2016 ANNUAL REPORT

CONSERVATION & LIQUIDATION OFFICE

Conservation & Liquidation Office

Section 1 – The Conservation & Liquidation Office

Page

Section 2 – Estate Specific Information

Section 3 – Cross Reference to California Insurance Code

Background

The California Insurance Commissioner ("Commissioner"), an elected official of the State of California, acts under the supervision of the Superior Court when conserving and liquidating insurance enterprises. In this statutory capacity, the Commissioner is charged with the responsibility for taking possession and control of the assets and affairs of financially troubled insurance enterprises domiciled in California. An impaired enterprise subject to a conservation or liquidation order is referred to as an estate.

The Commissioner, through the state Attorney General's office, applies to the Superior Court for a conservation order to place the financially troubled enterprise in conservatorship. Under a conservation order, the Commissioner takes possession of the estate's financial records and real and personal property, and conducts the business of the estate until a final disposition regarding the estate is determined. The conservation order allows the Commissioner to begin an investigation that will determine, based on the estate's financial condition, if the estate can be rehabilitated, or if continuing business would be hazardous to its policyholders, creditors, or the public.

If, at the time the conservation order is issued or anytime thereafter, it appears to the Commissioner that it would be futile to proceed with the conservation of the financially troubled estate, the Commissioner will apply for an order to liquidate the estate's business. In response to the Commissioner's application, the Court generally orders the Commissioner to liquidate the estate's business in the most expeditious fashion.

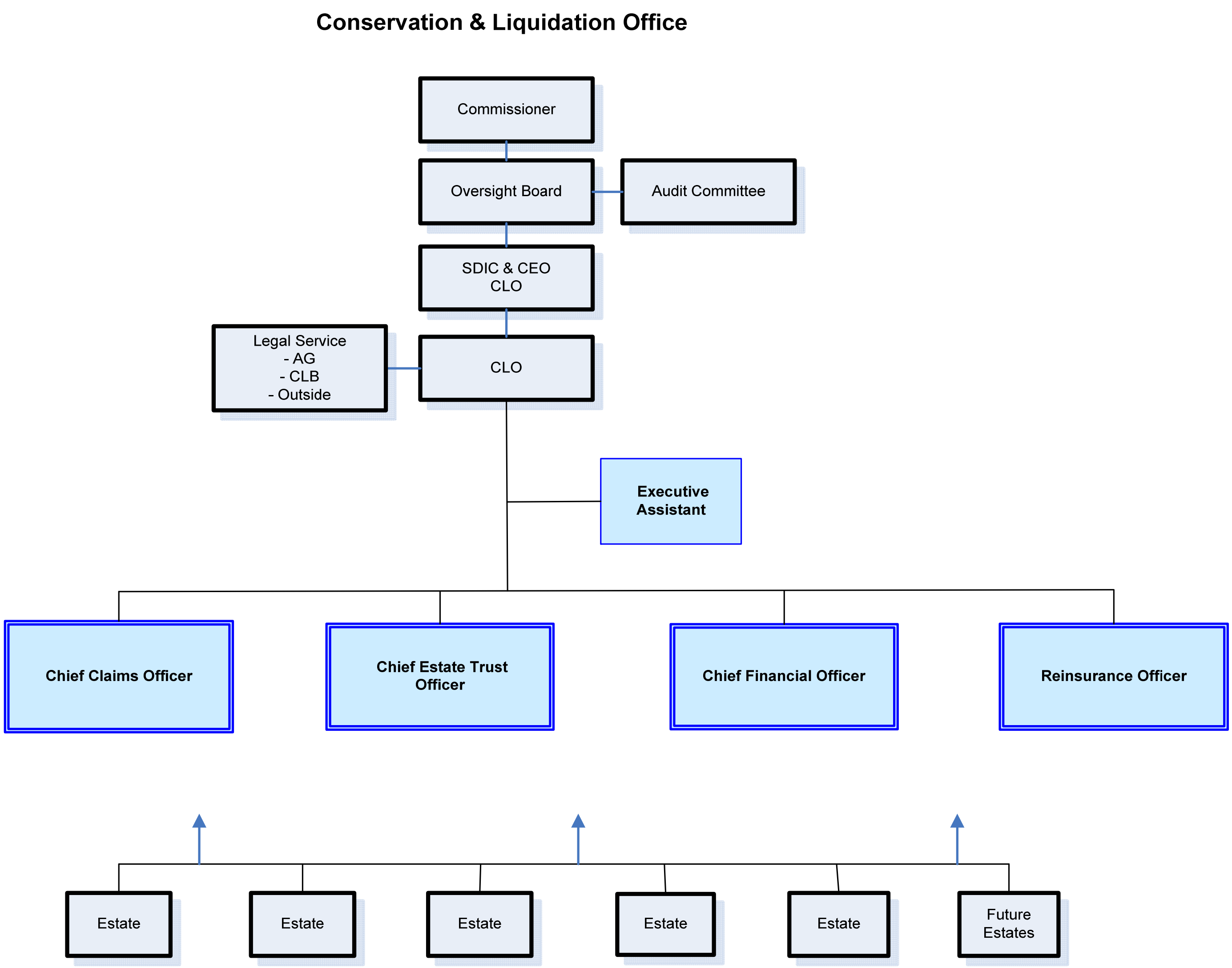
The Conservation & Liquidation Office ("CLO") performs conservation and liquidation services on behalf of the California Insurance Commissioner (Commissioner) with respect to insurance companies domiciled in California.

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance which was managed by State employees. The CLO is based in San Francisco, California. As of December 31, 2016, the CLO is responsible for the administration of 16 insurance estates.

In addition to the role described above, the CLO at times provides special examination services to the Financial Surveillance Branch of the Department of Insurance. The CLO is reimbursed directly by the company being examined. During 2016 the CLO assisted with one such examination.

In 2014, the CLO's Oversight Board authorized the CLO/Regulatory Services Group (RSG) (name used when doing work other than traditional California conservation and liquidations) to enter an engagement with the Nevada Insurance Commissioner to provide receivership management services. In 2016, the Board authorized continued engagements with Insurance Commissioners from the states of Colorado, Hawaii, Oregon, and Wyoming. The purpose of taking such work is to maintain receivership and institutional knowledge in California at a time that receiverships/liquidations are declining materially and to reduce the cost to California estates under the management of the CLO.

Organizational Structure



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The current Oversight Board and Audit Committee members are Mr. Joel Laucher, Chief Deputy Commissioner, Mr. John Finston, Deputy Insurance Commissioner – General Counsel, and Ms. Susan Bernard, Deputy Commissioner-Financial Surveillance Branch.

During 2016, the Oversight Board and Audit Committee held three regularly scheduled meetings. There was a 100% attendance by the Committee members for two of the meetings and one member was absent from one meeting due to a work schedule conflict.

Mission Statement and 2016 Organizational Goals and Results

The CLO's Mission Statement is as follows:

> The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition, the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is presented to the Oversight Board for approval

The 2016 Business Plan focused on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2016, there were 18 open estates under management. The open estates consist of 14 Property & Casualty Estates and four Life/Health Estates. The CLO goal in 2016 was to close five estates and distribute $192.1 million.

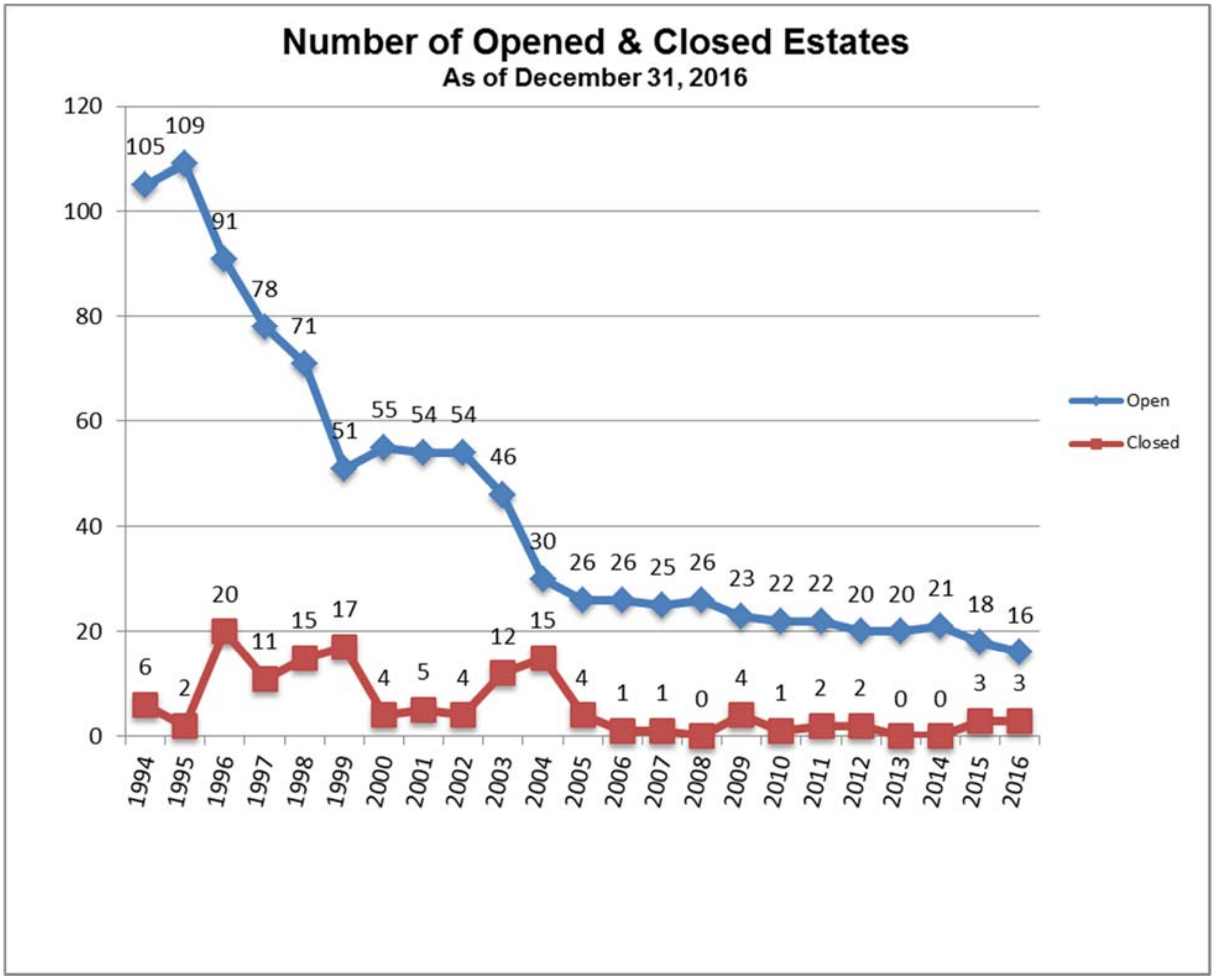
The CLO closed three of the five estates that were planned for closure in 2016. The remaining two were delayed due to legal scheduling complications and will close in 2017.

