

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re Affirmative Insurance Holdings, Inc., et al.¹
Debtors

Case No. 15-12136
Reporting Period: Jan 1, 2016 thru Jan 31, 2016

INITIAL MONTHLY OPERATING REPORT
File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	YES		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	YES		
Schedule of Professional Fees Paid	MOR-1b	YES		
Copies of bank statements		NO		YES
Cash disbursements journals		N/A		
Statement of Operations	MOR-2	YES		
Balance Sheet	MOR-3	YES		
Status of Postpetition Taxes	MOR-4	YES		
Copies of IRS Form 6123 or payment receipt		N/A		
Copies of tax returns filed during reporting period		N/A		
Summary of Unpaid Postpetition Debts	MOR-5	YES		
Listing of aged accounts payable	MOR-5a	YES		
Accounts Receivable Reconciliation and Aging	MOR-6	YES		
Debtor Questionnaire	MOR-7	YES		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.


Signature of Authorized Individual*

2/22/2016
Date

Michael J. McClure
Printed Name of Authorized Individual

Chief Executive Officer
Title of Authorized Individual

* Authorized individual must be an officer, director or shareholder if debtor is a corporation, a partner if debtor is a partnership, a manager or member if debtor is a limited liability company.

Notes

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are Affirmative Insurance Holdings, Inc. (0432), Affirmative Management Services, Inc. (7252), Affirmative Services, Inc. (7255), Affirmative Underwriting Services, Inc. (7250), Affirmative Insurance Services, Inc. (8823), Affirmative General Agency, Inc. (2345), Affirmative Insurance Group, Inc. (7246); and Affirmative, L.L.C. (2347). The location of the Debtors' corporate headquarters and the service address for all Debtors is 150 Harvester Drive, Suite 250, Burr Ridge, Illinois 60527.

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Listing of Debtor Entities and Notes to the Monthly Operating Report

General:

The report includes activity from the following Debtors and related Case Numbers:

<u>Debtor:</u>	<u>Case Number:</u>
Affirmative Insurance Holdings, Inc.	15-12136
Affirmative Management Services, Inc.	15-12137
Affirmative Services, Inc.	15-12138
Affirmative Underwriting Services, Inc.	15-12139
Affirmative Insurance Services, Inc.	15-12140
Affirmative General Agency, Inc.	15-12141
Affirmative Insurance Group, Inc.	15-12142
Affirmative, L.L.C.	15-12143

Notes to the MOR:

The financial statements and supplemental information contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles ("GAAP") in all material respects. In addition, the financial statements and supplemental information contained herein is provided to fulfill the requirements of the Office of the United States Trustee and have been derived from the books and records of the Debtors.

The results of operations contained herein are not necessarily indicative of results that are expected from any other period or for the full year and are not reflective of the results of operations, financial position, and cash flow of the Debtors in the future.

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Cash Balance- December 31, 2015	\$9,985,021.27
Credit card processing of premium and fees	2,320,189.89
Funding from Affirmative Insurance Company	7,000.00
Sale of Stars tickets	2,280.60
Other	2,282.16
Total Receipts:	2,331,752.65
 Disbursements by Entity:	
Affirmative Insurance Holdings, Inc.	-
Affirmative Management Services, Inc.	-
Affirmative Services, Inc.	(104,485.18)
Affirmative Underwriting Services, Inc.	-
Affirmative Insurance Services, Inc.	(2,718,700.28)
Affirmative General Agency, Inc.	(18,771.27)
Affirmative Insurance Group, Inc.	-
Affirmative, L.L.C.	-
Total Disbursements:	(2,841,956.73)
 Net Cash Flow	 (510,204.08)
Change in Outstanding Checks	-
Cash Balance- January 31, 2016	\$9,474,817.19

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BANK RECONCILIATIONS

The Debtors hereby submit this attestation regarding bank account reconciliation in lieu of providing copies of bank statements

I attest that each of the Debtors' bank accounts is reconciled monthly to bank statements



Signature of Authorized Individual

2/22/2016

Date

Michael McClure
Name of Authorized Individual

Chief Executive Officer
Title of Authorized Individual

In re Affirmative Insurance Holdings, Inc., et al,
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SCHEDULE OF BANK BALANCES

