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Superior Court of California  
County of Los Angeles

**MAY 09 2014**

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9

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF LOS ANGELES  
12 CENTRAL CIVIL WEST  
13

14 **INSURANCE COMMISSIONER OF THE**  
**STATE OF CALIFORNIA,**

15 Applicant,

16 v.

17 **FREMONT INDEMNITY COMPANY,**

18 Respondent.  
19  
20  
21

CASE NO. BS083582

**LIQUIDATOR'S TENTH ANNUAL**  
**STATUS CONFERENCE REPORT**  
**FOR YEAR ENDING DECEMBER 31,**  
**2013**

Hearing Date: June 9, 2014  
Time: 1:30 p.m.  
Dept: CCW 307  
Judge: Hon. William F. Highberger

Action Filed: June 3, 2003

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1 Insurance Commissioner of the State of California, in his capacity as Liquidator  
2 (“Liquidator”) of Fremont Indemnity Company (“Fremont”) hereby submits the following Tenth  
3 Annual Status Conference Report for the period January 1, 2013 through December 31, 2013  
4 (“2013 Annual Report”).

## 5 INTRODUCTION

6 The Liquidator through his Conservation and Liquidation Office (the “CLO”) continues to  
7 manage the numerous aspects of the liquidation of an insurance company with billions of dollars  
8 of policyholder liability. This report provides a comprehensive update on the current status of the  
9 Fremont liquidation estate.

10 Currently, all of the Liquidator’s operations associated with Fremont’s liquidation are  
11 overseen by the CLO. As of December 31, 2013, Fremont had approximately \$141 million in  
12 balance sheet assets, including cash, investments, statutory deposits and reinsurance recoverable.  
13 As of December 31, 2013, Fremont’s liabilities are now estimated at \$2.41 billion, including  
14 approximately \$2.08 billion in Class 2 policyholder liabilities.

15 In 2013, the Liquidator continued to bill and to collect reinsurance, to administer claims,  
16 and to wind down administrative operations. The Liquidator continues to wrap up the remaining  
17 affairs of the estate with the intent to reduce the workload and costs of the estate to maximize  
18 remaining recoveries for claimants. The estate has addressed the significant operational  
19 challenges in the past year that impacted the on-going process for billing and collecting a  
20 significant portion of the remaining reinsurance. Finally, during 2013 the Fremont Estate  
21 successfully completed a ninth early access distribution (approximately \$25.5 million) to the  
22 participating insurance guarantee associations (“IGAs”).

23 This report will provide the court with the progress made on the Fremont estate since the  
24 last report and to obtain any potentially required approvals of estate matters.

## 25 ADMINISTRATION OF LIQUIDATION ESTATE

26 The Liquidator handles the administrative functions in the following three categories:  
27 (1) Policy Administration (the process of performing and enforcing general contractual rights  
28 under an insurance policy); (2) Claims Administration (the administration and adjustment of

1 proofs of claim filed against Fremont); and (3) Company Administration (the remaining general  
2 corporate functions that are required to complete the liquidation, including information  
3 technology, human resources, reinsurance collections, and finance/accounting and investment  
4 management).

5 **A. Policy Administration**

6 Policy administration currently involves maintenance of the policy database and  
7 reviewing coverage information for the IGAs as well as for the proofs of claim that pertain to  
8 coverage issues against the Fremont estate. Minimal resources are required.

9 **B. Claims Administration**

10 **1. Proof of Claims ("POCs") Management**

11 The Claims Department had a net reduction of 14 non-determined POCs during 2013.  
12 However, net POC claim liabilities rose by \$5.9 million during the year. The increase is primarily  
13 due to increased reserves on two claim, one because of a reassessment of coverage and liability  
14 on a claim originally rejected, and the other because of adverse medical development on a non-  
15 covered workers compensation claim.

16 As of December 31, 2013, there are 297 POCs remaining to be processed and closed,  
17 including 209 claims related to assumed reinsurance that must remain open to support collection  
18 of reinsurance, 43 related to IGAs, and 45 related to non-covered or overcap claims. The estate  
19 continues to receive new claims, primarily latent claims from the non-workers compensation  
20 property and casualty business and is carrying in excess of \$5 million reserve on open claims  
21 related to the property and casualty business.

22 **2. IGA Claims and Distribution**

23 In addition to providing continued support of the IGAs' claims functions, the Liquidator's  
24 primary function is to distribute early access funds to the IGAs pursuant to Insurance Code<sup>1</sup>  
25 section 1035.5.

26 On August 26, 2013, the Court approved the ninth early access distribution in the amount  
27 of \$25,564,790 to various IGAs. The CLO completed the distribution on September 4, 2013.

28 <sup>1</sup> Unless otherwise noted, all statutory references are to the Insurance Code.