The CLO reduced its 2016 distribution goal from $192.1 million to $146.3 million for the following reasons. The ELIC distribution was reduced from $140 million to $110.8 million due to uncertainties about the estate's ultimate tax liability. A planned Fremont early access distribution of $12 million was deferred until 2017 for efficiency reasons. A final $6 million distribution for American Sterling and a $1 million for Fremont Life were deferred until 2017 due to legal administrative reasons.

1. Closings

GOAL	RESULTS
Close 5 Estates: 1) American Sterling Ins. Co. 2) Fremont Life Ins. Co. 3) HIH America 4) Golden State Mutual Life Ins. Co. 5) Frontier Pacific Ins. Co.	Due to legal administrative reasons, American Sterling and Fremont Life will not close until 2017.

Number of Opened & Closed Estates as of 12/2016



Since 1994, there have been approximately 130 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 53 regular insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

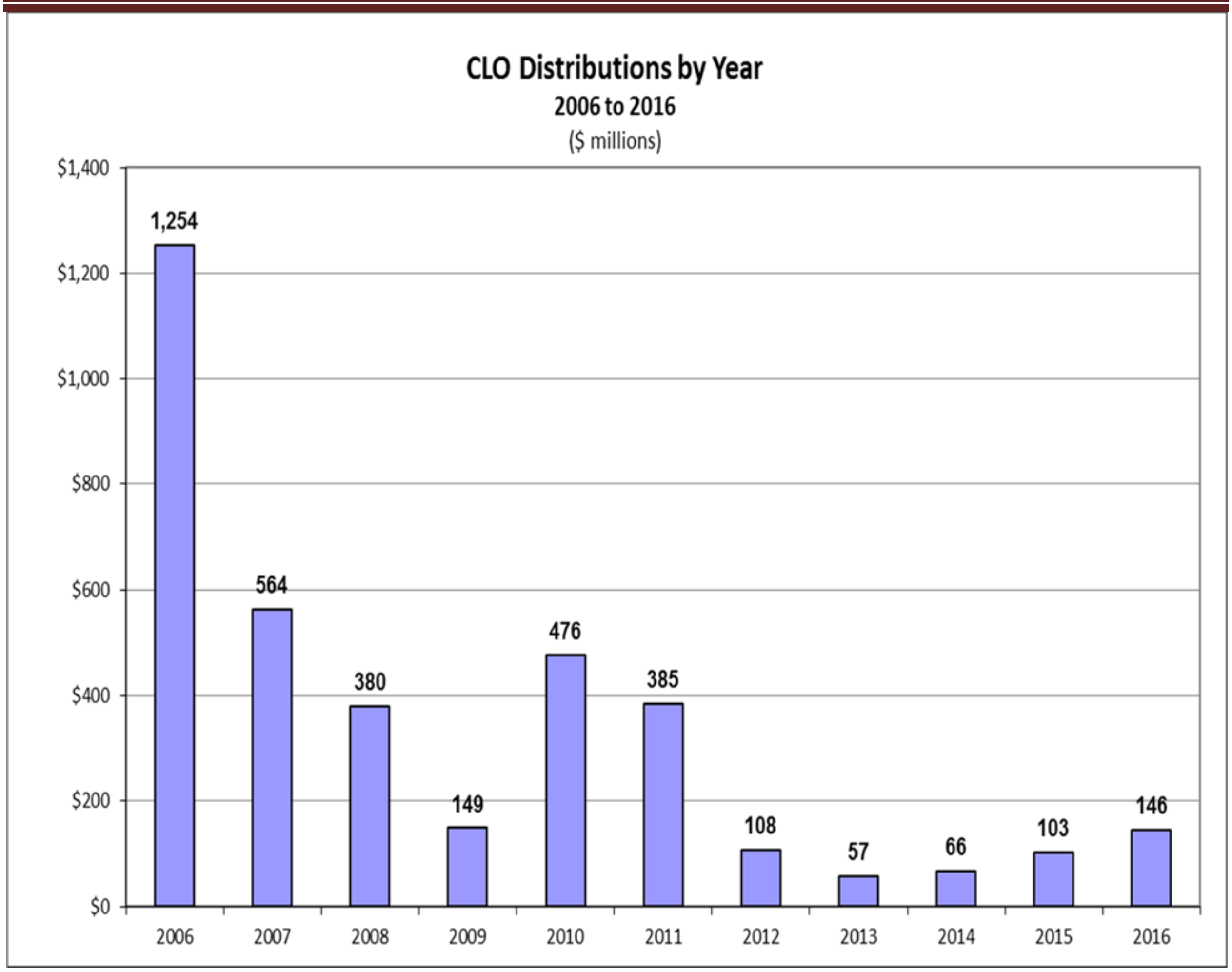
2. Distributions

Early Access and Interim Distributions

Estate	2016 Actual ($ Millions)	2016 Goal ($ Millions)
Superior National Insurance Companies In Liquidation	$17.6	$15
Fremont Indemnity	$0	$12
Executive Life	$110.8	$140
Sub-total:	**$128.4**	**$167**

Final Distributions

Estate	2016 Actual ($ Millions)	2016 Goal ($ Millions)
HIH America	$14.8	$14.8
American Sterling Ins. Co.	$0	$6
Fremont Life Ins. Co.	$0	$1
Closed Estates	$3.1	$3.3
Sub-total:	**$15.9**	**$25**
TOTAL DISTRIBUTIONS:	**$146.3**	**$192.1**



**Since 2005, $3.69 billion has been distributed.*

CLO Investment Policy

The CLO has a formal investment policy, as approved by its Oversight Board, requiring that investments be investment grade fixed income obligations of any type. These investments may be issued or guaranteed by (1) the U.S. and agencies, instrumentalities, and political sub-divisions of the U.S., and/or (2) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over-the-counter markets in the U.S. None of the portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's, or by another nationally recognized statistical rating organization. In addition, the duration must be maintained within +/- 12 months of the Barclays Capital U.S. Government/Credit 1-3 Yr. The average duration was approximately 1.5 years at December 31, 2016.

The investments are managed in equal parts by two professional money management firms and are warehoused at the Union Bank of California.

At December 31, 2016, the CLO had $500.0 million of estate marketable investment securities under management.

For the year ending December 31, 2016, the average portfolio balance was approximately $513.0 million. The portfolio earned an interest yield of 1.6% and a net yield after security gains/losses and mark-to-market adjustments of 1.3%.

Administrative Expenses

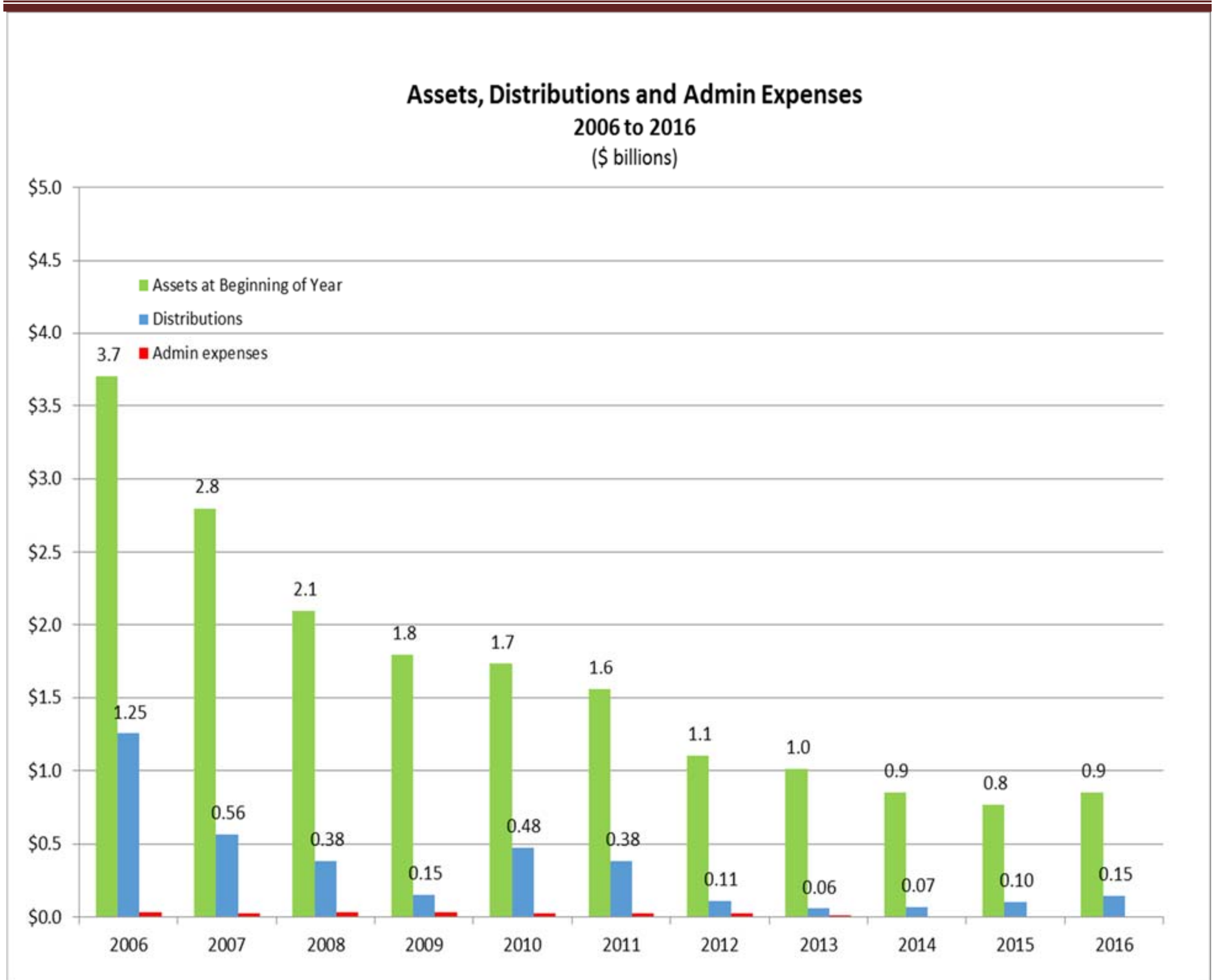
Administrative expenses consist of both direct and indirect expenses. [1]

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, if applicable, office expenses, and depreciation of property and equipment.

