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F I L E D  
Clerk of the Superior Court

AUG 17 2012

By: C. BANKS, Deputy

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF SAN DIEGO

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

16 Plaintiff,

17 v.

18 **FRONTIER PACIFIC INSURANCE  
COMPANY, A California Corporation,**

20 Defendants.

Case No. GIC 774028

**TWENTIETH STATUS CONFERENCE  
REPORT**

Date: August 31, 2012  
Time: 1:00 P.M.  
Dept: 71  
Judge: The Honorable Ronald S. Prager  
Trial Date: None  
Action Filed: September 7, 2001

22 **INTRODUCTION**

23 Frontier Pacific Insurance Company ("FPIC"), a California domiciled property and casualty  
24 company, was conserved by the Insurance Commissioner ("Commissioner") on September 7,  
25 2001, based on a finding that further transaction of its business would be hazardous to  
26 policyholders and creditors pursuant to Insurance Code section 1011. Subsequently, the  
27 Commissioner determined that FPIC's financial condition was such that rehabilitation would be

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1 futile and the Commissioner's Application for Order Appointing Commissioner as Liquidator and  
2 Restraining Orders was granted on November 30, 2001 (the "Liquidation Order"). Prior to the  
3 Commissioner's actions, in August 2001, FPIC's parent company, Frontier Insurance Company  
4 of New York ("FIC") voluntarily entered rehabilitation under the control of the New York  
5 Superintendent of Insurance, acting through the New York Liquidation Bureau ("NYLB"). As a  
6 result of FIC's rehabilitation, certain reinsurance recoverables due to FPIC from FIC were not  
7 received and could therefore no longer be carried as assets on the books of FPIC. An  
8 examination by the California Department of Insurance's Financial Analysis Division found that  
9 based on the disallowance of the FIC reinsurance credit in the amount of \$12,842,609, FPIC's  
10 surplus as regards policyholders was a negative \$5,289,995.

11 At the time of the initial case management conference in this matter on March 15, 2002, the  
12 Court announced its intention to hold semi-annual status conferences in this matter so that the  
13 Court could periodically be informed regarding the status of the liquidation of FPIC. For the  
14 convenience of the Court, the Liquidator presented the first status report on September 13, 2002,  
15 the second on March 24, 2003, the third on February 24, 2004, the fourth on September 30, 2004,  
16 the fifth on April 29, 2005, the sixth on January 13, 2006, the seventh on June 9, 2006, the eighth  
17 report on January 5, 2006, the ninth report on October 5, 2007, the tenth report on April 16, 2008,  
18 the eleventh report on October 17, 2008, the twelfth report on April 17, 2009, the thirteenth report  
19 on November 6, 2009, the fourteenth report on March 12, 2010, the fifteenth report on July 16,  
20 2010, the sixteenth report on April 15, 2011, the seventeenth report on July 8, 2011, the  
21 eighteenth report on October 7, 2011 and the nineteenth report on February 24, 2012. The  
22 nineteenth status report is hereby incorporated herein by reference.

### 23 STATUS OF THE NICO LITIGATION/ARBITRATION

24 As previously noted, the Liquidator instituted an action for declaratory relief against  
25 National Indemnity Insurance Company entitled *Steve Poizner, Insurance Commissioner for the*  
26 *State of California in his capacity as Liquidator of Frontier Pacific Insurance Company vs.*  
27 *National Indemnity Company*, San Diego Superior Court, Case No. 37-2008-00080104-CU-MC-  
28 CTL. NICO removed the case to the United States District Court for the Southern District of

1 California, where it was assigned Case No. 08 CV 772 L. Upon NICO's application, the court  
2 granted its request to stay the proceeding pending completion of arbitration. The last Federal  
3 Status Conference was held on November 16, 2011 at which time the case was dismissed, at the  
4 joint request of the parties, due to the conclusion of arbitration between the Liquidator and NICO.

5 As noted in the Reinsurance portion of prior Statements, the Liquidator commenced  
6 arbitration with NICO seeking recovery of all amounts due from NICO. The arbitration was  
7 completed March 25, 2011, and was taken under submission by the arbitration panel. On August  
8 12, 2011, the arbitration panel awarded FPIC \$13,039,326.28 and interest at the rate of 6% simple  
9 interest to be paid within 30 days. On August 27, 2011, the arbitration panel awarded interest of  
10 \$4,700,000.00 payable no later than September 11, 2011. Pursuant to the terms of the awards,  
11 NICO has paid FPIC \$17,739,326.28.

12 The award excluded FPIC's pre-liquidated Unallocated Loss Adjustment Expenses (ULAE)  
13 claims against NICO that are in excess of \$3,000,000 without interest. These claims will be the  
14 subject of negotiation or a subsequent arbitration proceeding. In June 2012, this Court signed a  
15 commission for out of state discovery (deposition and production of documents) in connection  
16 with these claims. As of this writing, the deposition is scheduled to commence August 28, 2012.

#### 17 **EARLY DISTRIBUTION**

18 At a hearing on June 22, 2012, this Court granted the Commissioner's Application for Early  
19 Distribution. The Liquidator has made the distributions provided for in the Court's order.

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1 **CONCLUSION**

2 Plaintiff requests the Court accept this report and schedule the next status conference.

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4 Dated: August 17, 2012

Respectfully Submitted,

5 KAMALA D. HARRIS  
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**DECLARATION OF SERVICE BY U.S. MAIL**

Case Name: **Insurance Commissioner of the State of California v. Frontier Pacific Insurance Company, a California Corporation**

F I L E D  
Clerk of the Superior Court

No.: **GIC 774028**

**AUG 17 2012**

I declare:

By: C. BANKS, Deputy

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 August 17, 2012, I served the attached **TWENTIETH STATUS CONFERENCE REPORT** 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 110 West A Street, Suite 1100, P.O. Box 85266, San Diego, CA 92186-5266, addressed as follows:

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