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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CENTRAL CIVIL WEST

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

Applicant,

v.

FREMONT INDEMNITY COMPANY,

Respondent.

CASE NO. BS083582

**LIQUIDATOR'S NINTH ANNUAL
STATUS CONFERENCE REPORT
FOR YEAR ENDING DECEMBER 31,
2012**

Hearing Date: June 10, 2013
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 Ninth
3 Annual Status Conference Report for the period January 1, 2012 through December 31, 2012
4 ("2012 Annual Report").

5 I.

6 INTRODUCTION

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

11 Currently, all of the Liquidator's operations associated with Fremont's liquidation are
12 overseen by the CLO. As of December 31, 2012, Fremont had approximately \$220 million in
13 balance sheet assets, including cash, investments, statutory deposits and reinsurance recoverable.
14 As of December 31, 2012, Fremont's liabilities are now estimated at \$2.465 billion, including
15 approximately \$2.11 billion in Class 2 policyholder liabilities.

16 In 2012, the Liquidator continued to bill and to collect reinsurance, to administer claims,
17 and to wind down administrative operations. The Liquidator continues to wrap up the remaining
18 affairs of the estate with the intent to reduce the workload and costs of the estate to maximize
19 remaining recoveries for claimants. The estate continues to experience significant operational
20 challenges in the past year that will impact the process for billing and collecting reinsurance.
21 Finally, during 2012 the Fremont Estate successfully completed an eighth early access
22 distribution (approximately \$40 million) to the participating 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 II.

26 ADMINISTRATION OF LIQUIDATION ESTATE

27 The Liquidator handles the administrative functions in the following three categories:
28 (1) Policy Administration (the process of performing and enforcing general contractual rights

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

6 **A. Policy Administration**

7 **1. Premium Accounting and Direct Collection**

8 The Claims Department continues to monitor the two active collection agencies assigned
9 to collect unpaid premiums. \$3,367,370 has been collected to date, leaving a remaining open
10 balance of \$130,000. All collection activity is being pursued on a contingency basis with periodic
11 monitoring activities being done at the CLO. The remaining amounts are unlikely to be collected
12 in significant amounts given the duration of collection efforts to this point.

13 **B. Claims Administration**

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

15 The Claims Department had a net reduction of 7 POCs during 2012. As of December 31,
16 2012, there are 311 POCs remaining to be processed and closed, including 209 claims related to
17 assumed reinsurance that must remain open to support collection of reinsurance and 48 related to
18 state insurance guarantee associations ("IGAs").

19 **2. IGA Claims and Distribution**

20 In addition to providing continued support of the IGAs' claims functions, the Liquidator's
21 primary function is to distribute early access funds to the IGAs pursuant to Insurance Code
22 section 1035.5.

23 On August 7, 2012, the Court approved the eighth early access distribution in the amount
24 of \$39,617,203 to various IGAs. The CLO completed the distribution in August 10, 2012.

25 In addition to the release of \$365 million in statutory deposits, to date the IGAs have
26 received actual distributions totaling approximately \$942 million, which funds have been used by
27 the IGAs to pay Fremont's covered Class 2 policyholder claims pursuant to their respective IGA
28 statutes. A summary of the historical distributions and the statutory deposits released to the IGAs

1 is attached hereto as Exhibit A.

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

3 Certain types of Class 2 policyholder liabilities are not protected or not fully covered by
4 the IGAs, but are nonetheless entitled to ultimately share ratably with all other Class 2 claims.
5 These non-IGA covered liabilities include workers' compensation claims payable under the
6 United States Longshore & Harbor Workers Act ("USL&H Claims") and claims that are not
7 covered or only partially covered by the IGAs based on exclusions and coverage limitations
8 found in the IGAs' controlling statutes. The Liquidator has established reserves in excess of \$15
9 million on these claims.