Indirect expenses that are not incurred on behalf of a specific estate are allocated using an allocation method based on the ratio of employee hours directly charged to a specific estate to total direct hours charged to all estates. For example, if employees charged 200 hours to a specific estate and in total 2,000 hours was incurred by all estates that specific estate would be allocated 10% (200 hours divided by 2,000 total hours charged to all estates). Indirect expenses include CLO employee compensation, rent, and other facilities charges and office expenses.

In accordance with California Insurance Code Section 1035, the Commissioner may petition funds from a general appropriation of the State of California Insurance Fund if an estate does not have sufficient assets to pay for administrative expenses.

[1] *See "CLO Financial Results" section of this report on the budget and actual expenditures for 2016 for direct and indirect expenses.*



The chart above displays the aggregated estate assets at beginning of year, distributions and administrative expenses from the year 2006 to 2016. The table below lists these figures.

Year	Assets ($ billions)	Distributions ($ millions)	Administrative Expenses ($ millions)
2006	$3.7	$1,254	$32
2007	$2.8	$564	$24
2008	$2.1	$380	$29
2009	$1.8	$149	$29
2010	$1.7	$476	$22
2011	$1.6	$385	$21
2012	$1.1	$108	$25
2013	$1.0	$57	$14
2014	$0.9	$66	$15
2015	$0.8	$103	$16
2016	$0.9	$146	$15

CLO Compensation

The CLO is not part of the State's civil service system. All employees are at-will. The CLO does not have a bonus plan or pay incentive compensation. To that end, the CLO has established policies and procedures that are more akin to the private marketplace.

Compensation Methodology

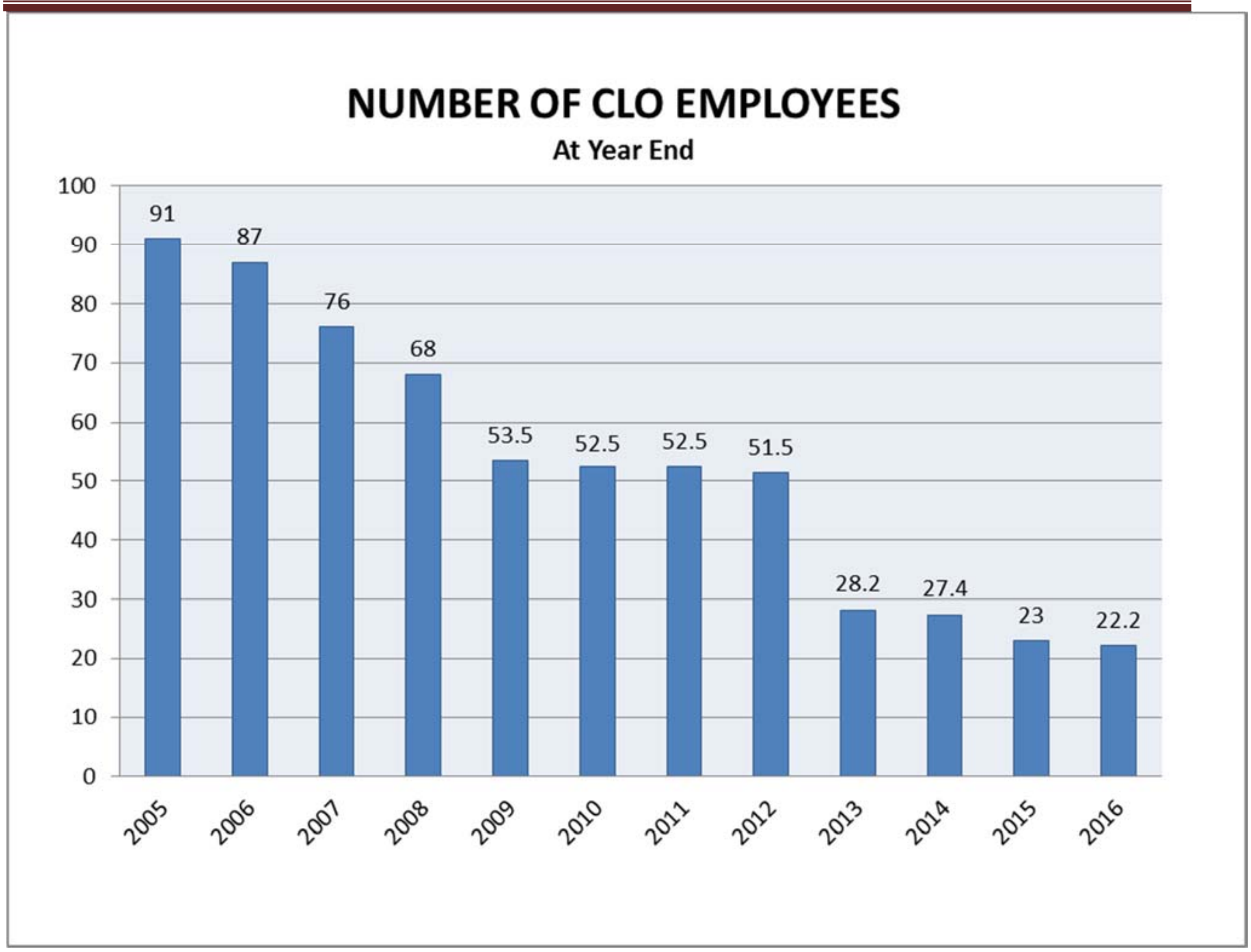
The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, the primary survey source used was the Comp Analyst which is a large survey representing thousands of companies across the U.S. which include hundreds of jobs. This subscription survey collects marketplace compensation data from many sources, and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.

A summary of the compensation procedures follows:

- A written job description is developed for each position.
- Salary grades are derived from comparable external market data.
- Salary ranges are identified (low, middle, and high) based on market comparisons obtained by an outside independent compensation consultant.
- Salary ranges are updated periodically.
- The creation of a "new job position" is sent to an outside consultant for external evaluation.
- All employees receive an annual compensation review.

CLO employment on a full time equivalent basis and total compensation for employees are summarized below:

	2016	**2017 (Budget)**
Number of CLO full time equivalent employees at beginning of year	23.0	22.2
Total compensation and benefits for CLO employees	$4,734,089	$4,219,533



The chart above shows the number of CLO full-time employee equivalent from 2005 to 2016.

As estates have closed resulting in reduced workloads and as a result of internal operating efficiencies the number of full-time employees decreased by 75% compared to December 31, 2005.

CLO Financial Results

For Years Ended December 31, 2016 and December 31, 2015

Cash received	December 31, 2016		December 31, 2015
	Actual	Budget	
Litigation, reinsurance recoveries, and miscellaneous income	$64,444,900	N/A[2]	$197,512,200
Investment income, net of expenses[3]	7,156,700	N/A	4,817,300
Total:	**$71,601,600**		**$202,329,500**

[2] Litigation, reinsurance recoveries, and miscellaneous income are not amendable to budgeting due to the irregular timing of their occurrence.

[3] Investment income is not budgeted due to the large changes in investment balances that occur throughout the year (due to distributions), as well as changes in investment return rates. The improved results in 2016 are the result of a raise in interest rates in 2016.

	December 31, 2016		December 31, 2015
	Actual	Budget	
Distributions	**$146,318,500**	**$192,100,000**	**$103,346,200**

Administrative – Estate Direct Expenses

Estate Direct Expenses	December 31, 2016		December 31, 2015
	Actual	Budget	
Legal expenses	$4,456,200	$1,496,900	$1,977,900
Consultants and contractors	2,527,300	1,470,800	2,532,100
Office expenses	1,217,100	1,218,700	4,737,700
Compensation and benefits	163,500	0	0
Total	$8,364,100[4]	$4,186,400	$9,247,700

[4] Estate expense financial results exceeded budget primarily due to expenses incurred by the Executive Life estate in settling litigation and a tax matter. In addition, the legal and consulting expenses incurred approximately $972 thousand in connection with the review, consolidation and conservation of the Tower Companies and $770 thousand in the liquidation of RSG estates. The CLO is reimbursed by Tower and RSG for these amounts which were not included in the 2016 budget.