1 In addition to the release of \$377 million in statutory deposits, to date the IGAs have  
2 received actual distributions totaling approximately \$980 million, which funds have been used by  
3 the IGAs to pay Fremont's covered Class 2 policyholder claims pursuant to their respective IGA  
4 statutes. A summary of the historical distributions and the statutory deposits released to the IGAs  
5 is attached hereto as Exhibit A.

6 **3. Non-IGA Covered Claims**

7 Certain types of Class 2 policyholder liabilities are not protected or not fully covered by  
8 the IGAs, but are nonetheless entitled to ultimately share ratably with all other Class 2 claims.  
9 These non-IGA covered liabilities include workers' compensation claims payable under the  
10 United States Longshore & Harbor Workers Act ("USL&H Claims") and claims that are not  
11 covered or only partially covered by the IGAs based on exclusions and coverage limitations  
12 found in the IGAs' controlling statutes. The Liquidator has approved claims and established  
13 reserves in excess of \$23 million on these claims.

14 **a. USL&H Workers' Claims**

15 Open claims involving USL&H policies that were not covered by the IGAs were returned  
16 to the policyholder for handling and those claims would then be handled by the policyholder's  
17 third party administrators ("TPA"). As of December 31, 2013, the Liquidator is monitoring and  
18 has established reserves of roughly \$3 million on various open Aggregate POCs that involve  
19 USL&H policyholders with open claims that are not covered by any of the IGAs. All other POCs  
20 involving USL&H policyholders have been resolved and closed. The Claims Department  
21 continues to obtain periodic monitoring reports from the USL&H policyholders with open POCs  
22 since approved losses and expenses are a Class 2 liability of the estate and are subject to  
23 reinsurance billing.

24 **b. IGA "Net Worth" And "Overcap" Claims**

25 As of December 31, 2013, the Liquidator is periodically monitoring and as a result has  
26 established reserves on 40 open Aggregate POCs that involve Class 2 policy holders that have  
27 potentially non-covered claims due to IGA caps on the amount of payments on a claim (Over-cap  
28 claims) or net worth exclusions which preclude certain high net worth policyholders from

1 eligibility to have their claims paid by the IGAs (Net Worth Exception claims). Net Worth claims  
2 are handled differently by different states, some states' IGAs do not pay while other states' IGAs  
3 actually pay the claim and seek reimbursement from the employer (Net Worth Subrogation  
4 claims). The majority of the estate's Class 2 non-IGA claims remaining open are Net Worth  
5 subrogation claims.. The Claims Department continues to obtain periodic loss and expense  
6 reports from the Class 2 Net Worth Exception policyholders with open POCs in order to track  
7 losses and bill reinsurance. These claims are treated akin to IGA POCs in that we will not attempt  
8 to close the claim until there is a reasonable projection of an estate closing date. Open net worth  
9 claims carry in excess of \$11 million in reserves.

10 **4. Subrogation**

11 The collection of subrogation receivables is essentially complete and is financially  
12 insignificant. The Liquidator is not devoting resources specifically to tracking the financial  
13 results of subrogation claims.

14 **B. Company Administration**

15 **1. Finance – Accounting & Investment Management**

16 **a. Summary**

17 The CLO Accounting Department is responsible for recording and reporting all financial  
18 aspects of the Fremont estate and maintains the estate's general ledgers inherited from Fremont at  
19 the time of liquidation in 2003. The staff evaluates and interprets historical ledgers and records of  
20 Fremont and its subsidiaries and has converted them to a liquidation basis of accounting. The  
21 department produces periodic financial statements, manages estate cash as well as the accounts  
22 payable/receivable functions. It is also responsible to ensure audit compliance and supports the  
23 preparation of tax filings.

24 Fremont's invested assets are managed by third party institutional money managers. The  
25 CFO of the CLO has the responsibility to manage this third party relationship as well as the  
26 accounting department.

27  
28

1           **2.    Reinsurance**

2                   **a.    Summary**

3           Reinsurance is Fremont's second largest balance sheet asset. As a result of various  
4 reinsurance commutations and collection efforts that occurred in 2013, prospective gross  
5 reinsurance recoverables, including allowances for uncollectable reinsurance, now total  
6 approximately \$40.3 million due from 188 reinsurers, including \$36 million due from Fremont's  
7 twenty largest reinsurers.

8           A number of the merged entities that comprise the Fremont estate have reinsurance  
9 programs that are unique to the individual company. In other situations, Fremont's reinsurance  
10 programs cover multiple Fremont entities. Fremont's predominant line of business was workers'  
11 compensation. Given the "long tail" nature of this class of business risk, a significant number of  
12 Fremont's reinsurance treaties remain active.

