

**GENERAL AMERICAN MUTUAL HOLDING COMPANY  
IN LIQUIDATION**

**FINANCIAL STATEMENTS**

For the Year Ended December 31, 2003

## ACCOUNTANTS' COMPILATION REPORT

To Albert Riederer, Special Deputy Liquidator

### GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

We have compiled the statement of net assets of General American Mutual Holding Company In Liquidation as of December 31, 2003, and the related statements of changes in net assets, receipts, and disbursements for the year ended December 31, 2003 included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form prescribed by the Missouri Department of Insurance information that is the representation of management. We have not audited or reviewed the accompanying financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements, including related disclosures, are presented in accordance with the requirements of the Missouri Department of Insurance, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Leawood, Kansas  
January 30, 2004

*Maya Hoff M&A P.C.*

**GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION**

**STATEMENT OF NET ASSETS**

December 31, 2003

**ASSETS**

Type of Asset	Subtotal Column	Total
Cash		\$ 27,425
Short-term Obligations		115,960,149
Deposits Held for Other States		-
<b>Bonds:</b>		
U.S. Government, including mortgage backed	\$ 156,932,046	
Industrials, Public Utilities	1,045,928	
Municipal/Non-revenue	155,924,838	
Railroad	-	
Banks, Insurance and Other Financial Institutions	23,616,953	
MVA on Bonds	(97,979)	
Total Bonds		337,421,786
<b>Stocks:</b>		
Preferred	-	
Common	-	
MVA	-	
Total Stock		-
Mortgage Loans		-
MVA		-
Real Estate		-
MVA		-
Policy Loans		-
<b>Other Invested Assets</b>		
Asset 1	-	
Asset 2	-	
Asset 3	-	
Any applicable MVA or adj. for uncollectible	-	
Total of Other Invested Assets		-
Advances to Guaranty Associations		-
<b>Recoverable from Reinsurers:</b>		
Paid Losses	-	
Paid LAE	-	
Known Case Loss Reserves	-	
Known Case LAE Reserves	-	
IBNR Loss Reserves	-	
IBNR LAE Reserves	-	
Unearned Ceded Premiums	-	
Contingent Commissions (If not claims)	-	
MVA	-	
Total Recoverable from Reinsurers		-

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF NET ASSETS

December 31, 2003

**ASSETS**

Type of Asset	Subtotal Column	Total
Federal Income Tax Recoverable		\$ -
Other Taxes Recoverable		-
Salvage and Subrogation Recoverables		-
Premiums Due and Accrued		-
Agents' Balances		-
Receivable from Affiliates		-
Accrued Investment Income		1,380,313
Equipment, Furnishings and Supplies		23,849
Other Fixed Assets		-
Depreciation on Equipment & Other Fixed Assets		(2,140)
Other Assets:		
Asset 1 – Prepaid expenses	25,000	
Asset 2 –	-	
Asset 3 –	-	
Any applicable MVA or adj. for uncollectible	-	
Total Other Assets	<u>25,000</u>	<u>25,000</u>
Total Unrestricted Assets		454,836,382
Restricted Assets		<u>-</u>
Total Assets		<u>\$ 454,836,382</u>

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**GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION**

**STATEMENT OF NET ASSETS**

December 31, 2003

**LIABILITIES**

Type of Liability	Subtotal Column	Total
Secured Claims		\$ 63,216,361
Class 1 Administrative Claims:		
GF	\$ -	
General Administrative Expenses Pending	<u>125,001</u>	
Total Class 1 Claims		125,001
Class 2 Policy Benefit Claims:		
GF Covered	-	
Ancillary	-	
NGC	<u>-</u>	
Total Class 2 Claims		-
Class 3 U.S. Government		-
Class 4 Employee Compensation		-
Class 5 Premium and General Creditor Claims:		
GF Covered Premium	-	
Reinsurance Assumed	-	
Reinsurance Ceded	-	
NGC Premium	-	
Ancillary	-	
Other NGC General Creditor	<u>-</u>	
Total Class 5 Claims		-
Class 6 State & Local Government		-
Class 7 Late Filed		-
Class 8 Surplus Note		-
Class 9 Ownership Related		<u>-</u>
Total Liabilities		63,341,362
Excess (Deficiency) of Assets Over Liabilities		<u>391,495,020</u>
Total		<u>\$ 454,836,382</u>