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

11 Open claims involving USL&H policies that were not covered by the IGAs were returned
12 to the policyholder for handling and those claims would then be handled by the policyholder's
13 third party administrators ("TPA"). As of December 31, 2012, the Liquidator is monitoring and
14 has established reserves on various open Aggregate POCs that involve USL&H policyholders
15 with open claims that are not covered by any of the IGAs. All other POCs involving USL&H
16 policyholders have been resolved and closed. The Claims Department continues to obtain
17 periodic monitoring reports from the USL&H policyholders with open POCs since approved
18 losses and expenses are a Class 2 liability of the estate and are subject to reinsurance billing.

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

20 As of December 31, 2012, the Liquidator is monitoring and has established reserves on 5
21 open Aggregate POCs that involve Class 2 policy holders that have potentially non-covered
22 claims due to IGA caps on the amount of payments on a claim (Overcap claims) or net worth
23 exclusions which preclude certain high net worth policyholders from eligibility to have their
24 claims paid by the IGAs (Net Worth Exception claims). Except for those involved with open Net
25 Worth Subrogation claims being handled by the IGAs, all but three of the other Net Worth
26 Exception policyholder POCs have been resolved and closed. The Claims Department continues
27 to obtain periodic monitoring reports from the Class 2 Net Worth Exception policyholders with
28 open POCs.

1 **4. Subrogation**

2 The Liquidator continues to use the services of Cambridge Integrated Systems ("CIS")
3 which bills and collects subrogation balances. In January, 2012, there were 5 subrogation files
4 pending with CIS and an additional 17 being handled by the CLO with a total incurred value of
5 \$1,080,123. In 2012 \$19,763 was collected. Based on the legal uncertainties regarding recovery,
6 the estate carries an asset on its books of approximately \$350,000. Subrogation is handled by CIS
7 on a contingency basis. While the estate encounters an occasional legal charge, such as for filing
8 fees, such charges are a minimal cost to the estate. In addition to subrogation the estate collected
9 \$368,279 in pre-liquidation contribution recoveries (where more than one employer was
10 responsible for an injury) and the Second Injury Fund collections.

11 **C. Company Administration**

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

13 **a. Summary**

14 The CLO Accounting Department is responsible for all financial aspects of the Fremont
15 estate and maintains the estate's general ledgers inherited from Fremont at the time of liquidation
16 in 2003. The staff evaluates and interprets historical ledgers and records of Fremont and its
17 subsidiaries and has converted them to a liquidation basis of accounting. The department also
18 adjusts and corrects errors in the inherited financial information.

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

22 **2. Reinsurance**

23 **a. Summary**

24 Reinsurance remains Fremont's single largest balance sheet asset. Following various
25 reinsurance commutations and collection efforts that occurred in 2012, prospective gross
26 reinsurance recoverables, including allowances for uncollectable reinsurance, now total
27 approximately \$111 million due from 250 reinsurers, including \$98 million due from Fremont's
28 twenty largest reinsurers.

1 A number of the merged entities have reinsurance programs with characteristics that are
2 unique to the individual company. In other situations, Fremont's reinsurance programs cover
3 multiple Fremont entities. Fremont's predominant line of business was workers' compensation.
4 Given the "long tail" nature of this class of business, a significant number of Fremont's
5 reinsurance treaties remain active.

6 Having regard for the "long tail" nature of Fremont's business and the diversity of its
7 reinsurance arrangements, it is not surprising that the overall quality of reinsurance security is
8 mixed. Fremont has non-performing reinsurance programs, emanating principally from older
9 policy years and Fremont's records reflect significant amounts due from insolvent companies.
10 Fremont's reserve for potentially uncollectible reinsurance at December 31, 2012 is
11 approximately \$67 million.

12 **b. Reinsurance Recoverable**

13 A summary of reinsurance recoverable (paid, case, and IBNR (incurred but not reported)
14 that will ultimately be due from Fremont's twenty largest reinsurers is attached hereto as Exhibit
15 B. Amounts received from reinsurers post-liquidation total \$435.5 million.