Administrative – CLO Overhead Expenses

CLO overhead expenses	December 31, 2016		December 31, 2015
	Actual	Budget	
Compensation and benefits	$4,734,100	$4,776,200	$5,267,800
Office expenses	1,646,700	1,598,800	1,618,200
Consultants and contractors	163,400	114,000	123,900
Legal expenses	12,800	28,800	24,800
Total	$6,557,000	$6,517,800	$7,034,700

Administrative Totals	December 31, 2016		December 31, 2015
	Actual	Budget	
Estate Direct Expense Total	$8,364,100	$4,186,400	$9,481,900
CLO Overhead Expense Total	6,557,000	6,517,800	7,034,700
Total:	**$14,921,100**	**$10,704,200**	**$16,516,600**

Estates Open Longer Than Ten Years

After the entry of an order placing an impaired California insurer into conservation and/or liquidation, the Insurance Commissioner and the CLO have the statutory responsibility to marshal and resolve the assets and liabilities of the failed entity.

The time required to close an insolvency proceeding is largely determined by the amount and complexity of the assets to be monetized and distributed to claimants. In addition, the length of an insolvency is equally affected by the amount of time required to make a final determination of an estate's liability.

Most of the insolvencies that remain open for more than ten years have some combination of on-going litigation, complicated tax exposure, potential collection of additional material assets, and challenges associated with the evaluation of liabilities. Until both sides of the insolvent estate's balance sheet are resolved (assets collected and liabilities fixed), the insolvency proceeding will remain open. In addition, estates are subject to federal tax reporting and escheatment requirements after the final distribution. The estates listed below have been in liquidation for ten years or more.

Executive Life & ELIC Opt Out Trust:

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al was resolved in the fourth quarter of 2015. The estate completed an interim distribution in spite of uncertainties regarding the federal income tax ramifications of the Altus settlement. The estate also settled a dispute with the now defunct Thelen law firm over a contingent fee matter. The Estate and associated trust will remain open until resolution of a Federal tax matter. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $906 million from litigation and distributed $848 million to claimants. Assets presently in the Estate will fund final distributions and operations.

Fremont Indemnity Company:

The Fremont Estate is in the final stages of completing the run off of its extensive reinsurance program. Once the remaining treaties are commuted or otherwise resolved, the estate will be in position to determine and settle all class 2 (policyholder) liability, the majority of which is comprised of the state guaranty fund claims. Thereafter, the estate will petition the court for approval of a final distribution and closing orders. The estate has distributed in excess of $1 billion dollars in early access distributions to state guaranty funds since 2003. Other than one pending claim dispute, the estate is not facing any other material litigation or legal impediments.

Golden Eagle:

The Estate is in long-term run off. All policyholder claims have been 100% reinsured and policyholder claims are being paid timely, Golden Eagle remains liable to the policyholders should the reinsurance not suffice to satisfy all claim obligations. The reinsurance program is believed to have sufficient coverage to accommodate all remaining claims exposure. Until all claims are resolved or paid out, the Estate must remain open. The CLO acts in a pure monitoring capacity to ensure that the reinsurance contract continues to pay all claims.

Great States:

The Estate continues to seek a resolution to a dispute regarding the American Home Assurance Surety Bond matters in California and Arizona. The estate continues to work with California Insurance Guarantee Association for certain claim documentation to support ongoing billing of the surety. In an effort to resolve the balance of the surety in California, the parties continue to explore commutation possibilities. In Arizona, the estate is working with the Arizona Insurance Guaranty Fund which had a substantial hiatus in billing the surety, and then, the estate believes, billed the surety for less than they should have. The estate is actively working with Arizona to resolve the matter but has not resolved the issue yet. To date,

the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

Mission/ Mission National:

In 2012, Mission Insurance Company and Mission National Insurance Company each applied to the United States Department of Justice (DOJ) for a release from super-priority claims. Both Mission Insurance Company and Mission National Insurance Company have reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release. The pending Federal Waiver documents are in the process of being ratified by the federal government after which counsel for the estate will seek liquidation court approval of the settlement and release in June 2017. To date, all policyholder claims in both estates have been paid 100%.

Superior National Insurance Companies in Liquidation ("SNICIL"):

The SNICIL estates have approximately $47 million of collectible reinsurance still on the books. Nearly all of the collectible reinsurance involves long tail Workers Compensation business; thus, the strategy is to attempt to commute the remaining balances. This will continue to require a significant amount of time and effort to commute all of the reinsurance contracts and programs. All of the known liabilities have been determined except the finalization of the Guaranty Association claims. Collectively, the estates have distributed approximately of $1.5 billion dollars in early access distributions to state guaranty funds since 2001.The Estates completed the 13th early access distribution in 2016 for approximately $17.6 million.

Western Employers:

Western Employers underwrote coverages on long-tail exposures (workers compensation, asbestos, pollution etc.) and had been subject to extensive litigation associated with claims that exceed state guaranty fund coverage limits or were altogether not covered by the guaranty funds. The CLO worked to overcome pre-receivership record-keeping issues inherited at the time of liquidation. Western

Employers has several high limit claims that have not reached policy attachment points and as those liabilities are not liquidated, the estate still must obtain a court order before those claims can be determined. Western Employers coverage included many liability policies that had produced toxic tort claims at EPA Super Fund clean-up sites. Under Federal priority statutes, the Federal Government is entitled to verification that all policy liability is extinguished for the clean-ups; otherwise they believe they have a direct right of access to the policy. The estate worked closely with the United States Department of Justice and obtained a Federal Release waiver, meaning that the estate has no residual liability to the United States. The settlement with the United States allowed the estate to distribute $35 million to Guaranty Associations and another $19 million to non-Guaranty Association approved creditors. During the fourth quarter of 2016, legal counsel for the estate filed for and obtained a “tail-cutting” order establishing April 28, 2017 as the deadline date by which all remaining open claims must be liquidated. July 3, 2017 was set as the last date for claimants to file claim update forms substantiating their claims have been liquidated and determined by April 28, 2017. Pending completion of the tail-cutting process and final claims determination the estate will file a final report, and seek authority to distribute its assets in late 2017 or early 2018.

Claims History

Property and Casualty Estates

Estate	Liquidation Date	Proof Of Claims Filed	Proof Of Claims Resolved	Open POCs
American Sterling	10/26/2011	93	93	0
CastlePoint National	TBD	TBD	TBD	TBD
Fremont	7/2/2003	45,669	45,372	297
Golden Eagle [5]	2/18/1998		n/a (see below)	
Great States	5/8/2001	1,169	1,167	2*
Mission (2 estates)	2/24/1987	141,646	141,646	0
SeeChange	1/28/2015	154	0	154
Superior (5 estates)	9/26/2000	13,936	13,893	43
Western Employers	4/19/1991	9,809	9,773	36
	Total:	**212,476**	**211,944**	**532**

[5] *Golden Eagle is not subject to a finding of statutory insolvency. All claims are covered under a reinsurance agreement and are being paid by the reinsurer.*

** Both open claims on the Great States estate relate to the inability to close the Arizona and California surety bond issues.*

Life Insurance Estates

Executive Life Insurance Company: Executive Life is a life insurance company and has policies rather than claims. There were 327,000 policies/contracts at time of liquidation.

Fremont Life Insurance Company: Fremont Life transferred approximately 3,500 in-force policies to assuming insurers via reinsurance and/or co-insurance agreements prior to conservation. All policy administration is handled by the successor insurers. The Estate is a wholly owned subsidiary of the Fremont Indemnity insolvency estate.

2017 Business Goals

The 2017 Business Plan is focusing on estate closings and distributions.

Entering 2017 there are 16 open estates under management by the CLO. The open estates consist of 13 Property & Casualty Estates and three Life/Health Estates. Our goal in 2017 is to close two estates and distribute $127 million.

Starting 2017, we have 22.2 full-time employee equivalents. We will re-assess staffing requirements throughout the year and will make any changes deemed necessary.

The 2017 Goals are as follows:

1. Close 2 Estates[6]
   - Fremont Life Ins. Co.
   - American Sterling Ins. Co.

[6]Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.

2. Early Access, Interim, and Final Distributions

<u>Early Access and Interim Distributions</u>:

Mission/Mission National	$110,000,000
Superior National Estates	10,000,000

<u>Final Distributions</u>:

American Sterling	6,000,000
Fremont Life	1,000,000
Closed Estates	300,000
	$127,300,000

Section 2 – Estate Specific Information

Page

Conservation or Liquidation Estates Opened During the Year 2016

- CastlePoint National Insurance Company

Conservation or Liquidation Estates Closed During the Year 2016

- Golden State Mutual Life Insurance Company
- HIH America Comp. & Liability Ins. Co.
- Frontier Pacific Insurance Company

Conservation & Liquidation Office

Current Year and Cumulative Distributions by Estate [7]

	Year Ended 12/31/2016				Cumulative to 12/31/2016			
	Policyholders	Federal and State Claims	General Creditors	Total	Policyholders	Federal and State Claims	General Creditors	Total
American Sterling Ins Co	-	-	-	-	205,072	-	-	205,072
*Executive Life Ins Co	115,299,605	-	-	115,299,605	852,575,548	-	-	852,575,548
Fremont Indemnity Co	1,232,469	-	-	1,232,469	1,021,353,450	-	-	1,021,353,450
Frontier Pacific Ins Co	(3,146)	-	-	(3,146)	36,018,300	-	-	36,018,300
Great States Ins Corp	-	-	-	-	10,154,783	-	-	10,154,783
HIH America Ins Co	14,823,408	-	-	14,823,408	341,409,758	-	-	341,409,758
Mission Ins Co	-	-	-	-	846,832,560	111,132	265,664,289	1,112,607,981
Mission National Ins Co	-	-	-	-	499,851,864	-	27,077,326	526,929,190
California Comp Ins Co	5,427,702	-	-	5,427,702	917,960,783	-	-	917,960,783
Combined Benefits Ins Co	1,000,000	-	-	1,000,000	27,078,314	-	-	27,078,314
Superior National Ins Co	5,763,012	-	-	5,763,012	417,917,736	-	-	417,917,736
Superior Pacific Cas Co	5,000,000	-	-	5,000,000	51,969,739	-	-	51,969,739
Commercial Comp Cas Co	445,113	-	-	445,113	98,429,423	-	-	98,429,423
SeeChange Insurance	-	-	-	-	20,806	-	-	20,806
Western Employers Ins Co	46,262	-	-	46,262	122,292,941	59,669	-	122,352,610
	149,034,425.00	-	-	149,034,425.00	5,244,071,077.45	170,801.26	292,741,614.87	5,536,983,493.58

*Since administration was transferred to CLO in 1997. The $115.3 million total distribution amount includes $4.5 million distribution to NOLHGA.