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**GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION**

**STATEMENT OF CHANGES IN NET ASSETS**

For the Year Ended December 31, 2003

<u>Itemization of Individual Net Asset Changes</u>	<u>Individual Amounts of Net Asset Changes</u>	<u>Totals Column</u>
Net Assets at December 31, 2002		\$ 1,398,603,264
Increases in Net Assets:		
Premium	\$ -	
Commission	-	
Rental Income	-	
Mortgage Receipts (Principal & Interest)	-	
Policy Loan Receipts (Principal & Interest)	-	
Proceeds from Sales of Real Estate	-	
Proceeds from Sales of PP&E	-	
Reinsurance Recoveries on Losses	-	
Reinsurance Recoveries on LAE	-	
Agents Balances Received	-	
Collection of Affiliate Receivables	-	
Salvage and Subrogation Recoveries	-	
Recovery of Taxes Previously Paid	-	
Interest & Dividend Income	13,546,259	
Other Income – Gain on sale of investments	4,020	
Other Income – Settlement of Article VIII claims with MetLife	35,872,550	
Proceeds from Sales and Maturities of Investments	<u>-</u>	
Total Increase in Net Assets		49,422,829
Decreases in Net Assets:		
Secured Claims	<u>(980,990,270)</u>	
Class 1 Administrative Claims:		
Legal fees	(2,049,514)	
Audit, accounting, and actuarial fees	(834,639)	
Special Deputy Liquidator fees	(300,000)	
Consulting fees	-	
Policy holder notification expenses	(3,468,904)	
Salaries	-	
Employee benefits	(20,546)	
Payroll and related taxes	(149,612)	
Rent and related expenses	(16,500)	
Office expenses	(57,085)	
Acquisition of fixed assets	-	
Investment expenses	(1,872,017)	
Other disbursements – Quarterly federal and state income tax payments	(500,235)	
Other disbursements – 2000 federal income tax payment, including penalty and interest	(12,486,269)	
Other disbursements – Pre-closing federal income tax payments, including penalty and interest	(53,562,476)	
Other disbursements – Unrealized depreciation of investments	<u>(223,006)</u>	
Total Class 1 Claims	<u>(75,540,803)</u>	

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**GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION**

**STATEMENT OF CHANGES IN NET ASSETS**

For the Year Ended December 31, 2003

<u>Itemization of Individual Net Asset Changes</u>	<u>Individual Amounts of Net Asset Changes</u>	<u>Totals Column</u>
Class 2 Policy Benefit Claims:		
GF Covered Paid Loss	\$ -	
GF Covered Open Loss	-	
GF Covered Paid LAE	-	
GF Covered Open LAE	-	
Ancillary Paid	-	
Ancillary Open	-	
NGC Paid	-	
NGC Open	-	
	<hr/>	
Total Class 2 Claims	-	
	<hr/>	
Class 3 U.S. Government	-	
Class 4 Employee Compensation	-	
	<hr/>	
Class 5 Premium and General Creditor Claims:		
GF Covered Premium	-	
Reinsurance Assumed	-	
Reinsurance Ceded	-	
NGC Premium	-	
Ancillary	-	
Other NGC General Creditor	-	
	<hr/>	
Total Class 5 Claim	-	
	<hr/>	
Class 6 State & Local Government	-	
Class 7 Late Filed	-	
Class 8 Surplus Note	-	
Class 9 Ownership Related	-	
Amounts Expensed for Investment Purchases	-	
	<hr/>	
Total decrease in net assets		<u>(1,056,531,073)</u>
Net assets at December 31, 2003		<u>\$ 391,495,020</u>

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# GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