16 **c. Fremont's Retentions**

17 Fremont's retentions (risk or exposure not reinsured) changed markedly over time
18 depending upon the philosophy of its management and upon the pricing and availability of
19 reinsurance within the marketplace. The changes in retention are depicted on the scheduled
20 hereto attached as Exhibit C.

21 **d. Administration of Fremont's Reinsurance**

22 Fremont's reinsurance operations have been handled by the CLO staff in San Francisco.
23 In 2012, three former Fremont reinsurance employees have been retained as consultants to the
24 CLO due their extensive historical knowledge of Fremont and to ensure a successful run-off of
25 the remaining program. Two consultants' contracts were not renewed subsequent to December
26 31, 2012.

27 The Fremont estate also faces a significant challenge to recovering the remaining
28 reinsurance assets due to the unilateral cessation of reinsurance intermediary services provided

1 by Guy Carpenter & Company ("Guy Carpenter"). A significant portion of the Fremont estate's
2 remaining collectable reinsurance was originally brokered by Guy Carpenter, who also served
3 the integral function of intermediary between Fremont and its reinsurers by billing reinsurers,
4 pursuing collections, and communicating with reinsurers as to claims, commutations and
5 contract interpretation. All these services were provided and paid for as part of the original
6 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 adverse market
17 conditions and the resulting reduction of staff at Guy Carpenter's Seattle office, the services
18 provided by Guy Carpenter steadily declined. For approximately three years, Guy Carpenter
19 inconsistently billed Fremont's reinsurers, did not perform collections, and failed to notify
20 Fremont of reinsurers' inquiries and requests for information.

21 The CLO reinsurance manager and senior staff met with senior management at Guy
22 Carpenter to address the diminishing resources being devoted to the run off of the Fremont
23 programs. In light of Guy Carpenter's inability to provide necessary services, the CLO had no
24 alternative but to work directly with the reinsurers and have the CLO reinsurance staff perform
25 the intermediary services. Thus, the elimination of the services provided by Guy Carpenter's
26 Seattle office effective June 1, 2012 has placed a considerable amount of new responsibilities
27 directly on the Fremont estate and specifically on the CLO reinsurance and IT staff. While the
28 estate had to incur costs, the transition has gone well, but additional work remains to be

1 performed to fully reconcile Fremont's historical and active reinsurance records and to gain
2 efficiencies through IT enhancements.

3 Recently Fremont has experienced a similar decline and the same lack of necessary and
4 timely support of intermediary services by Guy Carpenter's east coast operations in Hoboken, NJ.
5 The Commissioner has so far declined Guy Carpenter's inquiry to take over the services provided
6 by its Hoboken office.

7 **e. Reinsurance Processing**

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

16 Assumed Contracts: After considering the infrequent activity and the small amount of
17 monies billed compared to the costs of continuing to process the Fremont estate's assumed book
18 of reinsurance business, the CLO ceased processing these claims as of May 2009. A handful of
19 accounts continue to be processed for offset purposes. After two years of efforts to collect
20 foreign reinsurers' balances, largely from the London markets, the Fremont estate has
21 discontinued the formal contingency (contract) arrangement with RSL London. RSL London has
22 been encouraged to bring any reasonable commutation proposals that may materialize in the
23 future as a result of their prior efforts. The CLO staff has taken responsibility to finalize the
24 London/foreign markets accounts.

25 **f. Reinsurance Disputes**

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

1 g. Reinsurance Collections

2 The Commissioner collected a total of \$3 million from reinsurance billings during 2012.
3 The CLO reinsurance staff is direct billing and collecting from approximately 54 reinsurers
4 previously administered by Guy Carpenter. The balance of active reinsurance treaties will
5 continue to be billed and collected from reinsurers and brokers in the normal course of business.

