO petitioned the Commonwealth Court to approve the Liquidator's fifth proposal to distribute assets to the GAs. The Court authorized that $17.0 million early access distribution on January 14, 2008 and PHICO made payment to eligible GAs on January 23rd.

d. Operating Expenses

Refer to Exhibit G, Operation Expense Analysis, for line item detail of major components of operating expenses paid by PHICO for the period January 1, 2008 to March 31, 2008. Operating expenses paid per the Cash Flow Statement and Administrative Expenses Paid per the Operations Report differ somewhat because of differences in reporting depreciation on fixed assets purchased during Liquidation (reporting of entire cash expenditure on the Cash Flow Statement compared to recording an asset and then reporting depreciation expense over time on the Operations Report).

e. Reclassification of Liquid Investments to Illiquid Investments

As previously stated in section 1.b., representatives from Fulton met with PHICO and the Liquidator on May 14, 2008 to discuss liquidity issues. $20.7 million in student loan bonds purchased as demand notes are not currently liquid, although the bonds are still rated AAA.

6. Statement of Operations – EXHIBIT E

Attached is the Statement of Operations ("Operations Report") for the period from January 1, 2008 to March 31, 2008 which reports PHICO experienced a net operating loss of $1.5 million.

Net losses incurred include loss and loss adjustment expense payments and change in outstanding case reserves on policyholder claims being handled by GAs and reported to PHICO, generally monthly, through electronic data feeds from GAs. PHICO calculates the related reinsurance expected to be recovered on those losses using applicable treaty terms and reports the losses net of these potential recoveries. PHICO also estimated reserves for claims not covered by GAs, for which POCs or NOCEs apply, and for IBNR. Refer to previous sections of this narrative that describe reinsurance receivable, reinsurance recoverable and priority class (b) claims.

The decrease in the allowance for bad debt had a positive impact of $3.8 million on net income. The change was mainly the result of billing reinsurance receivables on 2 claims which previously were subject to disputed treaty reinsurance; however additional information resulted in clearance for billing.

7. Operating Expense Analysis – EXHIBIT G

The operating expenses of PHICO relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all PHICO policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties alleged to contribute to the insolvency of PHICO.

The attached Operating Expense Analysis indicates the total dollar amount for each expense category for the period from January 1, 2008 to March 31, 2008 and compares actual performance to budgeted amounts. As detailed in the Operating Expense Analysis and supporting schedules, the administrative expenses of PHICO for the period totaled $831,000 compared to a budget of $912,000. The GAs also incurred operating expenses, which are reported cumulatively on Exhibit J.

a. Salaries, Employee Benefits and Taxes

As of March 31, 2008, PHICO had a total of 11 employees.

b. Legal Fees

Attached as Exhibit H is a schedule containing the legal expense detail by firm for the quarter. Legal expenses generally pertained to POC objections.

c. Professional Services Expenses

Attached as Exhibit I is a schedule containing the professional service expense detail by vendor name for the quarter. The individual firm listed in the schedule charged fees for outsourced information technology services. The professional service expense schedule also contains entries for professional services provided to PHICO by the Pennsylvania Insurance Department, either directly by the professional staff of the Office of Liquidations, Rehabilitations and Special Funds, or through specialized consultants hired to assist the Liquidator in administering the liquidation of PHICO.

d. Real Estate Expenses

Since December 2004 PHICO has leased space in its former home office building. PHICO is committed to the current lease through the end of 2008. Monthly lease payments are

$33,500 in 2008. PHICO plans to consolidate its space further by the end of 2008 and is working with the current landlord to negotiate a short-term lease beyond 2008.

8. Guaranty Fund Claims and Expense Information

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. From the start of the liquidation, PHICO worked with the National Conference of Insurance Guaranty Funds ("NCIGF'), whose members include almost all of the state property and casualty insurance GAs in the United States. Discussions and correspondence included matters such as PHICO claim file distribution, claim handling procedures, communication protocols, GA data reporting and UDS protocol, PHICO product and policy information, deductible and policy aggregate tracking. PHICO staff works closely with the GAs to obtain information required for reinsurance loss reporting to maximize reinsurance collections.

a. Status of Uniform Data Standards ("UDS")

A department within PHICO coordinates with the various GAs and their vendors in managing the data reporting process and reviewing exception items. Early in the liquidation many GA transmission files were rejected; however since 2003 there have been few exceptions. As of March 31, 2008 there were 52 GAs reporting monthly paid and outstanding loss information through a UDS automated interface, which is subsequently processed in PHICO operating systems to update records and generate the related reinsurance billings. Quarterly automated UDS interfaces were being received from 3 GAs and 1 GA provided quarterly information on a manual basis to the Estate

PHICO reviews the detail of claims information provided by the GAs. PHICO staff review data quality reports to identify potential duplicate payments, which are referred to the

GAs for investigation. PHICO claims staff review certain closed and returned claim files to determine appropriate coverage for GA settlements or expense payments and approve related reinsurance billing. Discrepancies are communicated to the GAs and noted as "questionable settlements" in PHICO's system. PHICO reconciles the UDS claims transmission data that has been applied to PHICO systems to the claims data reported by the GAs on their quarterly financial information questionnaires ("FIQs").

b. <u>Guaranty Fund Claim Overview Report – EXHIBIT J</u>

The Guaranty Fund Claim Overview Report ("COR") as of March 31, 2008 summarized by state the policyholder benefit claims and administrative expenses received and applied by PHICO through May 1, 2008, the "Ran On" date noted in the report heading. The COR data represented UDS claims paid inception-to-date and claim reserve information as of March 31, 2008 for 52 of the 56 GAs (those who submitted March 2008 UDS to PHICO by the report "Ran On" date). Administrative expenses were updated from the quarterly FIQs, which generally lag behind the automated UDS transmissions.

PHICO adjusted the COR for questionable settlements and deductible recoveries, less the deductible administrative fee which PHICO retained on post Act 46 deductibles collected by PHICO and remitted to the GAs. PHICO also adjusted for disallowed administrative expenses.

