EXECUTIVE LIFE INSURANCE COMPANY OF NEW YORK
IN REHABILITATION

C

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	780,035,550		780,035,550	782,195,496
2. Stocks (Schedule D):				
2.1 Preferred stocks	186		186	371,703
2.2 Common stocks	103,388,346		103,388,346	161,781,086
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ .... encumbrances)			0	0
4.2 Properties held for the production of income (less $ .... encumbrances)			0	0
4.3 Properties held for sale (less $ .... encumbrances)			0	0
5. Cash ($ 642,980 , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 8,297,106 , Schedule DA)	8,940,086		8,940,086	12,259,562
6. Contract loans (including $ .... premium notes)			0	0
7. Derivatives			0	
8. Other invested assets (Schedule BA)	0		0	0
9. Receivables for securities	24,633		24,633	14,534,070
10. Securities lending reinvested collateral assets			0	
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	892,388,801	0	892,388,801	971,141,917
13. Title plants less $ .... charged off (for Title insurers only)			0	0
14. Investment income due and accrued	12,906,399		12,906,399	13,088,801
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection			0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ .... earned but unbilled premium)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets ($ ....)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	650,000		650,000	650,000
24. Health care ($ ....) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	905,945,200	0	905,945,200	984,880,718
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	905,945,200	0	905,945,200	984,880,718
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0	0
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	0	0	0	0

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts $ 2,267,513,113 (Exhibit 5, Line 9999999) less $ included in Line 6.3 (including $ Modco Reserve)	2,267,513,113	2,332,995,708
2. Aggregate reserve for accident and health contracts (Exhibit 6, Line 17, Col. 1)(including $ 0 Modco Reserve)	0	0
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including $ Modco Reserve)	0	0
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11)	1,525,066	1,466,409
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11)	0	0
5. Policyholders' dividends $ and coupons $ due and unpaid (Exhibit 4, Line 10)	0	0
6. Provision for policyholders' dividends and coupons payable in following calendar year—estimated amounts:		
6.1 Dividends apportioned for payment (including $ Modco)		0
6.2 Dividends not yet apportioned (including $ Modco)		0
6.3 Coupons and similar benefits (including $ Modco)		0
7. Amount provisionally held for deferred dividend policies not included in Line 6		0
8. Premiums and annuity considerations for life and accident and health contracts received in advance less $ discount; including $ 0 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14)	0	0
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		0
9.2 Provision for experience rating refunds, including $ accident and health experience rating refunds		0
9.3 Other amounts payable on reinsurance, including $ assumed and $ ceded	0	0
9.4 Interest Maintenance Reserve (IMR, Line 6)	129,558,280	97,866,412
10. Commissions to agents due or accrued-life and annuity contracts $ accident and health $ and deposit-type contract funds $		0
11. Commissions and expense allowances payable on reinsurance assumed		0
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6)	3,621,158	3,092,093
13. Transfers to Separate Accounts due or accrued (net) (including $ accrued for expense allowances recognized in reserves, net of reinsured allowances)		0
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	0	0
15.1 Current federal and foreign income taxes, including $ on realized capital gains (losses)		0
15.2 Net deferred tax liability		0
16. Unearned investment income		0
17. Amounts withheld or retained by company as agent or trustee	45,631,572	43,659,563
18. Amounts held for agents' account, including $ agents' credit balances	3,825,418	3,825,418
19. Remittances and items not allocated		0
20. Net adjustment in assets and liabilities due to foreign exchange rates		0
21. Liability for benefits for employees and agents if not included above		0
22. Borrowed money $ and interest thereon $		0
23. Dividends to stockholders declared and unpaid		0
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR, Line 16, Col. 7)	22,568,618	33,240,506
24.02 Reinsurance in unauthorized companies	0	0
24.03 Funds held under reinsurance treaties with unauthorized reinsurers		0
24.04 Payable to parent, subsidiaries and affiliates		0
24.05 Drafts outstanding		0
24.06 Liability for amounts held under uninsured plans		0
24.07 Funds held under coinsurance		0
24.08 Derivatives		
24.09 Payable for securities	74,117	108,431
24.10 Payable for securities lending		
24.11 Capital notes $ and interest thereon $		0
25. Aggregate write-ins for liabilities	0	0
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	2,474,317,342	2,516,254,540
27. From Separate Accounts statement	0	0
28. Total liabilities (Lines 26 and 27)	2,474,317,342	2,516,254,540
29. Common capital stock	14,392,214	14,392,214
30. Preferred capital stock		0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes		0
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	336,493,729	336,493,729
34. Aggregate write-ins for special surplus funds	0	0
35. Unassigned funds (surplus)	(1,919,258,085)	(1,882,259,765)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 29 $)		0
36.2 shares preferred (value included in Line 30 $)		0
37. Surplus (Total Lines 31+32+33+34+35-36) (including $ in Separate Accounts Statement)	(1,582,764,356)	(1,545,766,036)
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55)	(1,568,372,142)	(1,531,373,822)
39. Totals of Lines 28 and 38 (Page 2, Line 27, Col. 3)	905,945,200	984,880,718
DETAILS OF WRITE-INS		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	0	0
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)	0	0
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)	0	0