[7] *CastlePoint National, Fremont Life, and Golden Eagle, estates are not included on this schedule as no distributions have occurred.*

Estates in Conservation and/or Liquidation as of December 31, 2016

Estate Name	Date Conserved	Date Liquidated
American Sterling Insurance Company	09/26/11	10/26/11
California Compensation Insurance Company	03/06/00	09/26/00
CastlePoint National Insurance Company	07/28/16	*
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Executive Life Insurance Company	04/11/91	12/06/91
Fremont Indemnity Company	06/04/03	07/02/03
Fremont Life Insurance Company	06/05/08	*
Golden Eagle Insurance Company	01/31/97	02/18/98
Great States Insurance Company	03/30/01	05/08/01
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
SeeChange Health Insurance Company	11/19/14	01/28/15
Superior National Insurance Company	03/06/00	09/26/00
Superior Pacific Casualty Company	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91

No Liquidation Order obtained

Report on Individual Estates

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2016 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information.[8]

In reviewing the financial information, the following must be taken into account:

- The Statement of Assets and Liabilities have been prepared on the liquidation basis of accounting. Under the liquidation basis of accounting, assets reported on the financial statements are assets that are determined to be collectible. The liabilities may change during the course of the liquidation depending on the types of business written by the company, and as claims are reviewed and adjudicated.
- No estimates for future administrative expenses are included in the liabilities, unless the estate has been approved for final distribution and closure by the Court.
- California Insurance Code Section 1033 prescribes that claims on estate assets are paid according to a priority, except when otherwise provided in a rehabilitation plan. The probability of a valid claim being paid is dependent on the valuation of the claim, the order of preference of the claim, and the amount of funds remaining after other claims having higher preference have been discharged. Each priority class of claims must be fully paid before any distribution may be made to the next priority class. All members of a class receiving partial payment must receive the same pro-rata amount.
- For estates where available assets are insufficient to pay all policyholder claims, the CLO intentionally does not evaluate the lower priority proofs of claims, since to do so would incur unnecessary administrative time and expenses, reducing funds available for distribution to higher-priority claimants.
- Shareholders receive any remaining residual value of the estate's net assets only after the general creditors have been paid.
- Beginning Monetary Assets at takeover represent cash and investment balances at the time of liquidation or, in cases where the estate was first liquidated and managed by other parties, at the time the estate was taken over by the Conservation & Liquidation Office.

[8] *Estates under management of the CLO have an annual independent review of its financial statements. Copies of the independently reviewed financial statements can be accessed through the CLO webpage (www.caclo.org). Annual audits or reviews are waived for estates with little or no assets or activity.*

ESTATE SPECIFIC INFORMATION

American Sterling Insurance Company

Conservation Order: September 26, 2011
Liquidation Order: October 26, 2011

2016 Report
American Sterling Insurance Company (ASIC) was a California domiciled property and casualty insurance company formerly located in Laguna Nigel, California. ASIC is a wholly owned subsidiary of American Sterling Corporation (ASC), a California corporation. ASIC has a wholly owned subsidiary American Sterling Productions, Ltd, which in turn has four wholly owned subsidiaries, three that appear dormant and one that held a material real estate investment.

ASIC was licensed to write multiple classes of coverage. Pre-liquidation ASIC wrote only liability and automobile classes of insurance in Arizona, Kansas and Nevada. ASIC was not writing business in California.

Due to a lack of adequate cash flow to meet claims and overhead obligations, ASIC and its subsidiaries were placed into conservation on September 26th 2011. No immediate or reliable prospect of new cash materialized through efforts of the shareholder. As a result, the conservator had to seek an insolvency order to trigger the state guaranty funds to timely honor claims payments. ASIC and its subsidiaries were placed into liquidation on October 26, 2011.

As of December 31, 2011 all open policyholder claims had been transferred to the three participating IGAs, 30-day cancellation notices were issued at liquidation to all in force policyholders. All claims have been determined through a formal POC process and payment final distribution is scheduled for the second quarter of 2017, subject to court approval.

The focus of the estate in 2015 was to take possession and monetize the final real estate asset in the liquidation estate. ASIC foreclosed its security interest in a residential property in Orange County that was pledged as collateral for a defaulted loan made by ASIC (Monarch Bay residence). After failing to negotiate a consensual resolution with the long-term occupants of the Monarch Bay residence, the estate was forced to file an unlawful detainer action and pursue a formal eviction process.

In 2015, the estate took full possession of the Monarch Bay residence, cleaned and repaired the property and placed it under an exclusive listing agreement. The Estate placed the Monarch Bay Property on the market in late November 2015 with Hardcourt Prime Properties. After approximately 6 months of listing the estate, the estate received a series of offers and after weeks of active negotiation agreed to a $7.8M contract for sale. The purchase contract was confirmed by the liquidation court in July 2016 and the transaction closed in late August 2016. After receiving the sale proceeds the Estate has sufficient assets to pay all approved creditors together with statutory interest. The surplus assets of approximately $5M will be distributed to the intermediate holding company American Sterling Corp.

367 American Sterling Ins Co

ASSETS AND LIABILITIES
As of Decemeber 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$6,222,600	$8,449,900
Other assets	131,600	131,600
Total assets	6,354,200	8,581,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	41,200	41,200
Claims against policies, before distributions	2,250,900	2,250,900
Less distributions to policyholders	(205,100)	(205,100)
All other claims	504,600	504,600
Total liabilities	2,591,600	2,591,600
Net assets (deficiency)	$3,762,600	5,989,900

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$6,700	$17,100
Salvage and other recoveries	3,300	900
Total income	10,000	18,000

Expenses	2015	2016
Administrative expenses	698,200	290,800
Total expenses	698,200	290,800
Net income (loss)	($688,200)	($272,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$104,500
Recoveries, net of expenses	8,550,500
Distributions	(205,100)
Monetary assets available for distribution	$8,449,900

Executive Life Insurance Company

Conservation Order: **April 11, 1991**
Liquidation Order: **December 6, 1991**

2016 Report

Executive Life Insurance Company (ELIC) was placed in conservation by order of the Los Angeles County Superior Court on April 11, 1991. At the time, ELIC, which had more than 330,000 policyholders, was the largest life insurance insolvency in United States history. In the summer and fall of 1991, the Commissioner conducted an auction seeking bids to acquire the junk bond portfolio and insurance assets of ELIC. In December 1991, the Commissioner's selection of a group of French and European investors (the Altus/MAAF group) as the winning bidder, and the transaction was approved by the Conservation Court.

In March 1992, ELIC's junk bond portfolio was transferred to Altus Finance for a purchase price of approximately $3 billion. In August 1993, the Court approved a final Rehabilitation Plan under which the majority of ELIC's assets and its restructured insurance policies were transferred to a new California insurance company created by the European consortium that had won the 1991 bid. The Rehabilitation Plan became effective in September 1993. Under the terms of the Rehabilitation Plan, former ELIC policyholders were given a choice either to accept new coverage (Opt In) from Aurora National Life Assurance Company (Aurora) or to terminate their ELIC policies (Opt Out) in return for a pro rata share of ELIC's assets. The Rehabilitation Plan also provided for the establishment of various trusts, collectively known as the Enhancement Trusts, to marshal and distribute assets for the benefit of former ELIC policyholders.

The Commissioner commenced a civil action in 1999 against Altus Finance S.A. (Altus) and other defendants alleging that they had acquired the junk bond portfolio and insurance assets of ELIC through fraud. Settlements were reached with Altus and some of the other co-defendants in 2004 and 2005.

A trial against the remaining defendant in 2005 resulted in a jury verdict finding Artemis S.A., a two-thirds owner of Aurora, liable for knowing participation in a conspiracy with members of the Altus/MAAF group to defraud the Commissioner, but the Commissioner was not awarded damages. In August 2008, the jury's verdict of liability was upheld on appeal and the case was remanded to the U.S. District Court for a new trial on the issue of damages.

The new trial concluded on October 29, 2012 and the jury rendered a verdict finding no damages. On April 2, 2013, the trial court reinstated the restitution award in favor of the Commissioner and entered judgment against defendant Artemis in the amount of $241,092,020 less a credit of $110,000,000 that the Commissioner received at an earlier date. The Commissioner appealed to the U.S. Court of Appeals for the Ninth Circuit and on April 16, 2013, the U.S. District Court issued an order staying execution of the restitution judgment pending the appeal decision. On April 24, 2013 defendants Artemis S.A. filed its Notice of Cross-Appeal against the restitution judgment.

In accordance with the U.S. Appeals Court Ninth Circuit Briefing schedule, the Commissioner and defendants have completed briefing the court.

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al was resolved in the fourth quarter of 2015. The estate completed an interim distribution of $110.8 million of which Opt in policyholders received $75.9 million in spite of uncertainties regarding the federal income tax ramifications of the Altus settlement, and settled a dispute with the now defunct Thelen law firm over a contingent fee matter. The Estate and associated trust will be required to complete any escheatment of unclaimed funds post the final distribution. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $906 million from litigation and distributed $848 million to claimants. Assets presently in the Estate will fund final distributions and operations.