PHICO considers the COR to be the GAs proof of claim against the Estate. PHICO provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on PHICO's behalf. All such expenses will be settled through the formal NOCE process, which may include objections to adjustments made by PHICO.

9. Claims Process

The deadline for filing POCs was April 1, 2003. As of March 31, 2008, PHICO had received a total of 28,469 POCs. Of those, 3,805 were received after the claim filing deadline. Notwithstanding the claim filing deadline, PHICO continues to receive new POCs.

a. Proofs of Claim Statistics – EXHIBIT K (Inception-to-Date)

As of March 31, 2008, PHICO had issued NOCEs for 27,734 of the 28,469 POCs for a total allowed amount of $141.5 million. The $113.9 million allowed amount noted for Class B claims is gross. This is higher than the $109.3 million value of non-guaranty fund NOCEs reported on the Liabilities Report because $4.6 million of the allowed amount is greater than policy aggregate limits applicable to certain NOCEs. Allowed amounts on NOCEs will ultimately be pro rated to policy aggregate limits when all claims are known.

Issued NOCEs accounted for more than 97% of the POCs filed with the Estate. The Court has approved 26,625 of those NOCEs, as of June 15, 2007, for a total allowed amount of $127.4 million. Exhibit K breaks down this information by priority class.

Of the 28,469 POCs received, 84 did not require NOCEs. The Other Counts section of Exhibit K indicates the status of the remaining 651 POCs to be evaluated as of March 31, 2008. The GAs were still handling 488 claims that will be addressed by PHICO once the GAs close their claim files and return them to PHICO. Another 131 POCs were considered contingent POCs generally because either 1) the claimant has identified a specific claim but the underlying claim has not yet been resolved or proper documentation has not been provided to PHICO or 2)

the claimant has notified PHICO that there may be a claim in the future, but has not yet identified any particular claim.[1]

Approximately 32 POCs were in various stages of review and evaluation and therefore, in one or more aspects, awaiting information.

b. Proofs of Claim Statistics – EXHIBIT L (Quarter-to-Date)

During the quarter ended March 31, 2008 PHICO received 12 additional POC's, as well as reclassifying others. An additional 140 NOCE's were issued during the period and 149 were accepted for $900,000.

c. Notice of Claim Evaluation Objection Statistics – EXHIBIT M

As of March 31, 2008, the Liquidator had received a total of 1,908 objections to the 27,734 NOCEs issued. Approximately 300 of these objections were from two law firms disputing the priority classification assigned to their POCs. These were resolved through the dispute resolution process. As of March 31, 2008 PHICO had resolved 1,830 objections. Of the 78 unresolved objections, 11 were already assigned to outside counsel as of March 31, 2008. Exhibit M indicates the status of all objections received through March 31, 2008, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

d. Status of Distribution

On July 17, 2007 the Liquidator filed a petition for Report and Recommendations on PHICO Insurance Company Claims Undisputed or Resolved as of June 15, 2007. The report

[1] PHICO wrote a variety of long tail lines of business, including workers compensation, directors and officers, medical malpractice, and professional liability. For reasons unrelated to the PHICO receivership, but based rather on the nature of the insurance coverage written by PHICO and the claims under those policies, it may be many years before some of these long tail claims will be resolved.

listed the allowed amounts of claimant NOCEs that had been accepted or assumed accepted as of June 15, 2007. The Commonwealth Court granted the petition on September 7, 2007. The allowed amounts on NOCEs approved for distribution are listed by priority class on Exhibit K.

On April 25, 2008 the Liquidator filed a Petition to Address Claims Under Aggregate Policies. Other than workers' compensation policies, all policies written by PHICO were subject to aggregate limits. The NOCE allowed amounts on a few policies have exceeded or are close to exceeding the aggregate limits; therefore when all POCs have been evaluated for these effected policies, the final NOCE allowed amounts will be an allocation of the policy aggregate limits. The allocation will be pro rated based on the relative value of each NOCE gross allowed value to the total gross allowed values of all NOCEs assigned to the particular policy. As of this writing the Court had not yet ruled on the petition.

Respectfully submitted:

By:

PRESTON BUCKMAN (I.D. #57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Office of Chief Counsel
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Attorney for Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator of PHICO INSURANCE COMPANY

Dated: 5/30/08

EXHIBIT
A

PHICO Insurance Company (In Liquidation)
Special Purpose Statements of Assets - Unaudited

ASSETS REPORT

	March 31, 2008		December 31, 2007		Change
Cash and Liquid Investments					
Cash	$ 294,814		$ 852,546		**$ (557,732)**
Overnight Investments	$ 10,212,637		$ 43,371,868		**$ (33,159,231)**
Bonds	$ 250,615,162		$ 244,367,257		**$ 6,247,905**
Subtotal Cash and Liquid Investments	$ 261,122,613		$ 288,591,671		**$ (27,469,058)**
Illiquid Investments	$ 20,660,000		$ -		**$ 20,660,000**
Investments Held for Secured Creditors	$ 254,025		$ 236,974		**$ 17,051**
Receivables					
Premium Receivable	$ 1,279,988		$ 468,228		**$ 811,760**
Accrued Retro Premium Receivable	$ 2,383,248		$ 2,302,559		**$ 80,689**
Deductible/SIR Receivable on Paid Losses	$ 21,652		$ 21,651		**$ 1**
Ceded Paid Losses Receivable - Unaffiliated	$ 11,991,428		$ 14,612,971		**$ (2,621,543)**
Pooled Loss, Expense, & Interco. Receivable, Net	$ 36,863,095		$ 36,165,186		**$ 697,909**
Assumed Premium Receivable	$ 75		$ 75		**$ -**
Miscellaneous Receivable	$ 15,238		$ 17,015		**$ (1,777)**
Reinsurance Recoverable	$ 87,691,567		$ 88,050,600		**$ (359,033)**
Other Assets	$ 6,567,017		$ 6,532,982		**$ 34,035**
Early Access for WC Claims Paid on Behalf of GA	$ 2,364,252		$ 2,364,252		**$ -**
Advances to Guaranty Associations	$ 230,952,250		$ 213,896,250		**$ 17,056,000**
Statutory Deposits	$ 15,524,034		$ 15,532,651		**$ (8,617)**
Ancillary Use of Statutory Deposits	$ (90,264)		$ (90,264)		**$ -**
Totals	**$ 677,600,218**		**$ 668,702,801**		**$ 8,897,417**

See accompanying notes.