13           Having regard for the "long tail" nature of Fremont's business and the diversity of its  
14 reinsurance program, it is not surprising that the overall quality of reinsurance security is mixed.  
15 Fremont has non-performing reinsurance programs, emanating principally from older policy years  
16 and Fremont's records still reflect amounts due from insolvent companies. Fremont's reserve for  
17 potentially uncollectible reinsurance at December 31, 2013 is approximately \$13.5 million.

18                   **b.    Reinsurance Recoverable**

19           A summary of reinsurance recoverable (paid, case, and IBNR (incurred but not reported)  
20 that will ultimately be due from Fremont's twenty largest reinsurers is attached hereto as Exhibit  
21 B. Amounts received from reinsurers post-liquidation total \$469.3 million.

22                   **c.    Administration of Fremont's Reinsurance**

23           Fremont's reinsurance operations are handled by the CLO staff in San Francisco. In  
24 2013, one former Fremont reinsurance employee was retained as a consultant to the CLO to  
25 ensure a successful run-off of the remaining program.

26           The Fremont estate addressed and largely resolved significant challenges to recovering  
27 the remaining reinsurance assets due to the discontinuation of essential reinsurance intermediary  
28 services historically provided by Guy Carpenter & Company ("Guy Carpenter"). A significant



1 portion of the Fremont estate's remaining collectable reinsurance was originally brokered by  
2 Guy Carpenter, who has served over a period of years as the integral function of intermediary  
3 between Fremont and its reinsurers. An intermediary is responsible for billing reinsurers,  
4 pursuing collections, and communicating with reinsurers as to claims, commutations and  
5 contract interpretation. All these critical processing services were provided and paid for as part  
6 of the original placement of reinsurance.

7 Historically, Guy Carpenter was compensated for its brokerage and intermediary services  
8 through the commissions it earned in placing Fremont's reinsurance. Thus, it was economically  
9 motivated and compensated to ensure that its relationship with Fremont was successful and  
10 properly managed in accordance with the governing agency agreements. After Fremont was  
11 placed into liquidation, however, no further reinsurance treaties could be placed and no further  
12 commissions could be earned by Guy Carpenter. Guy Carpenter continued to provide efficient  
13 support and services to the Fremont estate for a number of years post-liquidation. However,  
14 circumstances changed significantly with recent adverse developments in the national and global  
15 reinsurance industry. Due to severe economic pressures, Guy Carpenter placed Fremont's  
16 reinsurance program into a "run-off unit" in 2001. In recent years, largely due to continuing  
17 adverse market conditions and the resulting reduction of staff at Guy Carpenter's Seattle office,  
18 the services provided by Guy Carpenter have steadily declined. As a result of the diminishing  
19 intermediary resources, Guy Carpenter was inconsistently billing Fremont's reinsurers, did not  
20 perform the expected level of collections, and failed to timely notify the Fremont estate of  
21 reinsurers' inquiries and requests for information.

22 In light of Guy Carpenter's inability to provide the necessary intermediary services, the  
23 CLO had no alternative but to develop and implement a plan to work directly with the reinsurers  
24 and have the CLO reinsurance staff perform the necessary intermediary services. Effective June  
25 1, 2012 the CLO and the Fremont estate assumed responsibility for the intermediary work  
26 previously performed by Guy Carpenter's Seattle Office. While the estate had to incur  
27 unexpected costs, the transition has gone well, the Fremont estate continues working to fully  
28 reconcile Fremont's historical and active reinsurance records and to gain efficiencies through IT

1 enhancements where practical.

2 **d. Reinsurance Processing**

3 Ceded Contracts: Fremont has its own internally developed computer systems for billing  
4 and tracking reinsurance recoverables. (A copy of the summary is attached hereto as Exhibit C.)  
5 The Fremont estate faces both billing/collection as well as commutation obstacles. Due to the  
6 gradual decline of vital intermediary services provided by Guy Carpenter, the CLO has decided to  
7 absorb and manage many of the routine intermediary processes necessary to directly bill the  
8 reinsurers as well as pursue collections directly. Effective June 1, 2012, the CLO established a  
9 direct business relationship with all reinsurance participating on Fremont Indemnity ceded treaties  
10 previously serviced by the Guy Carpenter's Seattle Office.

11 Assumed Contracts: After considering the infrequent activity and the small amount of  
12 monies billed compared to the costs of continuing to process the Fremont estate's assumed book  
13 of treaty reinsurance business, the CLO ceased processing treaty claims as of May 2009. A  
14 handful of accounts continue to be processed for offset purposes. After years of effort to collect  
15 foreign reinsurers' balances, largely from the London markets through formal contingency  
16 (contract) arrangements, the Fremont estate through the CLO reinsurance staff have taken  
17 responsibility to resolve the London/foreign markets accounts.

18 **e. Reinsurance Disputes**

19 Currently there are no active disputes with reinsurers. The Liquidator will continue to  
20 evaluate and pursue any legal recourse to ensure all contractual services are properly received by  
21 the Fremont estate in accordance with any of its agency relationships, including Guy Carpenter.