ELIC Opt-Out Trust

The Opt-Out Trust receives approximately 33% of ELIC assets which are distributed to approximately 27,300 former ELIC policyholders ("Opt-Outs") who elected to terminate their policies. The Opt-Out Trust received $37.5 million of Altus Settlement Funds. Presently the remaining assets of the Opt-Out Trust consist of distributions allocated to policyholders with whom contact has been lost, in most cases due to bad addresses (such funds will be escheated to the last known state of residence). This trust however, continues to remain open to effect the final distribution to Opt-Out policyholders.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$108,613,900	$75,895,000
Other assets	89,095,900	590,000
Total assets	197,709,800	76,485,000

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	2,701,100	84,500
Policyholder liability	6,835,111,200	7,005,828,700
Less distributions to policyholders	-	(115,299,600)
All other claims	428,800	428,800
Total liabilities	6,838,241,100	6,891,042,400
Net assets (deficiency)	($6,640,531,300)	(6,814,557,400)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$84,816,300	$2,202,400
Litigation recoveries	90,305,100	-
Miscellanoues income	(2,900)	-
Total income	175,118,500	2,202,400

Expenses	2015	2016
Administrative expenses	1,584,400	5,986,600
Interest on policyholder liability	227,508,600	170,242,000
Total expenses	229,093,000	176,228,600
Net income (loss)	($53,974,500)	($174,026,200)

CHANGE IN MONETARY ASSETS [9]

Beginning monetary assets at takeover	$112,111,400
Recoveries, net of expenses	816,359,100
Distributions	(852,575,500)
Monetary assets available for distribution	$75,895,000

[9] *This schedule represents changes in monetary assets from August 1, 1997, when Executive Life's estate accounting was transferred to the CLO, to December 31, 2010.*

ELIC Opt Out Trust

ASSETS AND LIABILITIES
As of December 31, 2012 and December 31, 2013

Assets	12/31/2012	12/31/2013
Cash and investments	$8,534,600	$8,415,800
Total assets	8,534,600	8,415,800

Liabilities	12/31/2012	12/31/2013
Secured claims	6,132,600	6,130,200
Unclaimed funds payable	2,240,200	2,238,500
Payable to Affiliates	571,460	571,500
Reserve for administrative expenses	(409,600)	(524,400)
Total liabilities	8,534,600	8,415,800

INCOME AND EXPENSES
For Year Ended December 31, 2012 and 2013

Income and Expenses	2012	2013
Investment income	$253,900	$53,500
Administrative expenses	194,900	163,200
Net income (loss)	$59,000	($109,700)

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,987,900	$18,082,500
Total assets	7,987,900	18,082,500

Liabilities	12/31/2015	12/31/2016
Secured claims	5,955,600	16,736,200
Unclaimed funds payable	2,236,600	2,236,600
Payable to Affiliates	590,000	590,000
Reserve for administrative expenses	(794,300)	(1,480,300)
Total liabilities	7,987,900	18,082,500

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income and Expenses	2015	2016
Investment income	$75,600	$118,100
Administrative expenses	188,200	804,100
Net income (loss)	($112,600)	($686,000)

Fremont Indemnity Company
Conservation Order: June 04, 2003
Liquidation Order: July 02, 2003

2016 Report

Fremont was authorized as a multi-line Property & Casualty insurer, but at the time of liquidation operated as a “Monoline” Workers’ Compensation insurer writing only Workers’ Compensation and Employer Liability coverage in 48 states. Fremont is the successor by merger of six affiliate insurers that were under the common ownership of Fremont Compensation Insurance Group, Inc. (“FCIG”), Fremont’s immediate parent company. FCIG was wholly-owned by a publicly traded holding company, Fremont General Corporation (“FGC”). Approximately 65% of Fremont’s Workers’ Compensation claims are attributable to business written in California. Most of the general liability business was assumed by a group of life insurance companies and administered through a third party administrator named Riverstone. The “Claims Bar Date”, or the final date to submit a claim against the insolvent entity, was June 30, 2004.

All legal disputes with the exception of one Order to Show Cause proceeding associated with a toxic tort claim have been resolved. The unresolved matter is proceeding in the liquidation court. Counsel for the Estate and the Insured have negotiated a settlement in principle but are continuing to work on final release language. Once the final document is mutually agreed to the estate will seek court approval of the settlement.

The Estate continues to resolve final billing and collections on the remaining active reinsurance treaties, as well as seeking commutations in an effort to close the reinsurance program.

The estate completed a trustee’s sale essentially foreclosing its interests in a residence located in Fullerton, California as part of the final resolution to a Life Estate pledge from a surety obligation due the estate. Due to title issues the estate had to work through a probate proceeding to obtain legal clearance to conduct the non-judicial foreclosure.

Legal Counsel for the Estate has drafted a “tail-cutting” motion to be filed in mid-March for a May 16th hearing. The Estate will seek to obtain authority to establish July 28, 2017 as the date by which all remaining open claims must be liquidated, as well as establish September 29, 2017 as the deadline date by which all claim update forms must be submitted to the Estate substantiating the open claims have been liquidated together with any supporting documentation.

Upon completion of the “tail-cutting” project the estate will be in position to prepare a final report and motion seeking authority to distribute its assets. Absent opposition or unforeseen impediments to the final determination of the estate’s policyholder liability the Estate is in position to make a final distribution in late 2017 or early 2018.

Fremont Indemnity Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$58,122,600	$74,653,600
Recoverable from reinsurers	40,017,500	20,025,600
Other assets	18,540,700	7,338,900
Total assets	116,680,800	102,018,100

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	15,631,600	39,500
Claims against policies, before distributions	3,124,572,500	2,786,040,900
Less distributions to policyholders	(1,020,121,000)	(1,021,353,400)
All other claims	321,418,800	308,684,500
Total liabilities	2,441,501,900	2,073,411,500
Net assets (deficiency)	($2,324,821,100)	($1,971,393,400)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$616,600	$748,300
Salvage and other recoveries	11,846,500	11,299,000
Total income	12,463,100	12,047,300

Expenses	2015	2016
Loss and claims expenses	3,235,200	(328,658,300)
Administrative expenses	2,932,500	1,958,700
Total expenses	6,167,700	(326,699,600)
Net income (loss)	$6,295,400	338,746,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$434,855,900
Recoveries, net of expenses	661,151,100
Distributions	(1,021,353,400)
Monetary assets available for distribution	$74,653,600

Fremont Life Insurance Company
Conservation Order: June 05, 2008

2016 Report

Fremont Life Insurance Company ("Fremont Life"), a California domiciled life insurance company was located in Costa Mesa, California. Fremont Life was a wholly owned subsidiary of Fremont Compensation Insurance Group Inc., whose ultimate parent was Fremont General Corporation ("FGC"). FGC filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June of 2008. At the time of the parent's bankruptcy filing Fremont Life was unable to maintain the minimum required capital and surplus of $4,500,000. At about the time of the subsequent bankruptcy filing by its parent FGC, the California insurance regulators opted to seek a conservation of Fremont Life.

All in-force insurance contracts have been transferred to successor insurance companies, and the operations of Fremont Life have been discontinued. The conserved estate has the responsibility to ensure all risk associated with the remaining policies and life products are properly assumed by the successor insurers.

The Estate, working with the California Department of Justice obtained a satisfaction of judgment thereby resolving the outstanding restitution order the conservation estate is subject to.

The Estate is positioned to complete a final assumption transaction for the few policies associated with the restitution case and there after petition the court for authority to make a final distribution and close the conservation estate.

Fremont Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$1,503,600	$1,547,100
Other assets	500	500
Total assets	1,504,100	1,547,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	10,800	139,900
All other claims	1,609,200	1,609,200
Total liabilities	1,620,000	1,749,100
Net assets (deficiency)	($115,900)	($201,500)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$54,000	$21,000
Salvage and other recoveries	-	50,000
Total income	54,000	71,000

Expenses	2015	2016
Administrative expenses	70,000	156,700
Total expenses	70,000	156,700
Net income (loss)	($16,000)	($85,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$1,443,100
Recoveries, net of expenses	104,000
Monetary assets available for distribution	$1,547,100

Golden Eagle Insurance Company
Conservation Order: **January 31, 1997**
Rehab./Liquidation Plan Approved: **August 4, 1997**
Liquidation Order: **February 18, 1998**

2016 Report

Golden Eagle Insurance Company ("Golden Eagle") is the subject of a Plan of Rehabilitation and Liquidation ("Plan") approved by the Superior Court in 1997. Under the Plan, Golden Eagle's insurance operating assets and future business were sold to affiliates of Liberty Mutual Insurance Company. The Plan also provides for an orderly "run-off" of claims under Golden Eagle's pre-1997 insurance policies, a process which is ongoing.

As part of the process to run off the remainder of the Golden Eagle estate, additional reinsurance coverage was purchased from Liberty Mutual affiliates to cover all the remaining covered insurance policy exposures. Because payment in full of Golden Eagle's insurance liabilities is provided for under the Plan, the Liquidation Order does not contain a formal finding of insolvency, and thus the claim payment obligations of the Insurance Guaranty Associations (IGAs) have not been triggered. As a result, no bar date has been set for the filing of insurance claims covered under a Golden Eagle policy. Such claims will continue to be received, adjusted, and paid in the ordinary course of the run-off of Golden Eagle's policyholder liabilities. The IGAs remain as a back-up, in the unlikely event that the claims payment assets available under the Plan are exhausted prior to the final policyholder claim payment. The judicial proceeding (and the liquidation estate) may need to be kept open to allow for IGA coverage to be triggered in the event the existing claims paying capacity provided for under the Rehabilitation Plan is exhausted, although the Commissioner and the Superior Court are exploring options for terminating the legal proceeding while the run-off process continues, while preserving the rights of policyholders to receive payment on their claims.

All remaining policyholder claims are being administered and paid under the Plan's indemnity reinsurance and excess of loss reinsurance agreements with Liberty Mutual affiliates. Policyholder claims continue to run off within the range of expected cost and reinsurance coverage. The Commissioner is seeking an agreement with Liberty wherein Liberty would accept the remaining liability thus enabling the CLO to close the estate. Absent an agreement with Liberty or a court order to the contrary, until the entire remaining exposure is paid, assumed, or novated, the Estate must remain open to monitor the long-term claim run-off and to give policyholders access to appeal rights through the OSC process that is incorporated into the Rehabilitation Plan.

The only assets that remain in the Estate consist of a reserve to fund the administrative expenses that the CLO will incur while monitoring the duration of the run off process.