EXHIBIT
B

PHICO Insurance Company (In Liquidation)
Special Purpose Statements of Liabilities - Unaudited

LIABILITIES REPORT

	March 31, 2008		December 31, 2007		Change
Secured Creditors					
Pass-Thru State Fund Surcharge Payable	$ 14,236		$ 1,836		**$ (12,400)**
Deposits Held for Deductibles	$ 233,683		$ 232,038		**$ (1,645)**
Policyholder Collateral - Cash	$ -		$ -		**$ -**
Finalized Retro Credits Pending	$ -		$ -		**$ -**
Payroll Taxes & Deductions Withholdings	$ 6,106		$ 3,099		**$ (3,007)**
Secured Creditors	**$ 254,025**		**$ 236,973**		**$ (17,052)**
Priority Class - A					
Statutory Liquidator Expenses					
Administrative Expenses Unpaid	$ 14,524,347		$ 15,358,885		**$ 834,538**
Reported Guaranty Fund Data					
Administrative Expenses Reported - Paid	$ 46,343,743		$ 45,424,382		**$ (919,361)**
Administrative Expenses Reserve	$ 15,642,787		$ 16,562,148		**$ 919,361**
Subtotal Class A	**$ 76,510,877**		**$ 77,345,415**		**$ 834,538**
Priority Class - B					
Reported Guaranty Fund Data					
Claims and ALAE Reported - Paid	$ 700,462,038		$ 692,982,052		**$ (7,479,986)**
Claims and ALAE Reported - Reserves	$ 117,385,430		$ 127,218,136		**$ 9,832,706**
Class B Contra-Liability - Deductibles Recoverable	$ (782,706)		$ (888,069)		**$ (105,363)**
Value of Non Guaranty Fund Notices of Claim Evaluation	$ 109,275,278		$ 108,535,162		**$ (740,116)**
Other Reserves (Excess Case Reserves and IBNR)	$ 187,411,059		$ 185,161,493		**$ (2,249,566)**
Subtotal Class B	**$ 1,113,751,099**		**$ 1,113,008,774**		**$ (742,325)**
Priority Class - C					
Claims of the Federal Government	$ -		$ -		**$ -**
Subtotal Class C	**$ -**		**$ -**		**$ -**
Priority Class - E					
General Creditor Claims	$ 50,319,972		$ 50,251,739		**$ (68,233)**
Subtotal Class E	**$ 50,319,972**		**$ 50,251,739**		**$ (68,233)**
Priority Class - F					
State or Local Government Claims	$ 809,131		$ 809,131		**$ -**
Subtotal Class F	**$ 809,131**		**$ 809,131**		**$ -**
Priority Class - G					
Claims Filed Late	$ 3,424,466		$ 3,424,466		**$ -**
Subtotal Class G	**$ 3,424,466**		**$ 3,424,466**		**$ -**
Priority Class - I					
Claims Filed by Shareholder	$ 1,300,425		$ 1,300,424		**$ (1)**
Subtotal Class I	**$ 1,300,425**		**$ 1,300,424**		**$ (1)**
Totals:	**$ 1,246,369,995**		**$ 1,246,376,922**		**$ 6,927**

See accompanying notes.

EXHIBIT
C

PHICO Insurance Company (In Liquidation)
Special Purpose Statement of Changes in Policyholders' Surplus - Unaudited

SURPLUS REPORT

Surplus as of January 1, 2008	**$ (577,674,121)**
Net Income (Loss)	$ 5,686,759
Change in nonrecognition of accrued interest	$ 602,341
Adj Investments from Book Value to Market Value	$ 2,615,244
Total Change in Surplus	**$ 8,904,344**
Surplus as of March 31, 2008	**$ (568,769,777)**

See accompanying notes.

EXHIBIT
D

PHICO Insurance Company (In Liquidation)

Special Purpose Statement of Cash Flows and Changes in Liquid Investments - Unaudited

CASH FLOW REPORT

	January 1, 2008 Through March 31, 2008
Beginning Balance - Cash and Liquid Investments	**$ 288,591,671**
Sources:	
Reinsurance Collections	$ 4,563,901
Premium Collections (Refunds), Net	$ 14,427
Deductible Collections	$ 29,529
Subrogation Recoveries	$ 2,118
Intercompany Receivable (Payable), Net	$ 35,094
Increase (Decrease) in Value of Investments	$ 2,601,559
(Increase) Decrease in Secured Claims Netted from Liquid Investments	$ (17,051)
Investment Income Received	$ 3,998,723
Other	$ 1,244
Total Sources	**$ 11,229,544**
Uses:	
Early Access Paid to Guaranty Associations	$ (17,056,000)
Transfer of Statutory Deposits to Early Access	$ 8,617
Act 46 Deductible Reimbursements to Guaranty Associations	$ (86,160)
Operating Expenses	$ (831,324)
Investment Expense	$ (73,735)
Reclassification of Liquid Investments to Illiquid Investments	$ (20,660,000)
Other	$ -
Total Uses	**$ (38,698,602)**
Net Increase (Decrease) in Funds	**$ (27,469,058)**
Ending Balance - Cash and Liquid Investments	**$ 261,122,613**

See accompanying notes.