22 **f. Reinsurance Collections**

23 The Commissioner collected a total of \$2.7 million from reinsurance billings during 2013.  
24 The CLO reinsurance staff is direct billing and collecting from approximately 54 reinsurers  
25 previously administered by Guy Carpenter. The balance of active reinsurance treaties will  
26 continue to be billed and collected from reinsurers and brokers in the normal course of business.

1                   **g.     Reinsurance Commutations**

2                   In 2013, the Commissioner commuted with twelve reinsurers: CX Reinsurance Co, TIG  
3 Insurance Company, Ranger Insurance Company/Fairmont Specialty Insurance Company, SCOR  
4 Reinsurance Company, Clearwater Insurance Company (Odyssey Reinsurance), Royal & Sun  
5 Alliance, American Accident/AUL, Berkley Insurance Company, Reliastar, Munich Re America,  
6 Insko and Republic Western. These twelve commutations amounted to \$33.8 million in  
7 collections. Settlement agreements greater than \$100,000 were submitted to this court for  
8 approval. The Commissioner continues to work towards commuting with Fremont's largest  
9 reinsurers in 2014.

10                   **3.     Information Technology**

11                   The CLO continues to provide IT services for Fremont's overall administration. The CLO  
12 currently uses the GOLD (Guardian of Liquidated Data) system for retrieval of historical policy  
13 and claim information required for the continued support of Fremont's run-off. The CLO is  
14 continuing the on-going process of loading into the GOLD System the paid loss information  
15 reported by the IGAs who have the statutory obligation to process and pay Fremont claims. The  
16 CLO also must coordinate and support the loading of the claims data into the reinsurance billing  
17 database created by Tbase to support reinsurance billing and collection.

18                   In the last annual report we had two projects outstanding. One project was reconciliation  
19 of CIGA financial data to data in the GOLD system and the other was implementing a disaster  
20 recovery plan to back up the Tbase data should that resource become jeopardized. Both projects  
21 were completed during the first quarter of 2013.

22                   **D.     Annual Financial Statement as of December 31, 2013**

23                   Fremont's financial statement for the year ending December 31, 2013 is attached as  
24 Exhibit D.

25                   Fremont has total assets of \$141 million consisting primarily of \$77 million in cash and  
26 investments and \$40 million in reinsurance recoverables.

27                   Fremont has in excess of \$2 billion in policyholder claims. Accordingly, Fremont's assets  
28 will be sufficient to pay only secured claims, administrative expenses and a portion of the Class 2

1 policyholder claims with no funds available for unsecured creditors.

## 2 LEGAL MATTERS

### 3 A. Matters Resolved in 2013

4 On June 10, 2013, the Court approved administrative and professional fees and expenses  
5 incurred by the Fremont estate from January 1, 2012 through December 31, 2012 in the amount  
6 of \$3,895,489.20, including \$3,881,450.25 for administrative and operating expenses pursuant to  
7 section 1035, and \$14,038.95 for legal fees and expenses pursuant to section 1036.

8 On August 26, 2013, the Court approved the Liquidator's proposal to disburse  
9 \$25,564,790 of Fremont's assets to the IGAs pursuant to section 1035.5. On September 4, 2013  
10 and pursuant to the Court's order, the Liquidator completed the distribution to the IGAs.

11 Also on August 26, 2013, the Court approved the reinsurance commutations between the  
12 Liquidator and CX Reinsurance Company, Ltd., Fairmont Specialty Insurance Group, SCOR  
13 Reinsurance Company, Clearwater Insurance Company and TIG Insurance Company.

14 On October 23, 2013, the Court approved the reinsurance commutations between the  
15 Liquidator and American Accident Reinsurance Group, Reliastar Life Insurance Company,  
16 Munich Reinsurance America, Inc. and Berkeley Insurance Company.

17 On December 20, 2013, the Court approved the reinsurance commutations between the  
18 Liquidator and Repwest Insurance Company and Odyssey Reinsurance Company.

### 19 B. Pending Matters

#### 20 1. Browning Ferris Industries, LLC et al.

21 Browning-Ferris Industries, LLC, BFI Waste Systems of North America, LLC and Azusa  
22 Land Reclamation Co., Inc. (collectively "BFI") had open proofs of claim in the Fremont estate  
23 under two excess umbrella policies issued by Fremont. On June 4, 2013, the Liquidator rejected  
24 BFI's claim. On July 3, 2013, BFI filed its Order to Show Cause (OSC) Application pursuant to  
25 section 1032 seeking the issuance of an OSC as to why its claim against Fremont should not be  
26 allowed. On August 26, 2013, the Court held a hearing on BFI's OSC Application and issued an  
27 order, which amongst other provided the parties 90 days to consider a compromise and setting a  
28 further status conference on the OSC Application for November 26, 2013.