Golden Eagle Ins Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$1,730,500	$1,666,700
Total assets	1,730,500	1,666,700

Liabilities	12/31/2015	12/31/2016
Net assets (deficiency)	$1,730,500	$1,666,700

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$16,800	$21,400
Total income	16,800	21,400

Expenses	2015	2016
Administrative expenses	128,100	85,200
Total expenses	128,100	85,200
Net income (loss)	($111,300)	($63,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover [10]	$2,029,000
Recoveries, net of expenses	(362,300)
Monetary assets available for distribution	$1,666,700

[10] *As of December 31, 2006, when Golden Eagle's estate accounting was transferred to the CLO.*

Great States Insurance Company
Conservation Order: March 30, 2001
Liquidation Order: May 8, 2001

<u>2016 Report</u>

Great States Insurance Company was domiciled in California and was licensed to transact business in 14 states. Great States wrote only workers' compensation insurance and concentrated in Arizona, Colorado, and Nevada. Great States wrote a minimal amount in California and Illinois. The "Claims Bar Date," or the final date to submit a claim against the Estate, was December 2, 2001.

A significant portion of the Estate's statutory deposits are held in the form of surety bonds and are released as claims arise and formal awards are issued. The entity that has issued the surety bond has off-set rights related to certain reinsurance recoveries by Great States. The process of reconciling these releases and offsets has been an on-going requirement of the Estate.

The Estate continues to seek a resolution of the surety bond issues with American Home Assurance for bonds covering California and Arizona losses. In an effort to resolve the balance of the surety in California, the parties continue to explore commutation possibilities but have not reached an agreeable figure for resolution. In Arizona, the estate is working with the Arizona Insurance Guaranty Fund which had a substantial hiatus in billing the surety, and then, the estate believes, billed the surety for less than they should have billed. The estate is actively working with Arizona to resolve the matter but has not resolved the issue yet. The Estate and counsel for the California Department of Insurance are working with Arizona counsel to define the amounts due under the surety arrangement and to lend general assistance to remedy the situation. Recent communications between counsel for the surety issuer and Arizona counsel indicate progress is being made, but the parties have not come to any definitive agreement by which to settle the recoveries. We are hopeful that the matter can be properly addressed and resolved in 2017 which would position the estate for closure in 2018. Only the California and Arizona claims are unresolved, and beyond the surety collections there are no material assets remaining for collection.

To date, the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

Great States Ins Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$20,612,200	$20,745,800
Recoverable from reinsurers	750,700	715,700
Total assets	21,362,900	21,461,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	24,200	14,800
Claims against policies, before distributions	76,051,200	72,407,700
Less distributions to policyholders	(10,154,800)	(10,154,800)
All other claims	11,917,600	11,917,600
Total liabilities	77,838,200	74,185,300
Net assets (deficiency)	($56,475,300)	($52,723,800)

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$190,800	$261,300
Salvage and other recoveries	1,707,300	1,340,500
Total income	1,898,100	1,601,800

Expenses	2015	2016
Loss and claims expenses	(1,374,300)	(2,319,000)
Administrative expenses	177,400	169,300
Total expenses	(1,196,900)	(2,149,700)
Net income (loss)	$3,095,000	$3,751,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$7,889,700
Recoveries, net of expenses	23,010,900
Distributions	(10,154,800)
Monetary assets available for distribution	$20,745,800

Mission Insurance Company
Conservation Order: October 31, 1985
Liquidation Order: February 24, 1987

Mission National Insurance Company

Conservation Order: November 26, 1985
Liquidation Order: February 24, 1987

<u>2016 Report</u>

The Mission Insurance Companies' insolvency proceedings began with a court-ordered conservation of the Mission entity on October 31, 1985 with the balance of the entities being conserved in November 1985. All were placed into conservation due to their hazardous financial condition. Efforts to rehabilitate the companies did not succeed, and on February 24, 1987, the companies were ordered into liquidation. Ancillary proceedings in California for Holland America Insurance Company and Mission Reinsurance Company were initiated concurrent with the Missouri Insurance Director's obtaining a receivership order as the domiciliary liquidator.

In accordance with a court approved closing plan, the Mission estates completed a final policyholder distribution in 2006 whereby all policyholder claimants for Mission, Mission National and Enterprise were paid 100% of their approved claim. As of year-end 2016, the general creditors of the Mission estate have unsatisfied portions remaining on their approved claims.

The Mission estates participate as members of a consolidated tax group (Covanta being the parent) and, as such, are joint and severally liable for the tax exposure of the group. With guidance and advice from tax counsel, the estates have established proper tax reserves for certain open tax years. Covanta has commenced an audit with the Internal Revenue Service (IRS) of the consolidated group returns for tax years 2004-2009. As of year-end 2015, Covanta has resolved the audit with the IRS and resulted with a settlement. The Mission estate has been indemnified from certain tax issues from an approved rehabilitation plan implementation agreement. Thus, the settlement of the tax issues should not affect the Mission estate.

The Mission estates contacted the Department of Justice (DOJ) in late 2011 in an effort to obtain a Federal Claim waiver primarily to avoid any possibility of the Federal Government presenting any late claims for toxic tort clean-ups where a Mission policyholder may have had exposure. Given the Federal priority statute, obtaining a waiver that the companies had considered all the known potential policyholder liabilities prior to closure of the estate was of paramount importance. Legal Counsel for the estate has reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release. The pending Federal Waiver documents are in the process of being ratified by the federal government after which counsel for the estate will seek liquidation court approval of the settlement and release in June 2017. Absent opposition or a failure to obtain a final fully ratified settlement and release the Estates are positioned to make a final distribution in late 2017 or early 2018.

Mission Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$111,906,300	$113,108,500
Recoverable from reinsurers	20,685,300	20,436,700
Other assets	23,816,400	23,816,400
Total assets	156,408,000	157,361,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	78,753,500	24,923,300
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	198,438,500	198,438,500
Total liabilities	277,192,000	223,361,800
Net assets (deficiency)	($120,784,000)	($66,000,200)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$1,025,700	$1,421,000
Salvage and other recoveries	4,000	16,200
Total income	1,029,700	1,437,200

Expenses	2015	2016
Administrative expenses	133,000	(53,346,600)
Total expenses	133,000	(53,346,600)
Net income (loss)	$896,700	$54,783,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$133,667,000
Recoveries, net of expenses	1,092,049,500
Distributions	(1,112,608,000)
Monetary assets available for distribution	$113,108,500

Mission National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$32,500,700	$33,628,900
Recoverable from reinsurers	2,473,200	1,718,900
Other assets	(9,600)	-
Total assets	34,964,300	35,347,800

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	17,753,800	6,736,800
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(499,851,900)	(499,851,900)
All other claims	16,838,100	16,838,100
Total liabilities	130,838,500	119,821,500
Net assets (deficiency)	($95,874,200)	($84,473,700)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$288,800	$411,300
Salvage and other recoveries	-	67,200
Total income	288,800	478,500

Expenses	2015	2016
Administrative expenses	(1,607,600)	(10,922,000)
Total expenses	(1,607,600)	(10,922,000)
Net income (loss)	$1,896,400	$11,400,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,289,000
Recoveries, net of expenses	542,269,100
Distributions	(526,929,200)
Monetary assets available for distribution	$33,628,900

SeeChange Health Insurance Company
Conservation Order: November 19, 2014
Liquidation Order: January 28, 2015

2016 Report

On November 19, 2014, the Insurance Commissioner of the State of California (the "Commissioner") was appointed as Conservator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court pursuant to Section 1011 of the California Insurance Code. The Conservation Order authorizes the Commissioner, through his Conservation & Liquidation Office, as Conservator to conduct the business of SeeChange or so much of the business as he may deem appropriate. All policies terminated on December 31, 2014. Policyholders had 12 months from their termination date to file their claims.

On January 28, 2015, the Insurance Commissioner of the State of California was appointed as Liquidator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court pursuant to Section 1016 of the California Insurance Code. The Liquidator is directed to liquidate and wind up the business of SeeChange and to act in all ways and exercise all powers necessary for the purpose of the Order and the liquidation provisions of the Insurance Code.

The proof of claim bar date was established as of December 31, 2015. The Receiver mailed 3,113 proofs of claim to policyholders, providers, brokers, employees and other creditors. 154 Creditors executed and returned their proofs of claim and the total stated value of the returned proofs of claim is $28,911,183.42.

SeeChange wrote health insurance policies subject to the Affordable Care Act ("ACA") and has received a bill from the Centers for Medicare and Medicaid Services ("CMS") for the Estate's participation in the 2014 Risk Adjustment program in the amount of $3,160,139. Additionally, the Estate owes CMS $1,988,154 for their Transitional Reinsurance Program. The Estate had established a liability of $2,480,071 for the liability to CMS for the 2014 Risk Adjustment Program and $2,085,353 for the Transitional Reinsurance Program. These claims were adjudicated as a Class 3 obligation under 1033 of the California Insurance Statutes by CLO as part of the proof of claim process. CMS has stipulated to this classification. CLO is requesting a Federal Waiver from the United States Department of Justice to release the Estate from any known federal claims. Without a Federal Waiver, the Estate is unable to make distributions to creditors. Obtaining a Federal Waiver requires substantial effort between CLO and the United States Government and the completion is uncertain, therefore delaying the closure of this Estate.