EXHIBIT D

EXHIBIT
E

PHICO Insurance Company (In Liquidation)
Special Purpose Statement of Operations - Unaudited

OPERATIONS REPORT

For the Period January 1, 2008 - March 31, 2008	
Premiums Earned - Direct and Ceded	$ (220,639)
Premiums Earned - Assumed and Retroceded	$ -
Net Premiums Earned	**$ (220,639)**
Net Loss & ALAE Reported Paid by GA's	$ (7,827,828)
Change in Case Reserves - Direct and Ceded	$ 6,434,256
Change in IBNR Reserves - Direct and Ceded	$ 44,928
Change in Paid, Case & IBNR Reserves - Assumed and Retroceded	$ -
Net Losses Incurred	**$ (1,348,644)**
Administrative Estate Expenses Paid	$ (834,538)
Change in Reserve for Administrative Expenses	$ 834,538
Expenses Deferred	$ -
Expenses Other Than Administrative	$ 111,856
Expenses Related to Assumed or Ceded Business	$ -
Operating Expenses Incurred	**$ 111,856**
Net Operating Income (Loss)	**$ (1,457,427)**
Net Investment Income Earned	$ 3,396,381
Net Realized Capital Gains (Losses)	$ -
Change in Carrying Value	$ (13,685)
Investment Expenses	$ (73,735)
Net Investment Income	**$ 3,308,961**
Allowance for Bad Debts	$ 3,834,015
Other Income	$ 2,855
Other Expense	$ (1,645)
Other Income (Expenses)	**$ 3,835,225**
Net Income (Loss)	**$ 5,686,759**

EXHIBIT
F

ASSETS:

Note 1 – Cash

The cash balance has been reduced by payments made as of the report dates even if the checks have not yet been presented to the bank.

Note 2 – Overnight Investments

Overnight investments are comprised of overnight repurchase agreements, money market accounts with maturities less than three months at the date of purchase and variable rate demand notes. Balances are recorded at amounts provided by PNC and Fulton banks.

Note 3 – Bonds and Preferred Stocks

Investments in fixed maturities and equity securities are recorded at fair market value, which is based on quoted market prices provided by Conning Asset Management Company, the investment advisor. Variable rate demand notes not included in overnight investments are recorded at amounts provided by Fulton bank. The investment in affiliated common stock is recorded at zero since the value of affiliate, Pennsylvania Casualty Company (In Rehabilitation) ("PCC"), is recorded in the asset line item Pooled Loss, Expense & Inter-company Receivable, Net.

Note 4 – Investments Held for Secured Creditors

Funds for secured creditors are not maintained in separate bank accounts. However they are tracked separately and will receive funds prior to final estate distributions to priority class (a) or lower classifications. Categories of secured creditors include:

- Pass-Thru State Fund Surcharge Payable – surcharge collected from insureds which the Company is obligated to pass on to state authorities;
- Deposits Held for Deductibles – funds pre-paid by insureds specifically to pay deductible obligations when due. Funds remaining will be refunded to insureds after all potential deductible obligations are satisfied;
- Policyholder Collateral – Cash – collateral paid by insureds which may be used to satisfy future premium obligations;
- Finalized Retro Credits Pending – premium paid by the insured during the Liquidation period that will be refunded now that the retrospectively rated policy plan is finalized;
- Payroll Taxes and Deduction Withholdings – funds held due to timing between when amounts are withheld from the employees paychecks and when the funds must be remitted.

Note 5 – Premium Receivable

Premium receivable balances represent premium billed to policyholders, generally for retrospectively rated policies. Certain balances may only be collectible through collection services or legal proceedings. The premium receivable has been recorded net of an estimated allowance for such eventualities. Amounts ultimately collected may be more or less than such amounts currently recorded.

Note 6 – Accrued Retro Premium Receivable

Accrued retrospective premiums are based on loss estimates developed using actuarial factors. When periodic billing of retrospective premium is calculated according to plan terms (quarterly or annually), the billed premium charge is included in the Premium Receivable line item. The accrued retro receivable amount has two components. It may include deferred receivables, which represent the difference in retro premium calculated on an incurred loss basis versus on a paid loss basis, when the policyholder is paying the retro premium on a paid loss basis. It may also include the difference between billed premium based on paid losses and case reserves as of the plan calculation date compared to the paid losses and case reserves plus incurred but not reported losses (developed) as of statement date.

Note 7 – Deductible/SIR Receivable on Paid Losses

Deductible endorsements and some self-insured retention (SIR) endorsements require the Company to pay losses on claims and then bill the insured for its portion of the losses up to the policyholder deductible limits. Such receivables are reported net of estimated uncollectible balances. After passage of Pennsylvania Act 46 in 2004, this represents only amounts receivable for claim payments made prior to July 2004. Collection of those deductibles would be general assets of the estate. Otherwise any deductible amounts collected by the Company must be remitted to the specific guaranty association that made the claim payment on behalf of the estate, net of a 3% administrative expense fee. The amounts that will be owed to guaranty associations are netted from the related claim reserve liabilities.

Note 8 - Ceded Paid Losses Receivable - Unaffiliated

Ceded paid losses receivable represent amounts due from unaffiliated reinsurers which are determined and recorded by applying the recovery and collection terms under individual reinsurance contracts to paid loss and loss adjustment expenses. The Company records an allowance for uncollectible reinsurance for amounts disputed by the reinsurer and that the Company believes may not be collected. The Company also records an allowance for ceded paid losses receivable not collateralized by the reinsurer. Amounts ultimately collected may be more or less than such amounts currently recorded.

Note 9 – Pooled Loss, Expense, & Inter-company Receivable, Net

After allowances for uncollectible amounts, the balance in Pooled Loss, Expense & Inter-company Receivable represents the Company's net equity in its subsidiary, PCC. PCC has accrued for estimated liabilities due to third parties. The remaining net equity will be payable to the Company after rehabilitation run off settlement is made with other creditors.

Note 10 – Miscellaneous Receivable

Miscellaneous receivable is comprised of numerous small balances due the Company for such items as surcharge, ceded premium, subrogation and COBRA receivables, net of estimated uncollectible balances.