## STATEMENT OF RECEIPTS

For the Year Ended December 31, 2003

<u>Type of Receipt</u>	<u>Year Ended December 31, 2003</u>	<u>Period from November 30, 1999 to December 31, 2003</u>
Premium Receipts	\$ -	\$ -
Commission Receipts	-	-
Rental Receipts	-	-
Mortgage Receipts:		
Principal	-	-
Interest	-	-
Policy Loan Receipts:		
Principal	-	-
Interest	-	-
Proceeds from Sales:		
Real Estate	-	-
PP&E	-	-
Reinsurance Recoveries	-	-
Agents' Balances Received	-	-
Collection of Affiliate Receivables	-	-
Salvage and Subrogation Recoveries	-	-
Recovery of Taxes Previously Paid	-	57,413,876
Interest and Dividend Receipts	29,723,588	235,161,651
Other Receipts:		
Receipt 1 – Advance from GALIC	-	4,985,445
Receipt 2 – Proceeds from sale of GAMHC to MetLife	-	1,201,318,368
Receipt 3 – Deposit from GALIC for expected income tax liability for 2000	-	125,000
Receipt 4 – Proceeds from 1999 income tax refund	-	33,705,000
Receipt 5 – Proceeds from MetLife for 1999 income tax refund	-	33,705,000
Receipt 6 – Proceeds from MetLife for recovery of taxes previously paid	-	43,717,670
Receipt 7 – Legal settlement	-	1,811,808
Receipt 8 – Legal settlement	-	29,500,000
Receipt 9 – Settlement of Article VIII claims with MetLife	35,872,550	35,872,550
Receipt 10 - Miscellaneous	-	2,427
	<u>65,596,138</u>	<u>1,677,318,795</u>
Total Before Proceeds from Investment Sales and Maturities		
Proceeds from Sales and Maturities of:		
Short-term Investments (Net)	19,951,234,040	24,621,233,512
Bonds	9,696,753,095	30,976,705,056
Stocks	-	-
	<u>29,647,987,135</u>	<u>55,597,938,568</u>
Total Proceeds from Investment Sales and Maturities		
	<u>29,647,987,135</u>	<u>55,597,938,568</u>
Total Cash Receipts	<u>\$ 29,713,583,273</u>	<u>\$ 57,275,257,363</u>

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**GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION**

**STATEMENT OF DISBURSEMENTS**

For the Year Ended December 31, 2003

<u>Disbursement Category</u>	<u>Gen. Admin. Expenses</u>	<u>Claims Admin. Expenses</u>	<u>Asset Recovery Expenses</u>	<u>Total Disbursements</u>
Disbursements:				
Loss/Benefit Payments	\$ -	\$ -	\$ -	\$ -
LAE Payments	-	-	-	-
Reinsurance Payments	-	-	-	-
Legal Fees	2,049,514	-	-	2,049,514
Audit, Accounting, & Actuarial Fees	834,639	-	-	834,639
Special Deputy Receiver Fees	325,000	-	-	325,000
Consulting Fees	-	-	-	-
Policy Holder Notification Expenses	-	3,468,904	-	3,468,904
Salaries	-	-	-	-
Employee Benefit	20,546	-	-	20,546
Payroll and Related Taxes	149,612	-	-	149,612
Rent and Related Expenses	16,500	-	-	16,500
Office Expenses	57,085	-	-	57,085
Acquisition of Fixed Assets	4,991	-	-	4,991
Investment Expenses	1,872,017	-	-	1,872,017
Other Disbursements:				
Disbursement 1 –2003 estimated income tax payments	500,235	-	-	500,235
Disbursement 2 – Purchased interest	-	-	4,307,442	4,307,442
Disbursement 3 – Pre-closing federal income tax payments, including penalty and interest	53,562,476	-	-	53,562,476
Disbursement 4 – 2000 federal income tax payment, including penalty and interest	<u>12,486,269</u>	<u>-</u>	<u>-</u>	<u>12,486,269</u>
Total Disbursements Before Distributions And Investment Purchases	<u>71,878,884</u>	<u>3,468,904</u>	<u>4,307,442</u>	<u>79,655,230</u>
Distributions:				
Early access distributions	-	-	-	-
Interim or final distributions	<u>-</u>	<u>917,773,909</u>	<u>-</u>	<u>917,773,909</u>
Total Distributions	<u>-</u>	<u>917,773,909</u>	<u>-</u>	<u>917,773,909</u>
Total Disbursements and Distributions Before Investment Purchases	<u>71,878,884</u>	<u>921,242,813</u>	<u>4,307,442</u>	<u>997,429,139</u>
Investment Purchases:				
Short-term Investments	-	-	20,050,045,054	20,050,045,054
Bonds	-	-	8,666,083,295	8,666,083,295
Stocks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Purchase Transactions	<u>-</u>	<u>-</u>	<u>28,716,128,349</u>	<u>28,716,128,349</u>