SUMMARY OF OPERATIONS

		1 Current Year	2 Prior Year
1.	Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	0	0
2.	Considerations for supplementary contracts with life contingencies		0
3.	Net investment income (Exhibit of Net Investment Income, Line 17)	57,066,575	60,687,218
4.	Amortization of Interest Maintenance Reserve (IMR, Line 5)	4,587,055	3,959,272
5.	Separate Accounts net gain from operations excluding unrealized gains or losses	0	0
6.	Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	0	0
7.	Reserve adjustments on reinsurance ceded		0
8.	Miscellaneous Income:		
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts		0
	8.2 Charges and fees for deposit-type contracts		0
	8.3 Aggregate write-ins for miscellaneous income	0	0
9.	Totals (Lines 1 to 8.3)	61,653,630	64,646,490
10.	Death benefits		0
11.	Matured endowments (excluding guaranteed annual pure endowments)	0	0
12.	Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	177,501,014	156,102,578
13.	Disability benefits and benefits under accident and health contracts		0
14.	Coupons, guaranteed annual pure endowments and similar benefits		0
15.	Surrender benefits and withdrawals for life contracts		0
16.	Group conversions		0
17.	Interest and adjustments on contract or deposit-type contract funds	1,573,139	1,512,636
18.	Payments on supplementary contracts with life contingencies		0
19.	Increase in aggregate reserves for life and accident and health contracts	(65,482,595)	(35,680,637)
20.	Totals (Lines 10 to 19)	113,591,558	121,934,577
21.	Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	0	0
22.	Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	0	0
23.	General insurance expenses (Exhibit 2, Line 10, Columns 1, 2, 3 and 4)	2,831,383	4,548,959
24.	Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	293	293
25.	Increase in loading on deferred and uncollected premiums		0
26.	Net transfers to or (from) Separate Accounts net of reinsurance		0
27.	Aggregate write-ins for deductions	0	0
28.	Totals (Lines 20 to 27)	116,423,234	126,483,829
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(54,769,604)	(61,837,339)
30.	Dividends to policyholders		0
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(54,769,604)	(61,837,339)
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)		0
33.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(54,769,604)	(61,837,339)
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 0 (excluding taxes of $ transferred to the IMR)	13,132,713	16,717,354
35.	Net income (Line 33 plus Line 34)	(41,636,891)	(45,119,985)
	CAPITAL AND SURPLUS ACCOUNT		
36.	Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	(1,531,373,822)	(1,395,967,394)
37.	Net income (Line 35)	(41,636,891)	(45,119,985)
38.	Change in net unrealized capital gains (losses) less capital gains tax of $	(4,933,320)	15,823,742
39.	Change in net unrealized foreign exchange capital gain (loss)		0
40.	Change in net deferred income tax		0
41.	Change in nonadmitted assets	0	0
42.	Change in liability for reinsurance in unauthorized companies	0	0
43.	Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4)	0	(75,466,550)
44.	Change in asset valuation reserve	10,671,889	(33,240,506)
45.	Change in treasury stock (Page 3, Lines 36.1 and 36.2 Col. 2 minus Col. 1)	0	0
46.	Surplus (contributed to) withdrawn from Separate Accounts during period		0
47.	Other changes in surplus in Separate Accounts statement	0	0
48.	Change in surplus notes	0	0
49.	Cumulative effect of changes in accounting principles		0
50.	Capital changes:		
	50.1 Paid in		0
	50.2 Transferred from surplus (Stock Dividend)		0
	50.3 Transferred to surplus		0
51.	Surplus adjustment:		
	51.1 Paid in		0
	51.2 Transferred to capital (Stock Dividend)		0
	51.3 Transferred from capital		0
	51.4 Change in surplus as a result of reinsurance		0
52.	Dividends to stockholders		0
53.	Aggregate write-ins for gains and losses in surplus	(1,099,998)	2,596,871
54.	Net change in capital and surplus for the year (Lines 37 through 53)	(36,998,320)	(135,406,428)
55.	Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	(1,568,372,142)	(1,531,373,822)
	DETAILS OF WRITE-INS		
08.301			
08.302			
08.303			
08.398	Summary of remaining write-ins for Line 8.3 from overflow page	0	0
08.399	Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	0	0
2701.			
2702.			
2703.			
2798.	Summary of remaining write-ins for Line 27 from overflow page	0	0
2799.	Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
5301.	CORRECTION OF 2009 PAYMENT	(240,890)	0
5302.	CORRECTION OF CASH ACCOUNTS	(859,108)	3,091,233
5303.	CORRECTION FOR BOND 912810BZ0		(100,000)
5398.	Summary of remaining write-ins for Line 53 from overflow page	0	(394,362)
5399.	Totals (Lines 5301 through 5303 plus 5398) (Line 53 above)	(1,099,998)	2,596,871

