

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 217-2006-EQ-00380

In the Matter of the Liquidation of
ACA Assurance

LIQUIDATOR'S SEVENTH REPORT

I, Roger A. Sevigny, Commissioner of Insurance, as Liquidator ("Liquidator") of ACA Assurance ("ACA") hereby submit this seventh report on the liquidation of ACA, pursuant to RSA 402-C:25 and RSA 402-C:26, I(c).

1. Proofs of Claim. Consistent with the terms of the Order of Liquidation and the Court's entry of the Order, the claim filing deadline in the ACA liquidation passed on April 22, 2013. As of March 1, 2014, 20 proofs of claim with stated amounts totaling \$388,185 have been filed with the Liquidator, including a claim in the amount of \$376,000 filed by ACA's former landlord in Manchester, New Hampshire. The Liquidator has received no new proofs of claim between the last Liquidator's report and March 1, 2014. In addition to these 20 proofs of claim, and pursuant to the Order of Liquidation, each of ACA's policyholders whose policies were assessed are deemed to have valid claims in the estate for the full amount of all assessments imposed on ACA's insurance policies without the policyholder being required to file proofs of claim with the Liquidator. The number of policyholder assessment claims in the aggregate is estimated to be approximately 25,000.

2. Claim Determinations and Claim Report; Plan of Liquidation. The Liquidator is continuing the process of determining the proofs of claim and has made final determinations for all but

three proofs of claim received by the Liquidator.¹ On February 20, 2014, the Liquidator filed a Motion For Approval of Claims Report which the Court granted on March 4, 2014. The motion attached the Liquidator's first claim report with respect to undisputed claim determinations, and sought the Court's approval of the claim determinations identified in a schedule setting forth the name and address of the claimant, the particulars of the claim, the recommended amount and the priority of the claim.

As for the three remaining proofs of claim, the first such proof of claim was filed by The Home Insurance Company in Liquidation ("Home") for reimbursement of the costs and expenses of administrative services provided to the Liquidator. However, Home was not required to file a proof of claim with respect to administrative services which are Class I pursuant to RSA 402-C:44 and are paid in the ordinary course. As a result, Home has withdrawn its proof of claim.

The second such proof of claim was filed by ACA's former landlord, 1750 Elm Street, LLC. An agreement with regard to the claim has been reached in principle and once it is concluded will be filed with the Court for its approval.

The third and last undermined proof of claim was filed by a former ACA policyholder seeking reimbursement for the assessment made against his policy. It is anticipated that this claim (and all other claims for assessments) will be addressed by the Liquidator in a filing to be made with the Court concerning the determination of all policyholder assessment claims which were deemed to be filed with the Liquidator pursuant to the Order of Liquidation. The filing will include a Plan of Liquidation which will address, among other things, the priority classification of the policyholder assessment claims, the distribution to creditors which is to be made with regard to the policyholder assessment claims, as well as the resolution of the remaining proof of claim filed by ACA's former landlord.

¹ A fourth POC filed by Tourmed Assistance, Inc. was withdrawn by the Liquidator upon receipt of written confirmation from Claimant that the POC would not be pursued.

3. Administrative Expenses. The Liquidator continues to receive and pay Class I administrative expenses as to which proofs of claim are not required to be filed. These expenses generally will not be recorded in the financial statements until paid since such statements are presented solely on a cash basis and, as such, do not reflect accrued administrative expenses. As noted above, employees of Home have been providing liquidation services to ACA during the period of the liquidation. There are other consultants, contractors and parties who also have claims for Class I administrative expenses with respect to ACA which arise from prior contracts or in the ordinary course of handling the ongoing liquidation. These claims for administrative expenses will be reflected in the financial statements when and as they are paid. As these claims arise from the services that are being provided to the Liquidator in connection with the liquidation of ACA, these claims will constitute Class I administrative expenses but the total amount will not be finally determinable until the closure of ACA's liquidation proceeding.

4. Collection of Assets/Satisfaction of Liabilities. As described in the various reports filed with the Court by the Commissioner acting as ACA's Rehabilitator, the Rehabilitator satisfied or transferred many of ACA's liabilities and collected almost all of ACA's assets during the rehabilitation. Liabilities included a range of obligations to policyholders (net of applicable assessment), retirees and creditors. ACA's collected assets consisted primarily of real estate, mortgages, and tax refunds from Canadian tax authorities.