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

STATEMENT OF DISBURSEMENTS

For the Year Ended December 31, 2003

<u>Disbursement Category</u>	<u>Gen. Admin. Expenses</u>	<u>Claims Admin. Expenses</u>	<u>Asset Recovery Expenses</u>	<u>Total Disbursements</u>
Total Disbursements, Distributions, And Investment Purchases	<u>\$ 71,878,884</u>	<u>\$ 921,242,813</u>	<u>\$ 28,720,435,791</u>	<u>\$ 29,713,557,488</u>
Net Increase in Cash				25,785
Cash at Beginning of Period				<u>1,640</u>
Cash at End of Period				<u>\$ 27,425</u>

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See Notes to Financial Statements

# GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

## NOTES TO FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies

Notes to Financial Statements are not a requirement under the prescribed format of the Missouri Department of Insurance. The accompanying disclosures include selected information that is not intended to be all-inclusive.

**Organization** - GAMHC entered into a \$1,200,000,000 stock purchase agreement with Metropolitan Life Insurance Company (MetLife) on August 26, 1999 to sell the common stock of GenAmerica Corporation. In accordance with this stock purchase agreement, the funds, once received, are to be held in an account and used to indemnify MetLife with respect to outstanding claims and losses set forth in the purchase agreement, and to pay certain taxes and expenses of GAMHC, including those associated with the Liquidation. The purchase agreement was closed on January 6, 2000.

**Principles of accounting** – These financial statements represent an accounting for the assets and liabilities of General American Mutual Holding Company (GAMHC) from the point in time the respective assets and liabilities were transferred to the control of the Special Deputy Liquidator until such time as the assets and liabilities are liquidated or the control of these items are transferred from the Special Deputy Liquidator to another party.

The following items have been transferred to the control of the Special Deputy Liquidator since November 30, 1999:

- a) On November 30, 1999, GAMHC in Liquidation received a cash advance of \$4,985,445 from GALIC.
- b) On December 1, 1999, a \$5,000,000 loan payable, dated September 19, 1999, from GAMHC to General American Life Insurance Company (GALIC), maturing January 2000 at a 6.5% interest rate was received.
- c) On January 6, 2000, \$1,202,818,368, including interest, was received from Metropolitan Life Insurance Company (MetLife) in connection with the stock purchase agreement with GenAmerica Corporation. At the time of closing, \$1,500,000 of the sale proceeds were paid directly to GALIC to satisfy a portion of the outstanding note payable. The remaining amounts due on the note payable, including interest totaling \$100,616, were paid to GALIC in January 2000 by GAMHC in Liquidation.
- d) On April 17, 2000, \$125,000 was received from GALIC as a deposit of their portion of state income taxes for the first quarter of 2000.
- e) In January, 2000, \$33,705,000 was received relating to the 1999 income tax refund of GAMHC. Per a court order dated, February, 2000, GAMHC in Liquidation was required to repay this amount to GALIC upon receipt of a like amount from MetLife.
- f) In November, 2000, a \$43,717,670 refund was received relating to the amended federal income tax returns for the years ending 1994, 1996, 1997 and 1998 for GAMHC. GAMHC in Liquidation repaid this amount to GALIC upon receipt of a like amount from MetLife.