6 h. Reinsurance Commutations

7 During the past two years, commutation activities have been placed on hold to allow the
8 California Insurance Guarantee Association ("CIGA") time to reassess its claims reserving
9 practices. Based upon recent discussions with CIGA regarding reserve adequacy, the
10 commutation process resumed in mid-2012. CIGA represents approximately 70% of the policy
11 exposure of the estate and as such is the primary source of claims ceded to the Fremont estate's
12 reinsurers. In 2012, the Commissioner commuted with Hudson Reinsurance Company, Ltd. and
13 Continental Insurance Company. The Commissioner anticipates that several commutations will
14 be completed in 2013.

15 3. Information Technology

16 The CLO continues to provide IT services for Fremont's overall administration. The CLO
17 currently uses the GOLD (Guardian of Liquidated Data) system for retrieval of historical policy
18 and claim information required for the continued support of Fremont's run-off. The CLO is
19 continuing the on-going process of loading into the GOLD System the paid loss information
20 reported by the IGAs processing Fremont claims. In 2012, IT also began a project to reconcile
21 large discrepancies between CIGA's financial data and the data in the GOLD System.
22 Reconciliation is necessary to ensure that all Class 2 creditors, including CIGA, are treated
23 equitably.

24 The CLO also must coordinate the loading of the claims data into the reinsurance billing
25 database created by Tbase to support reinsurance billing and collection. The recent decision to
26 start billing certain reinsurers directly has created additional system needs and the CLO is
27 working with Tbase to modify the current systems to assist in the billing process. The estate is
28

1 currently working to ensure a proper disaster recovery plan is in place to back up the Tbase data
2 should that resource become jeopardized.

3 **D. Annual Financial Statement as of December 31, 2012**

4 Fremont's financial statement for the year ending December 31, 2012 is attached as
5 Exhibit E.

6 Fremont has total assets of \$220 million consisting primarily of \$69 million in cash and
7 investments and \$111 million in reinsurance recoverables.

8 Fremont has in excess of \$2 billion in policyholder claims. Accordingly, Fremont's assets
9 will be sufficient to pay only secured claims, administrative expenses and a portion of the class 2
10 policyholder claims with no funds available for unsecured creditors.

11 **III.**

12 **LEGAL MATTERS**

13 **A. Administrative Matters Resolved in 2012**

14 On June 11, 2012, the Court approved administrative and professional fees and expenses
15 incurred by the Fremont estate from January 1, 2011 through December 31, 2011 in the amount
16 of \$3,490,926.16, including \$35,529.34 for legal fees and expenses pursuant to Insurance Code
17 section 1036.

18 Also on June 11, 2012 the Court approved the reinsurance commutation with Continental
19 Insurance Company that was settled.

20 On August 7, 2012, the Court approved the Liquidator's proposal to disburse \$39,617,203
21 of Fremont's assets to the IGAs pursuant to Section 1035.5. On August 10, 2012 and pursuant to
22 the Court's order, the Liquidator completed the distribution to the IGAs.

23 On November 7, 2012 the Court approved the reinsurance commutation with Hudson
24 Reinsurance Company, Ltd.

25 **B. Pending Administrative Matters**

26 Concurrently with this report, the Liquidator has filed for court approval his Application
27 for Approval of Administrative and Professional Fees and Expenses for the period January 1,
28 2012, through December 31, 2012. The application will also be heard on June 10, 2013.

IV.

CONCLUSION

In 2012, the Liquidator focused primarily on administrative matters as all legal disputes have concluded. As detailed in this report, the transition of the reinsurance billing and collection function from Guy Carpenter and processing unresolved claims against the estate will continue to require the Liquidator's active management. The Liquidator, though his CLO staff, stands ready to address any questions the Court may have regarding this 2012 Annual Report at the status conference on June 10, 2013.