Note 11 – Reinsurance Recoverable

Reinsurance recoverable represents amounts due from unaffiliated reinsurers determined and recorded by applying the recovery terms under reinsurance contracts to individual reported case estimates of loss and loss adjustment expenses. It also includes estimates for actuarially determined reinsurance recoverable on claims that have been incurred but not reported or have been reported but not developed (IBNR).

Note 12 – Other Assets

After allowance for uncollectible amounts, the balance in other assets is mainly cash surrender value of key person insurance policies. It also contains electronic data processing equipment and furniture and equipment, net of accumulated depreciation.

Note 13 – Early Access for WC Claims Paid on Behalf of GA

This category of early access represents payments to workers' compensation claimants authorized and made pursuant to the Order of Liquidation. To avoid cessation of workers' compensation payments during the transition from rehabilitation to liquidation, the Liquidation Order authorizes the Liquidator to pay workers' compensation payments on behalf of the guaranty associations for 90 days from the date of the Liquidation Order to afford the guaranty associations an opportunity to obtain the files and begin processing the payment of such claims. These payments were authorized pursuant to the Court's order and made on behalf of the guaranty associations and thus the Company has recorded them as early access monies.

Note 14 - Advances to Guaranty Associations

The Court approved advances to guaranty associations via five Early Access petitions in accordance with the Pennsylvania Insurance Statutes. Advances to guaranty associations represent early distribution of assets to state insurance guaranty funds to assist those associations in fulfilling the obligation to pay claims on behalf of the Company. Related agreements ("refunding agreements") executed by the guaranty associations provide that they agree to return assets under certain circumstances to ensure pro-rata distributions among members of the same class of creditors of the Company. These advances will be reclassified when the Company pays final distributions to creditors. Advances are recorded at the amount of cash disbursement made to the guaranty fund association.

Note 15 – Statutory Deposits

Insurers who are authorized to engage in the business of insurance in a particular state are required to deposit monies with the applicable Insurance Department to cover any claims that may arise from that state's resident-claimants. Generally, the different states where the insurer is licensed to engage in business retain the special deposit after receivership and either provide those monies directly to their respective guaranty association or use them to open ancillary receiverships in that state. The Liquidator accounts for these special deposits on the books and records of the Company as available early access monies since they are typically not returned to the Liquidator but retained by the state and utilized to pay the claims of their respective residents. However the same refunding agreements referred to above may apply. Statutory deposits are valued at market value plus accrued interest on the date the refunding agreement was signed or the date the Company became aware that the applicable Insurance Department or guaranty association took control of the asset, whichever was earlier.

Note 16 – Ancillary Use of Statutory Deposits

The states of Oregon and Idaho (workers' compensation only) used special deposits to settle claims with their resident-claimants and pay for ancillary receiver administrative expenses. Excess deposit funds were returned to the Company and became general assets of the estate.

LIABILITIES:

Note 17 – Secured Creditors

Secured creditors will receive held funds before final estate distribution to priority class (a) and below. Refer to Note 4.

Note 18 - Priority Class – A

These are administrative costs of conducting the liquidation and expenses of the guaranty associations in handling claims, including estimates for ultimate administrative expenses unpaid as of the report date.

Note 19 – Priority Class – B

These are claims for policy benefits. Guaranty fund information for reported paid and reserves is provided by periodic data transmissions from the various guaranty associations.

The value of non-guaranty fund notices of claim evaluation represents allowed amounts on proofs of claim against the estate that have been formally evaluated and accepted or assumed accepted by the claimant.

Other reserves have been estimated for proofs of claim that have not yet been evaluated, which may be claims in excess of guaranty fund limits or in excess of reported reserves. These reserves also include estimates for claims that have been incurred but not yet reported or have been reported but not developed (IBNR).

Note 20 – Priority Class – C
These are claims of the Federal government.

Note 21 – Priority Class – E
These are claims of general creditors, claims for unearned premium and claims for agent commission.

Note 22 – Priority Class – F
These are claims of a state or local government.

Note 23 – Priority Class – G
These are claims submitted after the filing deadline or claims for which payment is provided by other benefits recovered by the claimant.

Note 24 – Priority Class – I
These are claims by owner of the Company.

SCHEDULE OF CASH FLOWS AND CHANGES IN LIQUID INVESTMENTS
The schedule of cash flows represents sources and uses of cash for the period. Sources represent cash received by the Company and also include amounts of available cash not yet received by the Company. The amounts reported as non-cash increases of available investments may be different than what is reflected in the schedule of cash flows as of the report date when actually converted to cash at a future date. The use of cash represents outflows disbursed by the Company.

OPERATIONS:
Note 25 – Net Premiums Earned
Premiums earned - direct and ceded primarily relate to retrospectively rated policy premium booked during the period, net of applicable reinsurance.

Premiums earned – assumed and retroceded primarily relate to activity on business assumed via one agreement from Swiss Reinsurance America.

Note 26 – Net Losses Incurred
Net losses incurred includes indemnity, medical and expense paid by the guaranty funds for policyholder benefit claims, change in estimated reserves for direct policyholder benefit claims, net of applicable reinsurance, and change in losses reported on business assumed, primarily via one agreement with Swiss Reinsurance America.

Note 27 – Operating Expenses Incurred

The Company accrued an estimate for ultimate administrative expenses of conducting the liquidation; therefore as operating expenses are paid, the reserve for administrative expense is decreased.

Deferred expenses are adjusted as needed to record costs incurred prior to the date the Company was placed into Rehabilitation but for which general creditors must file proofs of claim.

Expenses other than administrative expenses are non-cash expenses that impact operating expenses but are not administrative expenditures, such as change in cash surrender value of keyperson insurance.

Expenses related to ceded or assumed business generally refers to commissions.

Note 28 – Net Investment Income

Investment income earned, realized capital gains (losses) and change in carrying value of investments are netted against related investment expenses.