1 The parties have since stipulated to two continuances of the status conference for the  
2 parties to exchange additional documents related to BFI's claim and to discuss a resolution of the  
3 matter. The status conference is currently continued to June 9, 2014.

4 **2. Early Access Distribution**

5 Concurrently with this report, the Liquidator has filed for court approval his Tenth  
6 Verified Application for Order Approving Liquidator's Proposal to Disburse Assets to State  
7 Insurance Guarantee Associations or Funds (Application) for their estimated reported losses  
8 from January 1, 2013 through December 31, 2013. The hearing on the Application is set for the  
9 same time as the status conference on June 9, 2014.

10 **3. Administrative and Professional Fees and Expenses for 2013**

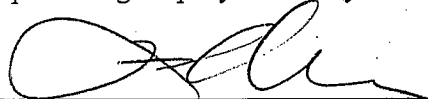
11 The Liquidator intends to file his Application for Order Approving Payment of  
12 Administrative and Professional Fees and Expenses for Year Ending December 31, 2013 within  
13 60 days of the June 9, 2014 status conference.

14 **CONCLUSION**

15 In 2013, the Liquidator focused primarily on administrative matters as all legal disputes have  
16 concluded. As detailed in this report, the transition of the reinsurance billing and collection  
17 function from Guy Carpenter and processing unresolved claims against the estate will continue to  
18 require the Liquidator's active management. The Liquidator, though his CLO staff, stands ready  
19 to address any questions the Court may have regarding this 2013 Annual Report at the status  
20 conference on June 9, 2014.

21 Dated: May 9, 2014

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Insurance Commissioner of the State of California,  
as Liquidator of Fremont Indemnity Company