Dated: May 9, 2013

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Exhibit “A”

Fremont Indemnity Co.
Distribution Inception-To-Date
12/31/2012

State	1st Distribution	2nd Distribution	3rd Distribution	4th Distribution	5th Distribution	6th Distribution	7th Distribution	8th Distribution	Distribution Total	Stat dep	Total
										release/Assignment & Assumption	
Alabama	137,205.00	20,786.00	35,700.00	68,948.00	9,345.00	25,403.00	85,686.00	33,237.00	416,310.00	-	416,310.00
Alaska	3,615,351.00	3,260,791.00	5,507,239.00	5,815,791.00	1,837,406.00	-	809,266.00	2,021,375.00	22,867,209.00	4,872,250.71	27,739,459.71
Arizona	-	-	-	-	-	-	-	-	-	34,401,689.25	34,401,689.25
Arkansas	397,633.00	178,954.00	448,382.00	295,878.00	63,053.00	-	-	-	1,383,900.00	714,635.25	2,098,535.25
California	-	13,974,286.00	123,936,280.00	111,000,890.00	38,385,866.00	47,825,829.00	29,234,335.00	32,680,659.00	397,038,145.00	276,475,887.96	673,514,032.96
Colorado	1,999,577.00	915,447.00	1,447,852.00	1,054,969.00	307,287.00	514,368.00	1,846,124.00	-	8,085,622.00	-	8,085,622.00
Connecticut	-	-	-	233,821.00	46,384.00	92,499.00	293,294.00	27,503.00	693,501.00	899,300.00	1,592,801.00
DC	111,189.00	54,130.00	78,386.00	30,536.00	-	29,981.00	150,835.00	48,836.00	503,893.00	-	503,893.00
Florida	1,054,778.00	1,006,778.00	1,476,718.00	1,062,444.00	1,113,913.00	-	-	-	5,714,631.00	1,223,370.87	6,938,001.87
Georgia	140,740.00	272,037.00	633,797.00	407,108.00	132,046.00	-	-	309,060.00	1,894,788.00	-	1,894,788.00
Hawaii	3,865,629.00	1,527,942.00	1,849,941.00	1,512,511.00	78,509.00	-	-	-	8,834,532.00	-	8,834,532.00
Idaho	-	-	-	132,911.00	56,900.00	147,783.00	658,481.00	996,075.00	4,202,436.10	5,198,511.10	5,198,511.10
Illinois	11,978,870.00	8,548,391.00	12,714,223.00	8,722,986.00	3,088,657.00	-	1,807,957.00	46,861,084.00	1,657,000.00	48,518,084.00	48,518,084.00
Indiana	905,406.00	563,479.00	653,256.00	173,912.00	-	-	-	2,296,063.00	51,000.00	2,347,053.00	2,347,053.00
Iowa	1,783,978.00	619,958.00	1,195,145.00	757,539.00	250,885.00	-	-	4,607,505.00	-	4,607,505.00	4,607,505.00
Kansas	-	-	-	-	-	-	-	-	-	2,500,000.00	2,500,000.00
Kentucky	585,856.00	198,809.00	336,726.00	138,860.00	100,921.00	108,995.00	649,566.00	100,636.00	2,220,369.00	57,576.25	2,277,945.25
Louisiana	-	2,635.00	117,026.00	-	-	-	-	-	119,661.00	150,033.75	269,694.75
Maine	10,526.00	12,800.00	17,220.00	1,769.00	-	-	-	-	42,315.00	-	42,315.00
Maryland	-	-	-	-	-	-	-	-	-	1,000,000.00	1,000,000.00
Michigan	-	-	-	-	-	-	-	-	-	14,260,000.00	14,260,000.00
Minnesota	462,052.00	274,128.00	165,236.00	168,275.00	-	-	27,125.00	-	1,096,816.00	-	1,096,816.00
Mississippi	6,669.00	3,472.00	60,116.00	19,725.00	-	-	-	-	89,982.00	-	89,982.00
Missouri	803,665.00	787,886.00	1,599,832.00	1,301,440.00	196,038.00	-	-	-	4,688,861.00	799,822.10	5,488,683.10
Montana	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	7,392,158.00	-	7,392,158.00
Nebraska	364,722.00	316,987.00	262,707.00	293,483.00	202,077.00	-	-	-	1,439,976.00	228,891.30	1,668,867.30
Nevada	-	-	-	27,506.00	-	3,497.00	36,519.00	16,505.00	84,027.00	432,436.00	516,463.00
New Hampshire	252,214.00	50,367.00	107,080.00	56,012.00	-	-	-	-	465,673.00	-	465,673.00
New Jersey	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
New Mexico	-	-	-	-	-	-	28,825.00	-	28,825.00	1,335,529.23	1,364,354.23
New York	3,838,347.00	-	-	-	-	-	-	-	3,838,347.00	-	3,838,347.00
North Carolina	178,495.00	-	3,125.00	73,186.00	169,614.00	-	-	73,117.00	497,537.00	206,039.70	703,576.70
Oklahoma	-	-	57,255.00	96,057.00	-	-	-	19,142.00	172,454.00	403,041.00	575,495.00
Oregon	-	-	-	-	-	-	-	-	-	17,369,448.50	17,369,448.50
Pennsylvania	605,568.00	98,937.00	589,766.00	710,783.00	150,240.00	-	-	-	2,155,294.00	-	2,155,294.00
Rhode Islands	424.00	-	148.00	-	-	-	-	-	572.00	-	572.00
South Carolina	-	-	-	-	178,966.00	-	-	-	178,966.00	-	178,966.00
South Dakota	-	-	-	-	-	-	-	-	-	210,507.27	210,507.27
Tennessee	140,284.00	65,430.00	66,524.00	42,861.00	-	-	-	-	315,099.00	-	315,099.00
Texas	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	9,876,293.00	457,383.12	10,333,676.12
Utah	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	7,025,324.00	-	7,025,324.00
Vermont	102,909.00	139,155.00	110,663.00	43,069.00	-	-	-	-	395,796.00	-	395,796.00
Virginia	-	116,841.00	162,627.00	73,398.00	-	25,958.00	84,633.00	-	463,457.00	592,744.73	1,056,201.73
Wisconsin	2,394,606.00	753,466.00	1,407,305.00	979,348.00	30,240.00	408,798.00	1,053,610.00	-	7,027,373.00	50,000.00	7,077,373.00
Total	49,224,224.00	36,934,280.00	168,063,039.00	144,007,213.00	49,675,212.00	49,971,175.00	39,934,422.00	39,617,203.00	577,426,768.00	364,551,023.09	941,977,791.09