Note 29 – Other Income (Expenses)

Allowance for bad debts changes based on receivable and other asset balances and on the circumstances surrounding those balances. Specific levels of allowances are recorded for receivables in dispute, receivables that have been turned over to collection agencies or attorneys, uncollateralized reinsurance and the Company's estimate of other balances that may not be collected.

Other income results from non-operating and non-investment income received.

Other expense is interest expense paid to outside parties for deductible funds held.

EXHIBIT
G

PHICO INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSE ANALYSIS
FOR THE PERIOD: JANUARY 1, 2008 to MARCH 31, 2008 - UNAUDITED

	Actual		Budget		Actual to Budget Variance	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Variance %
Salaries	404,088	48.6%	409,491	44.9%	5,403	1.3%
Payroll Taxes and Benefits	88,334	10.6%	98,966	10.8%	10,632	10.7%
Legal Fees	60,879	7.3%	56,250	6.2%	(4,629)	-8.2%
Professional Service Expenses	144,565	17.4%	181,990	19.9%	37,425	20.6%
Real Estate Expenses	103,133	12.4%	102,075	11.2%	(1,058)	-1.0%
Furniture and Equipment	310	0.0%	1,600	0.2%	1,290	80.6%
Postage, Telephone, Printing, and Supplies	3,642	0.4%	10,800	1.2%	7,158	66.3%
Data Processing (includes acquisitions)	14,541	1.7%	39,420	4.3%	24,879	63.1%
Other Operating Expenses	11,832	1.4%	11,913	1.3%	81	0.7%
Total Operating Expenses	831,324	100.0%	912,505	100.0%	81,181	8.9%

EXHIBIT
H

PHICO INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO MARCH 31, 2008 - UNAUDITED

VENDOR NAME		
Fox Rothschild LLP	$	46,082
Henry Ian Pass		10,537
Total Vendors Under $1,000		3,843
Wolf, Block, Schorr & Solis-Cohen		418
TOTAL LEGAL FEES AND EXPENSES	**$**	**60,879**

EXHIBIT
I

PHICO INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO MARCH 31, 2008 - UNAUDITED

VENDOR NAME		
Ciber Inc (IS Outsourcing Expenses)	$	114,984
PA Dept-Office of Liquidations		29,466
Total Vendors Under $1,000		115
TOTAL PROFESSIONAL SERVICE EXPENSES	**$**	**144,566**