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**EXHIBIT "A"**

Fremont Indemnity Co.  
Distribution Inception-To-Date  
12/31/2013

State	1st Distribution	2nd Distribution	3rd Distribution	4th Distribution	5th Distribution	6th Distribution	7th Distribution	8th Distribution	9th Distribution	Distribution Total	Stat. den. released/Assessment & Assumption	Total
Alabama	137,205.00	20,786.00	35,700.00	66,948.00	9,345.00	25,403.00	85,686.00	33,237.00	34,825.00	451,135.00	4,872,250.71	451,135.00
Alaska	3,615,351.00	3,260,791.00	5,507,239.00	5,815,791.00	1,837,406.00	-	809,256.00	2,021,375.00	3,907,619.00	23,892,828.00	34,401,689.25	28,765,078.71
Arizona	397,633.00	178,954.00	448,382.00	295,878.00	63,053.00	295,829.00	29,234,335.00	32,680,659.00	15,905,849.00	3,907,619.00	714,635.25	2,098,535.25
Arkansas	1,999,577.00	915,447.00	1,447,852.00	1,054,969.00	307,287.00	514,366.00	1,846,124.00	27,503.00	62,566.00	8,085,622.00	276,475,887.96	689,419,881.96
California	111,189.00	54,130.00	78,386.00	30,536.00	46,384.00	29,981.00	150,835.00	48,836.00	51,188.00	756,067.00	899,300.00	1,655,367.00
Colorado	1,054,778.00	1,006,778.00	1,476,718.00	1,062,444.00	1,113,913.00	-	-	309,060.00	131,028.00	5,714,631.00	1,223,370.87	555,081.00
Connecticut	140,740.00	272,037.00	633,797.00	407,108.00	132,046.00	-	-	-	-	2,025,816.00	-	6,936,001.87
DC	3,865,629.00	1,527,942.00	1,849,941.00	1,512,511.00	132,911.00	56,900.00	147,783.00	658,481.00	221,043.00	8,834,532.00	4,202,436.10	8,834,532.00
Florida	11,978,870.00	8,548,391.00	12,714,223.00	8,722,986.00	3,088,657.00	-	-	1,807,957.00	2,375,274.00	49,236,358.00	1,657,000.00	5,419,554.10
Georgia	905,406.00	563,479.00	653,256.00	173,912.00	250,885.00	-	-	-	-	2,296,053.00	51,000.00	50,893,358.00
Hawaii	1,783,978.00	619,958.00	1,195,145.00	757,539.00	250,885.00	-	-	-	-	4,607,505.00	-	2,347,053.00
Idaho	585,856.00	198,809.00	336,726.00	138,860.00	100,921.00	108,995.00	649,566.00	100,636.00	112,884.00	2,333,253.00	2,500,000.00	4,607,505.00
Illinois	2,635.00	117,026.00	117,026.00	1,769.00	-	-	-	-	-	119,661.00	57,576.25	2,500,000.00
Indiana	10,526.00	12,800.00	17,220.00	1,769.00	-	-	-	-	-	42,315.00	150,033.75	2,390,829.25
Iowa	462,052.00	274,128.00	165,236.00	168,275.00	-	-	27,125.00	-	-	1,096,816.00	1,000,000.00	1,000,000.00
Kansas	6,689.00	3,472.00	60,116.00	19,725.00	-	-	-	-	-	89,982.00	-	1,000,000.00
Kentucky	803,665.00	787,886.00	1,599,832.00	1,301,440.00	196,038.00	-	-	-	-	4,688,861.00	799,822.10	14,260,000.00
Louisiana	1,266,073.00	684,579.00	996,304.00	933,482.00	563,510.00	462,258.00	1,681,084.00	804,868.00	360,145.00	7,752,303.00	-	14,260,000.00
Maine	364,722.00	316,987.00	262,707.00	293,483.00	202,077.00	-	-	-	-	1,439,976.00	228,891.30	1,096,816.00
Maryland	252,214.00	50,367.00	107,080.00	27,506.00	-	3,497.00	36,519.00	16,505.00	20,183.00	465,673.00	432,436.00	465,673.00
Michigan	7,994,939.00	1,276,029.00	9,327,444.00	5,219,497.00	1,800,436.00	-	-	-	-	25,618,345.00	-	25,618,345.00
Minnesota	3,838,347.00	-	3,125.00	73,186.00	169,614.00	-	28,825.00	-	219,722.00	3,838,347.00	1,335,529.23	1,584,076.23
Mississippi	178,495.00	-	57,255.00	96,057.00	-	-	-	73,117.00	84,185.00	3,838,347.00	12,755,131.06	16,593,478.06
Missouri	605,568.00	98,937.00	589,766.00	710,783.00	150,240.00	-	-	19,142.00	98,878.00	581,722.00	206,039.70	787,761.70
Montana	424.00	-	148.00	-	178,966.00	-	-	-	-	271,332.00	403,041.00	674,373.00
Nebraska	140,284.00	65,430.00	66,524.00	42,861.00	-	-	-	-	-	2,155,294.00	17,369,448.50	2,155,294.00
Nevada	3,367,949.00	636,416.00	1,789,719.00	1,706,133.00	448,357.00	60,694.00	1,675,697.00	191,328.00	-	178,966.00	210,507.27	178,966.00
New Hampshire	858,570.00	573,364.00	909,297.00	984,996.00	388,551.00	355,997.00	2,130,050.00	824,499.00	898,404.00	315,099.00	457,383.12	315,099.00
New Jersey	102,909.00	139,155.00	110,663.00	43,069.00	-	-	-	-	-	9,876,293.00	-	10,333,676.12
New Mexico	2,394,606.00	753,466.00	1,407,305.00	979,348.00	30,240.00	25,958.00	84,633.00	-	55,378.00	7,923,728.00	-	7,923,728.00
New York	49,224,224.00	36,834,280.00	166,063,039.00	144,007,213.00	49,675,212.00	49,971,175.00	39,934,422.00	39,617,203.00	25,564,790.00	602,991,558.00	377,306,154.15	980,297,712.15
North Carolina	-	-	-	-	-	-	-	-	-	572.00	-	572.00
North Dakota	-	-	-	-	-	-	-	-	-	178,966.00	-	178,966.00
Oklahoma	-	-	-	-	-	-	-	-	-	-	-	-
Oregon	-	-	-	-	-	-	-	-	-	-	-	-
Pennsylvania	-	-	-	-	-	-	-	-	-	-	-	-
Rhode Islands	-	-	-	-	-	-	-	-	-	-	-	-
South Carolina	-	-	-	-	-	-	-	-	-	-	-	-
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-
Tennessee	-	-	-	-	-	-	-	-	-	-	-	-
Texas	-	-	-	-	-	-	-	-	-	-	-	-
Utah	-	-	-	-	-	-	-	-	-	-	-	-
Vermont	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-
Wisconsin	-	-	-	-	-	-	-	-	-	-	-	-
Total	49,224,224.00	36,834,280.00	166,063,039.00	144,007,213.00	49,675,212.00	49,971,175.00	39,934,422.00	39,617,203.00	25,564,790.00	602,991,558.00	377,306,154.15	980,297,712.15