Legal Entity	Case Number	Bank Name	Account Type	Account Number	Bank Balance
Affirmative Insurance Holdings, Inc.	15-12136	UMB Financial Corporation	Control	8646	\$218,850.15
Affirmative Insurance Holdings, Inc.	15-12136	UMB Financial Corporation	Control	8654	\$8,572,000.00
Affirmative Insurance Holdings, Inc.	15-12136	UBS Financial Services Inc.	Money Market	4180	\$42.04
Affirmative Insurance Holdings, Inc.	15-12136	Frost Bank	Operating	3151	Closed
Affirmative Insurance Holdings, Inc.	15-12136	Frost Bank	Investment (CD)	0217	Closed
Affirmative Insurance Holdings, Inc.	15-12136	American Express Centurion Bank, FSE	Investment (CD)	2654	Closed
Affirmative Services, Inc.	15-12138	UMB Financial Corporation	Operating	5010	\$0.00
Affirmative Services, Inc.	15-12138	UMB Financial Corporation	Concentration	8301	\$1,443.83
Affirmative Services, Inc.	15-12138	UMB Financial Corporation	Project Hero	8336	\$110,378.51
Affirmative Services, Inc.	15-12138	UMB Financial Corporation	Staff Counsel	8344	\$497.05
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Premium Trust (OACM)	8352	\$562,516.52
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Claims Disb. (OACM)	8360	\$0.00
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Refund Disb. (OACM)	8379	\$0.00
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Premium Trust (ASI)	8387	\$20,518.44
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Claims Disb. (ASI)	8395	\$0.00
Affirmative Insurance Services, Inc.	15-12140	UMB Financial Corporation	Refund Disb. (ASI)	8409	\$0.00
Affirmative Insurance Services, Inc.	15-12140	Capital One Financial Corporation	Independent Agents	4383	\$0.00
Affirmative General Agency, Inc.	15-12141	Capital One Financial Corporation	Premium Trust	3594	\$21,813.41
Affirmative General Agency, Inc.	15-12141	Capital One Financial Corporation	Operating	6675	Closed
Affirmative General Agency, Inc.	15-12141	Capital One Financial Corporation	US Agencies, LLC Operatin	6631	Closed
Affirmative General Agency, Inc.	15-12141	Capital One Financial Corporation	Operating	6894	Closed

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DETAILED RECEIPTS AND DISBURSEMENTS¹

	Affirmative Insurance Holdings, Inc.	Affirmative Services, Inc.	Affirmative Insurance Services, Inc.	Affirmative General Agency, Inc.	Total
Receipts:					
Credit card processing of premium and fees	\$ -	\$ -	\$ 2,305,167.24	\$ 15,022.65	\$ 2,320,189.89
Funding from Affirmative Insurance Company	-	7,000.00	-	-	7,000.00
Sale of Stars tickets	2,280.60	-	-	-	2,280.60
Other	-	-	2,282.16	-	2,282.16
Total Receipts	\$ 2,280.60	\$ 7,000.00	\$ 2,307,449.40	\$ 15,022.65	\$ 2,331,752.65
Disbursements:					
Credit card processing to Confie Seguros	\$ -	\$ -	(\$2,287,408.77)	(\$14,912.00)	(\$2,302,320.77)
Credit card processing fees	-	-	(17,758.47)	(110.65)	(17,869.12)
Claim payments	-	-	(413,420.27)	(2,529.34)	(415,949.61)
Premium refunds	-	-	(112.77)	-	(112.77)
Compensation and benefits	-	(98,389.72)	-	-	(98,389.72)
Bank fees	-	(6,095.46)	-	(1,219.28)	(7,314.74)
Total Disbursements	\$ -	\$ (104,485.18)	(\$2,718,700.28)	(\$18,771.27)	(\$2,841,956.73)
Net Cash Flow	\$ 2,280.60	\$ (97,485.18)	\$ (411,250.88)	\$ (3,748.62)	\$ (510,204.08)
Disbursements Attributable to the Debtor:					
Total Disbursements	\$ -	\$ 104,485.18	\$ 2,718,700.28	\$ 18,771.27	\$ 2,841,956.73
(Less) Disbursements Attributable to Confie Seguros	-	-	(2,305,167.24)	(15,022.65)	(2,320,189.89)
(Less) Disbursements Attributable to Regulated Insurance Cos.	-	(7,000.00)	(413,533.04)	(3,748.62)	(424,281.66)
Total Disbursements Attributable to the Debtor	\$ -	\$ 97,485.18	\$ -	\$ -	\$ 97,485.18