SeeChange Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,194,567	$8,785,400
Other assets	1,260,933	78,300
Total assets	8,455,500	8,863,700

Liabilities	12/31/2015	12/31/2016
Claims against policies, before distributions	24,218,000	19,772,600
Less distributions to policyholders	(20,800)	(20,800)
All other claims	-	4,565,400
Total liabilities	24,197,200	24,317,200
Net assets (deficiency)	($15,741,700)	($15,453,500)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$24,800	$87,000
Salvage and other recoveries	463,500	1,525,700
Total income	488,300	1,612,700

Expenses	2015	2016
Loss and claims expenses	411,400	-
Administrative expenses	1,451,600	294,900
Total expenses	1,863,000	294,900
Net income (loss)	($1,374,700)	$1,317,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,028,900
Recoveries, net of expenses	2,777,300
Distributions	(20,800)
Monetary assets available for distribution	$8,785,400

Superior National Insurance Companies In Liquidation ("SNICIL") (California Compensation Insurance Company, Combined Benefits Insurance Company, Commercial Compensation Casualty Company, Superior National Insurance Company, and Superior Pacific Casualty Company)

Conservation Order: March 6, 2000
Liquidation Order: September 26, 2000

2016 Report

On March 6, 2000, the Los Angeles County Superior Court (the "Court") ordered and appointed the Insurance Commissioner to serve as Conservator of four workers' compensation insurance companies: Superior National Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance Company and Combined Benefits Insurance Company. On June 9, 2000, the Court ordered and appointed the Commissioner to serve as conservator of a fifth workers' compensation insurance company named Commercial Compensation Casualty Company. In his capacity as Conservator, the Insurance Commissioner obtained title to and possession of all the property and assets of the five estates, collectively identified as Superior National Insurance Companies in Liquidation ("Superior National Estates").

In September 26, 2000, the Court found that each of the Superior National Estates was insolvent and that it would be futile to proceed as Conservator. The Court terminated the Insurance Commissioner's status as conservator of the five insurers and ordered and appointed the Commissioner to serve as Liquidator of the insurers.

In 2016 the Superior National Estates released its thirteenth early access distribution to guaranty associations. The Estates are planning a fourteenth early access distribution in 2017.

Under the most optimistic estimates, SNICL has insufficient assets to fully pay the policyholder claims. Consequently, once all asset recoveries are fully monetized, the Estate will seek court approval not to review any claims below the policyholder class.

The largest remaining asset on the books of the estates are reinsurance recoverables of approximately $47,000,000 (includes IBNR). The Estates' continuing and ultimate goal is to fully resolve its reinsurance recoverables through treaty commutations since Workers Compensation claims are such long tailed claims that conceivably there could be reinsurance billing for the next 50 years. Once reinsurance has been resolved, there are no significant issues remaining and the Liquidator can seek closure.

California Compensation Ins Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,602,900	$19,748,100
Recoverable from reinsurers	70,801,400	21,284,500
Total assets	78,404,300	41,032,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	232,700	232,700
Claims against policies, before distributions	2,098,770,700	2,098,770,700
Less distributions to policyholders	(912,533,100)	(917,960,800)
All other claims	119,267,700	51,490,300
Total liabilities	1,305,738,000	1,232,532,900
Net assets (deficiency)	($1,227,333,700)	($1,191,500,300)

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$186,900	$244,800
Salvage and other recoveries	3,335,000	4,278,200
Total income	3,521,900	4,523,000

Expenses	2015	2016
Loss and claims expenses	20,802,600	(32,131,500)
Administrative expenses	805,900	821,200
Total expenses	21,608,500	(31,310,300)
Net income (loss)	($18,086,600)	$35,833,300

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$165,879,200
Recoveries, net of expenses	771,829,700
Distributions	(917,960,800)
Monetary assets available for distribution	$19,748,100

Combined Benefits Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$8,807,700	$8,218,700
Recoverable from reinsurers	634,600	40,500
Total assets	9,442,300	8,259,200

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	600	600
Claims against policies, before distributions	35,649,400	34,602,700
Less distributions to policyholders	(26,078,300)	(26,078,300)
All other claims	6,254,400	6,246,500
Total liabilities	15,826,100	13,771,500
Net assets (deficiency)	($6,383,800)	($5,512,300)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$80,300	$113,100
Salvage and other recoveries	635,000	105,500
Total income	715,300	218,600

Expenses	2015	2016
Loss and claims expenses	320,900	(742,100)
Administrative expenses	87,200	89,100
Total expenses	408,100	(653,000)
Net income (loss)	$307,200	$871,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$11,115,400
Recoveries, net of expenses	23,181,700
Distributions	(26,078,400)
Monetary assets available for distribution	$8,218,700

Superior National Ins Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$18,909,300	$31,014,400
Recoverable from reinsurers	33,688,200	9,478,200
Total assets	52,597,500	40,492,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	77,500	77,500
Claims against policies, before distributions	899,165,600	854,313,800
Less distributions to policyholders	(412,154,700)	(417,917,700)
All other claims	28,722,700	28,722,700
Total liabilities	515,811,100	465,196,300
Net assets (deficiency)	($463,213,600)	($424,703,700)

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$208,000	$137,500
Salvage and other recoveries	1,752,900	1,394,600
Total income	1,960,900	1,532,100

Expenses	2015	2016
Loss and claims expenses	9,570,400	(37,315,900)
Administrative expenses	353,400	338,100
Total expenses	9,923,800	(36,977,800)
Net income (loss)	($7,962,900)	$38,509,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$68,622,300
Recoveries, net of expenses	380,309,800
Distributions	(417,917,700)
Monetary assets available for distribution	$31,014,400

Superior Pacific Casualty Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$10,434,900	$5,768,600
Recoverable from reinsurers	14,552,000	13,623,900
Total assets	24,986,900	19,392,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	400	400
Claims against policies, before distributions	226,987,900	216,747,000
Less distributions to policyholders	(46,969,700)	(51,969,700)
All other claims	62,365,700	62,365,700
Total liabilities	242,384,300	227,143,400
Net assets (deficiency)	($217,397,400)	($207,750,900)

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$77,800	$137,700
Salvage and other recoveries	425,500	165,300
Total income	503,300	303,000

Expenses	2015	2016
Loss and claims expenses	5,575,000	(9,630,600)
Administrative expenses	267,800	287,200
Total expenses	5,842,800	(9,343,400)
Net income (loss)	($5,339,500)	$9,646,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$58,666,300
Recoveries, net of expenses	(928,000)
Distributions	(51,969,700)
Monetary assets available for distribution	$5,768,600

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$9,973,900	$11,527,800
Recoverable from reinsurers	5,365,200	2,654,000
Total assets	15,339,100	14,181,800

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	682,600	682,600
Claims against policies, before distributions	144,187,600	140,701,000
Less distributions to policyholders	(97,984,300)	(98,429,400)
All other claims	13,754,500	13,754,500
Total liabilities	60,640,400	56,708,700
Net assets (deficiency)	($45,301,300)	($42,526,900)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$95,100	$124,600
Salvage and other recoveries	182,800	88,300
Total income	277,900	212,900

Expenses	2015	2016
Loss and claims expenses	(79,100)	(2,629,800)
Administrative expenses	69,200	68,400
Total expenses	(9,900)	(2,561,400)
Net income (loss)	$287,800	$2,774,300

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,420,700
Recoveries, net of expenses	103,536,500
Distributions	(98,429,400)
Monetary assets available for distribution	$11,527,800

Western Employers Insurance Company

Conservation Order: April 2, 1991
Liquidation Order: April 19, 1991

<u>2016 Report</u>

Western Employers Insurance Company ("WEIC") began as a New York-domiciled insurer known as Leatherby Insurance Company and was re-domesticated to California in the late 1970's. The company was licensed in 38 states and D.C. and wrote primarily workers' compensation and commercial multi-peril insurance. After four years of attempted self-liquidation, WEIC determined it could no longer continue to liquidate without the assistance of the California Department of Insurance. An order placing WEIC into liquidation was entered on April 19, 1991.

WEIC's primary objective will be to resolve all asset recoveries, principally reinsurance assets at this juncture, determine final estate liability and position the Estate for closure by 2018. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure. All assets, except for some residual reinsurance potentially available on unresolved claims have been marshalled.

In 2010, the San Francisco Superior Court set a deadline by which all holders of claims, other than workers' compensation claims, must submit detailed claim updates which set forth the facts regarding the further developments of those claims. Currently, all claims that were submitted with the update continue to be reviewed.

Final claims determinations remain the sole issue to be resolved. Two distinct problems slow the claims determination process. First, is the fact that claims must be liquidated before they can be approved, and WEIC wrote a significant number of excess and umbrella policies for environmental type exposure, and the losses continue to accumulate but have not reached an attachment point yet.

The estate worked closely with the United States Department of Justice and obtained a Federal Release waiver, meaning that the estate has no residual liability to the United States. The settlement with the United States allowed the estate to distribute $35 million to Guaranty Associations and another $19 million to non-Guaranty Association approved creditors. The estate will concentrate on resolving the remaining creditor claims and getting a final distribution accomplished.

During the fourth quarter of 2016, legal counsel for the estate filed for and obtained a "tail-cutting" order establishing April 28, 2017 as the deadline date by which all remaining open claims must be liquidated. July 3, 2017 was set as the last date for claimants to file claim update forms substantiating their claims have been liquidated and determined by April 28, 2017. Pending completion of the tail-cutting process and final claims determination the estate will file a final report, and seek authority to distribute its assets in late 2017 or early 2018.

Western Employers Ins Co

ASSETS AND LIABILITIES
As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$92,713,400	$93,237,300
Total assets	92,713,400	93,237,300

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	350,000	350,000
Claims against policies, before distributions	162,689,400	162,229,100
Less distributions to policyholders	(122,246,700)	(122,292,900)
All other claims	3,012,100	3,012,100
Total liabilities	43,804,800	43,298,300
Net assets (deficiency)	$48,908,600	$49,939,000

INCOME AND EXPENSES
For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$1,438,200	$1,070,000
Salvage and other recoveries	483,800	449,900
Total income	1,922,000	1,519,900

Expenses	2015	2016
Loss and claims expenses	109,100	7,600
Administrative expenses	1,223,200	481,800
Total expenses	1,332,300	489,400
Net income (loss)	$589,700	$1,030,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$74,867,900
Recoveries, net of expenses	140,662,300
Distributions	(122,292,900)
Monetary assets available for distribution	$93,237,300

Section 3 – Cross Reference to California Insurance Code (CIC)

CIC Section 1060 - The Commissioner shall transmit all of the following to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted pursuant to Section 12922:

Page