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE Executive Life Insurance Company of New York in Rehabilitation

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	0	0
2. Net investment income	56,914,046	58,716,026
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	56,914,046	58,716,026
5. Benefit and loss related payments	179,015,496	157,558,813
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	2,450,151	3,327,573
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	181,465,647	160,886,386
11. Net cash from operations (Line 4 minus Line 10)	(124,551,601)	(102,170,360)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	236,619,473	298,766,506
12.2 Stocks	121,669,047	282,945,224
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	31	0
12.7 Miscellaneous proceeds	14,475,589	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	372,764,140	581,711,730
13. Cost of investments acquired (long-term only):		
13.1 Bonds	197,720,325	326,792,074
13.2 Stocks	54,683,238	129,973,271
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	466	13,034,327
13.7 Total investments acquired (Lines 13.1 to 13.6)	252,404,029	469,799,672
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	120,360,111	111,912,058
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	872,014	9,633,301
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	872,014	9,633,301
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(3,319,476)	19,374,999
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	12,259,562	(7,115,437)
19.2 End of year (Line 18 plus Line 19.1)	8,940,086	12,259,562

<u>Background and Key Financial Information</u>

A. <u>Preliminary</u>

Executive Life Insurance Company of New York ("ELNY") is a subsidiary of Executive Life Insurance Company ("ELIC"), a California company. ELNY was licensed to write various lines of life insurance and annuities, including traditional life policies, single premium deferred annuities ("SPDAs"), single premium immediate annuities ("SPIAs") and closeout qualified retirement accounts ("CQRAs").