Notes:

¹The following Debtors, together with the last four digits of each Debtor's federal tax identification number, did not have any receipt or disbursement activity during the Monthly Operating period: Affirmative Management Services, Inc. (7252); Affirmative Underwriting Services, Inc. (7250); Affirmative Insurance Group, Inc. (7246); and Affirmative, L.L.C. (2347).

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SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

This schedule is to include all retained professional payments from case inception to current month.

Professional Fees	W/E 1-Jan	W/E 8-Jan	W/E 15-Jan	W/E 22-Jan	W/E 29-Jan	Amount Paid During Period	Total Amount Paid to Date
BDO Consulting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000.00
Faegre Baker Daniels	-	-	-	-	-	-	40,000.00
McDermott Will & Emery	-	-	-	-	-	-	485,757.49
Polsinelli PC	-	-	-	-	-	-	38,736.00
Rust Consulting	-	-	-	-	-	-	35,000.00
Total Professional Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,493.49

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COMBINED STATEMENT OF OPERATIONS
(Income Statement)

Revenue:	
Total revenue	\$0.00
Expenses:	
Compensation and benefits	78,407.28
Professional and outside services	145,955.41
Rent	2,000.00
Depreciation	3,174.90
Bank fees	7,314.74
Allocation to regulated insurance companies	(7,000.00)
<u>Total expenses</u>	<u>229,852.33</u>
Operating loss	(229,852.33)
<u>Interest expense</u>	<u>(541,077.00)</u>
Loss before income taxes	(770,929.33)
Income tax expense	-
Net loss	(\$770,929.33)

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Combined Balance Sheet (Unaudited)

Assets:	
Cash and Cash Equivalents	\$ 9,474,817
Fixed Assets	37,489
Prepays	3,305,826
Other Assets	17,334,042
Total Assets	\$ 30,152,174
Liabilities and Stockholders' Deficit:	
Debt	\$ 92,890,671
Income Taxes Payable	10,698,542
Other Liabilities	28,162,471
Total Liabilities	131,751,684
Stockholders' Deficit	(101,599,510)
Total Liabilities and Stockholder's Deficit	\$ 30,152,174

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STATUS OF POSTPETITION TAXES

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$0.00	\$16,504.89	\$20,404.69	(\$3,899.80)
FICA & Medicare - Employee	0.00	5,448.26	8,115.81	(2,667.55)
FICA & Medicare - Employer	0.00	5,448.26	8,115.81	(2,667.55)
Unemployment	0.00	84.00	443.15	(359.15)
Income	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total Federal Taxes	\$0.00	\$27,485.41	\$37,079.46	(\$9,594.05)
State and Local				
Withholding	\$0.00	\$2,298.82	\$2,298.82	\$0.00
Unemployment	0.00	1,999.80	1,999.80	0.00
Real Property	0.00	0.00	0.00	0.00
Personal Property	0.00	0.00	0.00	0.00
Sales	0.00	0.00	0.00	0.00
Total State and Local	0.00	4,298.62	4,298.62	0.00
Total Taxes	\$0.00	\$31,784.03	\$41,378.08	(\$9,594.05)

ACCOUNTS PAYABLE (POST-PETITION) BALANCE (UNAUDITED)

Accounts Payable Aging:

0 - 30 days old	\$	-
31 - 60 days old		-
61 - 90 days old		26,779.16
91+ days old		-
Total Accounts Payable (Post-Petition)	\$	26,779.16

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ACCOUNTS RECEIVABLE (POST-PETITION) BALANCE (UNAUDITED)

Accounts Receivable Aging	Amount
0 - 30 days old	\$ 19,982.44
31 - 60 days old	201.24
61 - 90 days old	-
91+ days old	-
Total Accounts Receivable (Post-Petition)	\$ 20,183.68

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X