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

g) In October, 2002, \$29,500,000 was received as a settlement for legal claims pursued by the Special Deputy Liquidator on behalf of the Members of General American Mutual Holding Company in Liquidation. Fees and expenses associated with the settlement of the claims totaled \$9,460,000. At December 31, 2003, the settlement fund corpus was \$20,233,199. These funds can only be used to pay expenses of the settlement fund and cannot be used for general expenses of General American Mutual Holding Company in Liquidation. These funds will be distributed to the Eligible Members during the course of the liquidation.

**Income taxes** – Income taxes have consistently been recorded on a cash basis due to several uncertainties, the most significant of which was the fact the Company had income tax returns, from December 31, 1997 through December 31 2000, under review by the Internal Revenue Service (IRS). The review by the IRS was completed in 2003. After making the payments discussed below, the entity's tax counsel now believes all significant outstanding Federal income tax liabilities have been paid. Tax counsel has further stated that certain claims for income tax refunds for certain of these years could yet be filed. Tax counsel is currently evaluating this action.

During June and July of 2003, the Company received notices from the IRS due to audits of prior years income tax returns and remitted the following for these prior years:

	<b>December 31,</b>	
	<b>1999</b>	<b>1998</b>
Income tax liability	\$ 2,206,598	\$ 30,568,327
Penalty	0	9,953,976
Interest	<u>557,894</u>	<u>10,275,681</u>
Total amounts remitted	<u>\$ 2,764,492</u>	<u>\$ 50,797,984</u>

These prior year income tax payments represent adjustments due to the Company under the purchase agreement with MetLife discussed above.

During June 2003, the Company received a notice from the IRS due to an audit of the year 2000 income tax returns and remitted the following for this prior year:

Income tax liability	\$ 10,632,049
Penalty	139,204
Interest	<u>1,715,016</u>
Total amounts remitted	<u>\$ 12,486,269</u>

The payment for the year 2000 was recorded as an expense of the Company in 2003 because the 2000 income tax liability is the responsibility of the Company.

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

At the time the above payments for 1998 – 2000 were made, final settlement had not been reached with the IRS. The above amounts were paid in order to stop penalties and interest from accruing.

**Investments** – Investments which are classified as available-for-sale are recorded at their aggregate fair value. Unrealized holding gains and losses are included as a separate component of receivership corpus until ultimately realized. Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Premiums and discounts are recognized using the interest method over the period to maturity.

**Claims payable** – No filed or pending claims have been reflected in the financial statements, except for those approved by the Special Deputy Liquidator. The filed or pending claims could have a material impact on the financial statements.

**Accrued expenses** – Liabilities incurred but not paid as of December 31, 2003 have not been reflected in the financial statements. The accrued liabilities could have a material impact on the financial statements.

(2) **Claims against the Receivership assets**

The receivership has various unresolved claims and potential claims against the receivership's assets. The largest known claims are discussed in the following paragraph.

On January 13, 2003, General American Mutual Holding Company in Receivership (GAMHCIR) received a summary of "Three Year Indemnity Claims" from MetLife. This summary was required by the Plan of Organization. The total amount of MetLife's indemnity claims were as follows:

Article VIII – Income Taxes	\$ 162 million
Article X – Other Claims	<u>123 million</u>
Total	<u>\$ 285 million</u>

In November 2003, \$35,872,550 was received in connection with a settlement agreement between the Company and MetLife and GenAmerica Corporation and its subsidiaries under Article VIII of the Stock Purchase Agreement and under tax sharing agreements. The claims were significantly reduced from the amount reflected above because of certain income tax refunds received by MetLife related to "pre-sale" (i.e. pre-2000) tax years and payments to the IRS by GAMHCIR as discussed in the preceding paragraphs.

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GENERAL AMERICAN MUTUAL HOLDING COMPANY IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

(2) **Claims against the Receivership assets (continued)**

The Article X claims totaling \$123 million are currently being litigated by the Special Deputy Liquidator and MetLife. The outcome of this dispute cannot be reasonably estimated at this time.

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