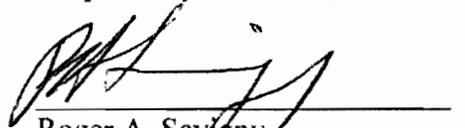
Assets collected during Liquidation include a tax refund of \$7,213 that was received from Revenue Quebec in March of 2013. The Liquidator on March 19, 2013 communicated with Revenu Quebec to determine if any balance is due ACA and has been advised that the file has been transferred to another department within Revenu Quebec for further review. No response has been received to date. Otherwise, the only asset which remains to be collected are the monthly brokerage commissions due ACA which totaled approximately \$8,157 in 2013.

5. Status of U.S Tax Return. The Liquidator has no evidence of any governmental claim or obligation, apart from the filing of the 2012 Form 990 with the IRS which was filed on May 6, 2013. Preparation of the 2013 Form 990 is in process and will be filed prior to the May 15, 2014 deadline. The Liquidator received a questionnaire from the IRS concerning the status of ACA's subordinates. The Liquidator advised the IRS that ACA had the same subordinate during the time relevant to the query, that ACA had been placed into liquidation and that the subordinate's remaining policies terminated by operation of state law no later than 30 days after the date of the order of liquidation.

6. Financial Report. A copy of the unaudited Statement of Cash Receipts and Disbursements for the period ended February 28, 2014 for ACA is attached as Exhibit A to this report. The statement reflects \$464,137 in cash under the Liquidator's direct control at February 28, 2014, including \$1,355 in cash receipts and \$1,713 in cash disbursements from October 1, 2013 to December 31, 2013, and \$2,321 in cash receipts and \$24,295 in cash disbursements from January 1, 2014 to February 28, 2014. The disbursements paid in 2014 consist of \$14,171 paid to Home for its claim for Class I administrative expenses, with the remainder paid for legal fees incurred and other administrative expenses. ACA's cash is held at TD Bank.

7. Future Activity. In light of the limited remaining assets of the estate, the Liquidator is conducting the liquidation proceeding as efficiently and expeditiously as possible so as to minimize, to the extent prudent, the amount of administrative expenses incurred to address all proofs of claim, resolve any other matters of the estate and conclude the proceeding.

Respectfully submitted,

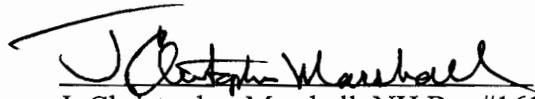


Roger A. Sevigny
Insurance Commissioner
As Liquidator of ACA Assurance

Dated: March 7th, 2014

CERTIFICATE OF SERVICE

I, J. Christopher Marshall, do hereby certify that on March 10, 2014, I served a true copy of the foregoing upon the attached Service List, by first class mail, postage prepaid.


J. Christopher Marshall, NH Bar #1619

ACA Assurance In Liquidation
Statement of Cash Receipts and Disbursements

	January 1, 2014 to February 28, 2014	October 1, 2013 to December 31, 2013
Beginning Cash	<u>\$ 486,110</u>	<u>\$ 486,468</u>
Cash Receipts:		
Commission Income	2,321	1,355
Total Cash Receipts	<u>\$ 2,321</u>	<u>\$ 1,355</u>
Cash Disbursements:		
Legal Expenses	9,010	-
Consultant and Outside Service Expenses	14,592	259
Bank Fees	438	583
Other Expenses	254	871
Total Cash Disbursements	<u>\$ 24,295</u>	<u>\$ 1,713</u>
 Excess of Receipts Over (Disbursements)	 <u>\$ (21,973)</u>	 <u>\$ (358)</u>
 Ending Cash	 <u><u>\$ 464,137</u></u>	 <u><u>\$ 486,110</u></u>

Note - Basis of Accounting

This financial statement is prepared using the cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator are recorded; cash was the only asset as of the dates of the statements above. Certain administrative expenses have accrued during the period of the Liquidation and these expenses are not reflected as liabilities in the foregoing.

SERVICE LIST

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