In early 1991, ELNY received considerable adverse publicity relating primarily to the distressed asset portfolio of its parent company, ELIC. This adverse publicity increased with the commencement of conservation proceedings against ELIC on April 11, 1991. An April 12, 1991 report ("Report") of the Assistant Deputy Superintendent and Chief Examiner of the Life Insurance Companies Bureau of the New York State Insurance Department ("Insurance Department") stated that the adverse publicity concerning ELNY had caused policyholders, creditors and the public to lose confidence in ELNY, as indicated by an acceleration of cash surrenders by policyholders. The Report further stated that the increase in surrenders had caused a material erosion of ELNY's assets to the detriment of policyholders with nonsurrenderable policies, primarily structured settlement annuities. On the basis of the Report and other information, the Superintendent of Insurance of the State of New York ("Superintendent") concluded that further transaction of business by ELNY would be hazardous to its policyholders and creditors and the public.

B. <u>History</u>

Pursuant to an order ("Rehabilitation Order") of the Supreme Court of the State of New York, County of Nassau ("Receivership Court"), ELNY was placed into rehabilitation on April 23, 1991, and the then-Superintendent (and his successors in office) was appointed Rehabilitator of ELNY ("Rehabilitator"). The Rehabilitation Order directed the Rehabilitator to, among other things, take possession of the property of ELNY, conduct the business of ELNY, and take steps toward the removal of the causes and conditions which made the rehabilitation proceeding necessary.

Pursuant to New York Insurance Law Section 7422, the Rehabilitator may appoint a special deputy and assistant special deputy superintendents as his agents. The agents carry out, through the New York Liquidation Bureau ("NYLB"), the responsibilities of the Rehabilitator where the agents have been appointed as the agents of the Rehabilitator.

B. History (continued)

On July 24, 1991, the Receivership Court entered an order approving and confirming the Rehabilitator's engagement of First Boston Asset Management Corporation ("FBAM"), as investment advisor, which merged with Credit Suisse Asset Management ("CSAM"). In 2009, the Rehabilitator replaced CSAM with Wellington Management Company, LLP and Goldman Sachs Asset Management, as investment advisors. The Rehabilitation Order further provided the Rehabilitator with relief from Insurance Law Section 7424, thereby permitting the Rehabilitator to invest funds in vehicles other than state or national banks, savings banks or trust companies.

Thereafter, the Rehabilitator, with his advisors, began a thorough analysis of ELNY's assets and liabilities and consulted with members of the Life Insurance Company Guaranty Corporation of New York and potentially interested life insurers concerning possible dispositions of ELNY's assets. During that process, those life insurers having the financial wherewithal to run ELNY's business made it clear they would not accept ELNY's high-yield bonds in connection with an acquisition of any part of ELNY's business. However, the Rehabilitator, in consultation with his advisors, recognized that a liquidation of ELNY's bond portfolio would crystallize the losses contained therein, thereby eliminating the possibility of recovery.

After extensive review, the Rehabilitator concluded that the best alternative for maximizing policyholder benefits would be: (1) the sale of ELNY's SPDAs and life insurance policies and the transfer by ELNY of assets, other than high-yield bonds, to support such transfer net of a ceding commission; and (2) the retention by ELNY of its SPIAs and CQRAs (typically issued in connection with structured settlements and pension close-outs, respectively) together with its other assets, including its then-substantial holdings of high-yield bonds. This transaction structure was supported by stochastic simulation modeling performed by the Rehabilitator's outside actuarial advisor. The modeling indicated that ELNY would be able to meet 100 % of its remaining SPIA obligations in more than 90 % of 500 randomly generated scenarios using base case assumptions concerning default and recovery rates on ELNY's bond portfolio and certain assumptions concerning equity returns and interest rates on reinvested assets. These investment assumptions were made in consultation with FBAM. The assumptions ultimately proved to be overly optimistic and have been adjusted to bring the reserves to a more realistic level.

In his subsequent solicitation of ELNY transaction proposals, the Rehabilitator indicated he was particularly interested in potential purchasers of the SPDAs and life insurance policies who could also administer the payout of the SPIAs and CQRA's. After solicitation of proposals, the Rehabilitator negotiated such a

B. History (continued)

transaction with Metropolitan Life Insurance Company ("MetLife"). The plan of rehabilitation ("Rehabilitation Plan"), including the transaction with MetLife, was approved by the Receivership Court on December 16, 1992.