**EXHIBIT "B"**



Fremont Indemnity Company  
Balances as of 12/31/2013

Reinsurer	Paid Recoverable	Ceded O/S Loss	Ceded IBNR & IBNR ALAE*	Total Ultimate Liability
ACE PROPERTY AND CASUALTY INSURANCE COMPANY	51,376.70	82,411.42	69,870.00	203,658.12
AMERICAN STATES - FKA AMERICAN UNION *	-26.49	271,621.67	248,702.00	520,297.18
EVEREST RE BERMUDA, LTD.	168,162.37	1,146,911.82	348,000.00	1,663,074.19
EVEREST REINSURANCE COMPANY	194,682.78	4,826,710.24	4,071,423.00	9,092,816.02
EXCESS INSURANCE COMPANY (U.K.), LIMITED	0.00	108,816.80	107,145.00	215,961.80
GENERAL STAR NATIONAL INSURANCE COMPANY	216,510.08	327,965.00	1,617,571.00	2,162,046.08
INSTITUTO DE RESSEGUROS DO BRASIL (IRB)	131,087.00	849,820.76	3,363,395.00	4,344,302.76
INSURANCE COMPANY OF NORTH AMERICA	1,077,906.29	4,332,558.27	2,301,266.00	7,711,730.56
MUNCHENER RUCKVERSICHERUNGS GESELLSCHAFT	110,105.54	346,431.79	346,924.00	803,461.33
ODYSSEY AMERICA REINSURANCE CORPORATION	16,494.80	1,207,723.35	927,655.00	2,151,873.15
OLD REPUBLIC INSURANCE COMPANY	44,058.52	113,163.61	98,328.00	255,550.13
PENNSYLVANIA MANUFACTURERS' ASSOCIATION INSURANCE CO	246,428.08	400,850.57	493,803.00	1,141,081.65
PHILADELPHIA REINSURANCE CORPORATION	505.83	200,381.17	95,607.00	296,494.00
ST. PAUL INTERNATIONAL INSURANCE COMPANY, LTD	150,549.51	199,531.36	170,770.00	520,850.87
TENECOM LIMITED	190,682.43	120,288.29	96,321.00	407,291.72
TOA-RE INSURANCE COMPANY OF AMERICA	26,835.69	1,061,031.25	866,438.00	1,954,304.94
TRAVELERS INDEMNITY COMPANY	30,984.52	329,645.71	281,622.00	642,252.23
TUREGUM INSURANCE COMPANY (U.K.), LIMITED	212,958.66	417,342.91	263,902.00	894,203.57
UNITED AMERICAS INSURANCE COMPANY	49,383.98	191,719.86	461,036.00	702,139.84
XL REINSURANCE AMERICA, INC.	642.11	146,054.39	111,594.00	258,290.50
	2,919,328.40	16,680,980.24	16,341,372.00	35,941,680.64

\* Ceded IBNR & IBNR ALAE as of 12/31/08 actuarial analysis

**EXHIBIT "C"**

## Reinsurance Process for Fremont Indemnity Company

Currently, there are two main pieces to the reinsurance process for Fremont Indemnity business. The first process is for the business prior to 1/1/98. The second is the bordereau file for all business 1/1/98 and subsequent. There are separate processes which handle the Citation treaties and a subset of the 1998 UniCare business for a treaty that overlapped the bordereau treaty.

The process for the business prior to 1/1/98 uses a treaty table. The process reads the claims and determines which treaty they fall into. The process then checks for catastrophe claims and sums them together. There is also a column to determine if the claim should include or exclude expenses. The claim or catastrophe is then tested against 50% of the treaty limit. If it meets or exceeds the limit, the claim is passed on to the report and csv file. The report and file is sent to CLO reinsurance staff. They then enter the information into their reinsurance system which breaks down the data by each retention level and participants.

For the bordereau, there is only one treaty but much of the same process applies. Catastrophes are summed and evaluated as a single claim — though the detail is sent. There are also a few extra criteria, such as asbestos claims and certain other injury types, are always included regardless of whether they have exceeded the retention limit or not. The file is then loaded into their reinsurance system which breaks down the levels and participants. A few extra fields have been added to the file for the processing of the actuarial triangles. There is also a separate file generated for claims that contain Employers Liability.

**EXHIBIT "D"**

950 950 Fremont Indemnity Co  
STATEMENT OF ASSETS AND LIABILITIES  
As of December 31, 2003 to 2013