EXHIBIT
J

SECTION I: CLAIMS OVERVIEW
GA CLAIMS FOR POLICY BENEFITS

PHICO IN LIQUIDATION
UDS FINANCIAL REPORTING
GUARANTY FUND CLAIM OVERVIEW REPORT
AS OF 03/31/2008 RAN ON 05/01/2008

RUN DATE: 5/22/08
TIME: 10:46:42
PAGE: 1

STATE/	CLAIMS FILES			EARLY ACCESS*	GA CLAIMS REPORTED		TOTAL LIABILITY	GA EXPENSES REPORTED			
RPT LOC	ASSIGNED	COMPLETED	OUTSTANDG	CLAIMS PAID	CLAIMS PAID	CLAIMS RESERVE	(INCURRED)	ADMIN EXPENSE	LAE EXPENSE	TOTAL EXPENSE	EXPENSE RESERVE
AK 10	2	2	0	.00	822,945.19	.00	822,945.19	2,951.95	64,876.46	67,828.41	.00
AL 10	43	42	1	7,357.65	414,106.85	45,000.00	466,464.50	57,478.12	62,331.72	119,809.84	300.00
AR 10	137	127	10	.00	3,085,354.07	459,190.00	3,544,544.07	96,043.81	695,562.46	791,606.27	62,514.00
AZ 10	31	30	1	.00	817,337.07	100.00	817,437.07	143,577.32	569,523.58	713,100.90	50.00
AZ 11	13	13	0	.00	886.89	.00	886.89	133.03	.00	133.03	.00
CA 10	1,218	1,070	148	799,948.33	23,099,425.42	3,802,002.00	27,701,375.75	3,923,422.58	5,977,205.00	9,900,627.58	495,794.00
CO 10	68	68	0	3,490.80	846,306.58	.00	849,797.38	85,637.00	466,437.70	552,074.70	.00
CT 10	124	120	4	.00	9,645,768.02	56,500.00	9,702,268.02	269,344.80	885,712.06	1,155,056.86	6,305.00
DC 10	43	42	1	7,055.00	1,220,752.45	94,995.00	1,322,802.45	158,504.16	499,295.63	657,799.79	6,499.00
DE 10	216	213	3	8,108.31	11,963,422.57	7,325.00	11,978,855.88	364,983.90	1,794,042.44	2,159,026.34	4,500.00
FL 10	632	612	20	.00	42,131,627.13	2,424,602.00	44,556,229.13	3,358,776.51	16,295,679.68	19,654,456.19	706,542.00
FL 11	77	77	0	24,256.44	577,420.10	.00	601,676.54	28,106.10	49,100.60	77,206.70	.00
GA 10	134	133	1	.00	2,701,851.77	.00	2,701,851.77	221,525.86	1,358,405.95	1,579,931.81	3,751.00
HI 10	16	15	1	.00	310,000.00	175,000.00	485,000.00	92,791.85	128,910.48	221,702.33	1,097.00
IA 10	193	190	3	20,279.87	1,906,686.75	57,732.00	1,984,698.62	270,710.82	775,835.06	1,046,545.88	.00
ID 10	9	9	0	.00	525,000.00	.00	525,000.00	43,458.33	373,701.16	417,159.49	.00
IL 10	570	558	12	25,875.26	16,824,873.99	1,996,339.00	18,847,088.25	2,250,842.78	5,033,093.41	7,283,936.19	204,767.00
IN 10	2,182	2,068	114	142,229.23	4,243,656.42	1,147,988.00	5,533,873.65	3,083,270.85	6,484,454.76	9,567,725.61	1,278,457.00
KS 10	411	394	17	8,311.71	13,211,140.14	963,732.00	14,183,183.85	624,678.00	3,226,949.08	3,851,627.08	99,304.00
KY 10	86	82	4	1,111.26	1,521,209.32	351,470.00	1,873,790.58	160,944.44	1,306,905.35	1,467,849.79	92,082.00
LA 10	178	175	3	533.00	543,751.91	122,700.00	666,984.91	75,720.22	708,595.37	784,315.59	15,233.00
MA 10	134	130	4	3,451.70	5,166,640.82	1,198,813.00	6,368,905.52	401,239.96	1,103,805.69	1,505,045.65	13,123.00
MD 10	362	339	23	17,209.60	9,390,815.14	783,346.00	10,191,370.74	1,781,784.33	3,793,077.99	5,574,862.32	191,566.00
ME 10	60	59	1	.00	5,777,614.26	300,000.00	6,077,614.26	182,685.94	1,388,763.23	1,571,449.17	1.00
MI 10	43	41	2	.00	930,220.33	15,004.00	945,224.33	173,795.27	514,599.42	688,394.69	9,015.00
MN 10	83	79	4	3,215.70	646,502.84	266,320.00	916,038.54	122,521.94	286,779.63	409,301.57	55,235.00
MO 10	746	736	10	5,586.16	17,123,555.97	354,126.00	17,483,268.13	928,674.04	5,829,657.65	6,758,331.69	79,141.00
MS 10	51	47	4	.00	479,929.48	426,001.00	905,930.48	64,868.45	397,978.48	462,846.93	70,014.00
MT 10	100	94	6	.00	2,380,722.73	252,549.00	2,633,271.73	282,500.00	649,814.77	932,314.77	45,816.00
NC 10	497	490	7	102,178.87	4,276,599.10	309,236.00	4,688,013.97	569,815.10	1,514,165.91	2,083,981.01	118,830.00
ND 10	35	35	0	.00	207,482.37	.00	207,482.37	83,601.41	183,385.86	266,987.27	.00
NE 10	240	235	5	51,733.12	1,849,171.44	1,471,254.00	3,372,158.56	122,638.65	918,845.61	1,041,484.26	23,327.00
NH 10	224	217	7	.00	19,592,415.95	1,349,894.00	20,942,309.95	493,079.90	3,800,742.01	4,293,821.91	54,521.00
NJ 10	1,068	1,022	46	.00	62,650,248.34	5,434,003.00	68,084,251.34	1,450,875.64	9,569,739.24	11,020,614.88	370,645.00
NJ 11	10	7	3	5,437.06	204,795.57	26,037.00	236,269.63	34,348.26	4,447.06	38,795.32	500.00
NM 10	35	35	0	3,000.00	689,916.49	.00	692,916.49	41,801.37	393,113.47	434,914.84	.00
NV 10	73	73	0	.00	2,520,987.27	.00	2,520,987.27	450,870.73	1,296,003.10	1,746,873.83	.00
NY 10	408	365	43	53,032.80	2,928,505.74	7,043,353.00	10,024,891.54	1,945,895.00	578,522.80	2,524,417.80	8,622.00
OH 10	280	271	9	.00	5,874,749.00	685,006.00	6,559,755.00	1,020,515.70	2,864,583.91	3,885,099.61	.00
OK 10	137	135	2	2,688.00	2,534,426.49	488,590.00	3,025,704.49	320,175.38	1,298,493.85	1,618,669.23	22,052.00
PA 10	5,294	4,965	329	.00	100,222,334.29	19,559,014.00	119,781,348.29	6,639,212.31	50,785,087.59	57,424,299.90	3,317,799.00
PA 11	1,875	1,595	280	937,011.90	49,770,470.45	47,440,591.00	98,148,073.35	7,745,804.34	3,828,782.84	11,574,587.18	483,729.00
PR 10	872	821	51	.00	27,530,310.41	4,518,000.00	32,048,310.41	2,205,504.19	5,302,539.99	7,508,044.18	68,251.00
RI 10	126	125	1	.00	3,809,410.57	25,000.00	3,834,410.57	164,399.62	567,788.63	732,188.25	9,270.00
SC 10	65	64	1	.00	788,366.79	352,420.00	1,140,786.79	57,572.72	572,775.89	630,348.61	12,594.00
SD 10	304	296	8	14,191.79	2,572,852.79	234,516.00	2,821,560.58	220,202.11	625,074.26	845,276.37	3,975.00
TN 10	147	142	5	.00	458,151.31	4,395.00	462,546.31	417,753.16	1,605,810.16	2,023,563.32	466.00
TX 10	1,481	1,408	73	102,565.00	44,944,067.98	3,102,705.00	48,149,337.98	1,926,251.89	18,692,058.21	20,618,310.10	547,996.00
UT 10	24	20	4	914.28	442,492.66	85,343.00	528,749.94	26,334.85	185,104.30	211,439.15	12,560.00