C. Use of Estimates in the Preparation of the Statutory Basis Financial Statements

The *Accounting Practices and Procedures Manual* ("APP Manual") of the National Association of Insurance Commissioners ("NAIC") summarizes statutory accounting practices and provides guidance to regulatory agencies in formulating prescribed or permitted practices. The Insurance Department adopted portions of the APP Manual, subject to exceptions, conflicts and additions set forth in Insurance Department Regulation 172, as found in Section 83.4 of 11 N.Y.C.R.R. 83 ("Prescribed Practices").

ELNY's Statements of Assets; Liabilities, Surplus and Other Funds; Summary of Operations; and Cash Flow, all for the years ended December 31, 2009 and 2010 (collectively, "Statutory Basis Financial Statements") were prepared in accordance with Prescribed Practices.

Such preparation required ELNY to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. It also required disclosure of contingent assets and liabilities at the date of the Statutory Basis Financial Statements. Such estimates and assumptions could change in the future as more information becomes known and actual results could differ from those estimates reported and disclosed herein.

D. The Plan of Rehabilitation

The salient features of the ELNY Rehabilitation Plan are as follows:

1. Liability under the SPIAs remains with ELNY, under the supervision of the Rehabilitator;
2. MetLife administers the payout of the SPIA liabilities and CQRA liabilities;
3. An investment strategy concerning the reinvestment of ELNY's assets and consistent with the extremely long-term nature of the SPIA liabilities must be established and maintained.

E. Kev Financial Information

1. Revolving Fund
Contingency funds held by the NYLB to cover expenses owed to the NYLB by ELNY.

2. Aggregate Reserves
ELNY's reserve requirements are reported on a statutory basis using an assumed interest rate of 5.25 %.

3. Interest Maintenance Reserve
A reserve that captures all realized, interest-related capital gains and losses on fixed income assets. These gains and losses are amortized into income over the remaining life of the investment sold.

4. Amounts Retained by Company (Claim-overs)
Generally, holders of ELNY SPDAs received MetLife SPDAs in exchange for their ELNY contracts. Because the MetLife SPDAs had substantially higher surrender charges than the ELNY SPDAs exchanged therefor, former ELNY SPDA holders who surrendered their MetLife SPDAs before the applicable surrender charges decreased to zero were allowed a claim against the ELNY estate for the amount of the surrender charge so incurred. (These claims are called claim-overs). The Rehabilitation Plan provides that: (a) the claim-overs are vestiges of the ELNY SPDAs and therefore rank *pari passu* with the claims of ELNY SPIA policy holders; and (b) there will be no payment on the claim-overs until the earlier of (i) such time as the ELNY estate is liquidated and a payout of 95 % or 97½ % (depending on the age of the annuitant) of obligations to ELNY SPIA beneficiaries has been funded with certainty, or (ii) such time as the Rehabilitator has determined with certainty that, due to ELNY's ownership of sufficient assets having appropriate quality and liquidity, ELNY SPIA beneficiaries will receive 95 % or 97½ % (depending on age of the annuitant) of the obligations owing to them. These conditions have not been satisfied and no payment of claim-overs has been made. Interest accrues on the claim-overs at 4 % per annum.

5. Amounts Held for Agents
Reserve for unpaid commissions claimed by agents for placements prior to rehabilitation.

6. Asset Valuation Reserve
A reserve that makes provisions for credit-related losses on fixed-income assets (default component) as well as all types of equity investments (equity component).

E. Key Financial Information (continued)

7. Other-Than-Temporary Impairment ("OTTI") Analysis
In accordance with ELNY's Investment Policy for Analyzing Quality of Securities at Year End, OTTI, ELNY wrote down a total of \$466 of investments consisting of \$442 in common stock and \$24 in preferred stock. This was due to a decline in the fair market value of these securities which were considered to have an other than temporary impairment (*i.e.*, investments having a fair value of 20 per cent less than the book adjusted carrying value or cost) as of December 31, 2010.