	Dec 31 2003	Dec 31 2004	Dec 31 2005	Dec 31 2006	Dec 31 2007	Dec 31 2008	Dec 31 2009	Dec 31 2010	Dec 31 2011	Dec 31 2012	Dec 31 2013	
<b>ASSETS</b>												
Cash and cash equivalents:												
Unrestricted	35,367,926	30,328,698	3,314	6,199,473	8,591,720	8,410,016	10,649,496	198,189	198,488	198,892	199,670	
Restricted	35,685	267,604										
Participation in pooled investments, at market	63,434,115	102,946,223	308,668,755	192,601,374	83,086,112	108,291,609	76,093,705	143,035,777	105,456,896	66,733,759	76,789,354	
Non-pooled short-term investments, at market	(311,096,710)	74,457,774	2,357,546	(290,000)	734,236	715,441	358,577			286,983	196,367	
Unrestricted	1,026,434	963,050	920,392	877,519		324,657						
Restricted	385,594,484					375,383	465,990	700,469	515,701	257,884	202,841	
Accrued investment income	6,576,478	920,215	1,982,162	1,020,341	481,574	3,686,150	2,786,773	2,804,189	2,815,269	2,815,269	2,815,949	
Statutory deposits held by other states	12,987,176	64,772,520	21,777,364	4,852,380	3,690,511	3,686,150	12,755,131	12,755,131	12,755,131	12,755,131	12,755,131	
Funds held by guaranty associations		17,369,449		13,975,131	13,975,131	12,755,131	180,438,921	184,855,530	132,515,513	110,543,051	40,366,194	
Recoverable from reinsurers	1,086,785,047	1,104,596,372	361,250,486	354,200,036	263,744,243	168,264,136	827,837	422,449	359,614	350,383		
Salvage and subrogation recoverable		10,660,664	9,467,142	3,844,372	1,311,062	417,197	1,150,000	1,176,456	1,077,669	1,359,991	1,359,991	
Premium balances	47,377,844	46,449,882	598,019	952,060	1,086,044	1,086,044	20,019,648	17,000				
Receivable from affiliates	3,323,488	3,241,569	1,086,044	1,086,044	1,086,044	1,086,044						
Other receivable	43,925,243	38,343,947	(21,543)	23,405,334	22,756,649	21,390,731						
Property and equipment, net of accumulated depreciation	15,904,877	15,904,877										
Deposits and other assets	93,072,380	80,501,738	76,093,371	39,829,730	39,793,646	36,217,932	34,910,565	24,228,217	23,781,543	22,744,512	19,519,058	
<b>Total Available Assets</b>	<b>1,484,274,467</b>	<b>1,591,724,582</b>	<b>784,383,052</b>	<b>642,553,794</b>	<b>440,157,546</b>	<b>363,122,264</b>	<b>340,053,255</b>	<b>370,439,832</b>	<b>279,758,182</b>	<b>219,957,239</b>	<b>141,252,057</b>	
<b>LIABILITIES</b>												
Secured claims	14,075,282	14,451,165	21,772,349	21,574,381	21,595,963	21,601,222	21,601,222	15,631,618	15,631,618	15,631,618	15,631,618	
Accrued administrative expenses	31,299,090	31,866,113	(139)	179,430	306,697	2,862,784	2,660,098	12,751	14,584	20,428	2	
Claims against policies, including guaranty associations, before distributions	2,639,793,200	2,448,299,364	2,196,125,111	2,258,682,498	2,340,291,589	2,397,240,781	2,749,754,840	2,980,833,006	3,062,130,457	3,053,988,362	3,062,614,206	
Early access and other policyholder distributions:	(269,375,146)	(335,460,585)	(433,080,164)	(615,383,203)	(760,289,716)	(810,153,276)	(859,789,236)	(862,454,570)	(902,360,588)	(941,977,791)	(980,297,712)	
California and Federal claims having preference	2,771,061	4,195,852	5,328,728	5,328,728					62,853	62,853	62,853	
All other claims	(4,721,105)	288,750,862	350,006,651	356,434,777	341,076,114	393,751,734	395,607,412	400,084,157	349,535,460	337,799,633	316,669,883	
<b>Total Estimated Liabilities</b>	<b>2,413,842,382</b>	<b>2,452,102,771</b>	<b>2,140,172,536</b>	<b>2,026,826,611</b>	<b>1,942,980,647</b>	<b>2,005,303,245</b>	<b>2,309,834,336</b>	<b>2,534,106,962</b>	<b>2,525,014,384</b>	<b>2,465,525,103</b>	<b>2,414,680,850</b>	
<b>NET ASSETS (DEFICIENCY)</b>	<b>(929,567,915)</b>	<b>(860,378,189)</b>	<b>(1,355,789,484)</b>	<b>(1,384,272,817)</b>	<b>(1,502,823,101)</b>	<b>(1,642,180,981)</b>	<b>(1,969,781,081)</b>	<b>(2,163,667,130)</b>	<b>(2,245,256,202)</b>	<b>(2,245,567,864)</b>	<b>(2,273,428,793)</b>	

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner v. Fremont Indemnity Company**  
No.: **BS083582**

I declare:

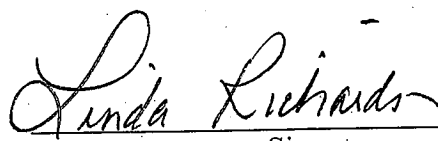
I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On May 9, 2014, I served the attached **LIQUIDATOR'S TENTH ANNUAL STATUS CONFERENCE REPORT FOR YEAR ENDING DECEMBER 31, 2013** by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 300 South Spring Street, Suite 1702, Los Angeles, CA 90013, addressed as follows:

**SEE ATTACHED SERVICE LIST**

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on May 9, 2014, at Los Angeles, California.

\_\_\_\_\_  
Linda Richardson  
Declarant

  
\_\_\_\_\_  
Signature

## SERVICE LIST

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