SECTION I: CLAIMS OVERVIEW
GA CLAIMS FOR POLICY BENEFITS

PHICO IN LIQUIDATION
UDS FINANCIAL REPORTING
GUARANTY FUND CLAIM OVERVIEW REPORT
AS OF 03/31/2008 RAN ON 05/01/2008

RUN DATE: 5/22/08
TIME: 10:46:42
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STATE/ RPT LOC	CLAIMS FILES ASSIGNED	CLAIMS FILES COMPLETED	CLAIMS FILES OUTSTANDG	EARLY ACCESS* CLAIMS PAID	GA CLAIMS REPORTED CLAIMS PAID	GA CLAIMS REPORTED CLAIMS RESERVE	TOTAL LIABILITY (INCURRED)	GA EXPENSES REPORTED ADMIN EXPENSE	GA EXPENSES REPORTED LAE EXPENSE	GA EXPENSES REPORTED TOTAL EXPENSE	GA EXPENSES REPORTED EXPENSE RESERVE
VA 10	123	120	3	12,489.96	3,223,908.43	757,732.00	3,994,130.39	299,744.83	1,900,806.81	2,200,551.64	36,766.00
VT 10	102	90	12	989.64	4,287,080.80	482,422.00	4,770,492.44	187,199.04	764,217.63	951,416.67	37,680.00
WA 10	12	12	0	.00	1,231,731.09	.00	1,231,731.09	37,969.00	557,664.58	595,633.58	.00
WI 10	137	135	2	.00	331,536.03	500.00	332,036.03	243,320.90	190,290.90	433,611.80	9,165.00
WV 10	98	96	2	.00	5,560,412.46	125,000.00	5,685,412.46	352,247.22	1,373,340.57	1,725,587.79	9,725.00
WY 10	16	13	3	.00	1,071,000.00	3.00	1,071,003.00	35,637.00	120,357.29	155,994.29	3.00
GA TOTALS (A)	21,645	20,352	1,293	2,364,252.44	527,882,948.03	108,795,848.00	639,043,048.47	46,343,742.68	170,214,837.28	216,558,579.96	8,589,582.00

NOTES :
* Early Access Claims Paid represent workers compensation claim payments made directly by PHICO after the date of liquidation.
These were paid "on behalf" of GAs until the workers compensation claim files could be transferred to the GAs

EXHIBIT
K

PHICO Insurance Company (In Liquidation)
Proofs of Claim Statistics
Inception to Date March 31, 2008

Class Description	Total # of POCs Received	# of POCs Received after 4/1/03	# of NOCEs Issued	# of NOCEs Accepted	Allowed Amounts on Accepted NOCEs	# of NOCEs Approved for Distribution	Allowed Amounts on NOCEs Approved for Distribution
A - Administrative Expenses	113	4	56	56	$ -	56	$ -
B - Policy Holder Claims	15,952	2,109	15,363	15,174	$ 113,850,278	14,694	$ 101,711,759
C - Federal Government	3	-	-	-	$ -	-	$ -
D - Employees	36	1	28	28	$ -	20	$ -
E - General Creditor / UEP	10,401	1,003	10,385	10,378	$ 22,999,460	10,100	$ 22,081,730
F - State/Local Government	47	1	46	46	$ 809,131	46	$ 809,131
G - Late Filed / Subrogation	1,912	687	1,852	1,837	$ 3,424,466	1,705	$ 2,387,505
H - Surplus, Prem. Refunds	-	-	-	-	$ -	-	$ -
I - Shareholders/Other Owners	5	-	4	4	$ 454,222	4	$ 454,222
TOTALS	**28,469**	**3,805**	**27,734**	**27,523**	**$ 141,537,557**	**26,625**	**$ 127,444,347**

Other Counts	Inception To Date
POCs with Claims at GAs	488
Contingent Unliquidated POCs	131
Ready to Evaluate	0
Awaiting Information	32
Total Other Counts	**651**

EXHIBIT K

EXHIBIT
L

PHICO Insurance Company (In Liquidation)
Proofs of Claim Statistics
Quarter to Date March 31, 2008

Class Description	Total # of POCs Received	# of NOCEs Issued	# of NOCEs Accepted	Allowed Amounts on Accepted NOCEs	# of NOCEs Approved for Distribution	Allowed Amounts on NOCEs Approved for Distribution
A - Administrative Expenses	-	-	-	$ -	-	$ -
B - Policy Holder Claims	14	117	110	$ 740,115	-	$ -
C - Federal Government	-	-	-	$ -	-	$ -
D - Employees	-	2	3	$ -	-	$ -
E - General Creditor / UEP	7	9	10	$ 159,998	-	$ -
F - State/Local Government	-	-	-	$ -	-	$ -
G - Late Filed / Subrogation	(9)	12	26	$ -	-	$ -
H - Surplus, Prem. Refunds	-	-	-	$ -	-	$ -
I - Shareholders/Other Owners	-	-	-	$ -	-	$ -
TOTALS	12	140	149	$ 900,113	-	$ -

EXHIBIT L

EXHIBIT
M

PHICO Insurance Company (In Liquidation)
Notice of Claim Evaluation Objection Statistics
Inception To Date March 31, 2008

Class Description	Total # NOCE Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	1	$ -	1	$ -
B - Policy Holder Claims	564	$ 13,526,808	493	$ 9,847,259
C - Federal Government	-	$ -	-	$ -
D - Employees	-	$ -	-	$ -
E - General Creditor / UEP	1,297	$ 2,569,546	1,297	$ 2,569,546
F - State/Local Government	2	$ 88,452	2	$ 88,452
G - Late Filed / Subrogation	44	$ 5,022,557	37	$ 1,576,884
H - Surplus, Prem. Refunds	-	$ -	-	$ -
I - Shareholders/Other Owners	-	$ -	-	$ -
TOTALS	1,908	21,207,363	1,830	14,082,141

Class Description	Total # of Objections Unresolved	Allowed Amounts on Objections Unresolved	# of Objections Unresolved Assigned to Referees	Allowed Amounts on Objections Unresolved Assigned to Referees	# of Objections Unresolved Not Assigned to Referees	Allowed Amounts on Objections Unresolved Not Assigned to Referees
A - Administrative Expenses	-	$ -	-	$ -	-	$ -
B - Policy Holder Claims	71	$ 3,679,549	9	$ 3,551,894	62	$ 127,655
C - Federal Government	-	$ -	-	$ -	-	$ -
D - Employees	-	$ -	-	$ -	-	$ -
E - General Creditor / UEP	-	$ -	-	$ -	-	$ -
F - State/Local Government	-	$ -	-	$ -	-	$ -
G - Late Filed / Subrogation	7	$ 3,445,673	2	$ 2,486,053	5	$ 959,620
H - Surplus, Prem. Refunds	-	$ -	-	$ -	-	$ -
I - Shareholders/Other Owners	-	$ -	-	$ -	-	$ -
TOTALS	78	7,125,222	11	6,037,947	67	1,087,275

EXHIBIT M

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon the persons and in the manner indicated below:

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Dated: 5/30/08