Exhibit “B”

Fremont Indemnity Company
Balances as of 12/31/2012

Reinsurer	Paid Recoverable	Ceded O/S Loss	Ceded IBNR & IBNR ALAE*	Total Ultimate Liability
AMERICAN ACCIDENT REINSURANCE GROUP	0.00	2,500,000.00	1,378,673.00	3,878,673.00
CONVERIUM REINSURANCE NORTH AMERICA	0.00	3,894,020.00	1,557,325.00	5,451,345.00
EVEREST RE BERMUDA, LTD.	140,394.42	1,214,366.15	348,000.00	1,702,760.57
EVEREST REINSURANCE COMPANY	201,775.63	4,809,464.59	4,071,423.00	9,082,663.22
FINIAL REINSURANCE COMPANY	-231,117.43	609,394.06	397,642.00	775,918.63
GENERAL STAR NATIONAL INSURANCE COMPANY	185,371.96	289,993.01	1,617,571.00	2,092,935.97
HARTFORD FIRE INSURANCE COMPANY	0.00	1,298,007.00	519,108.00	1,817,115.00
INSTITUTO DE RESSEGUROS DO BRASIL (IRB)	226,444.98	845,161.05	3,363,395.00	4,435,001.03
INSURANCE COMPANY OF NORTH AMERICA	915,506.48	6,384,395.69	2,301,266.00	9,601,168.17
MUNICH REINSURANCE AMERICA INC.	2,014,705.93	10,725,603.19	5,669,518.00	18,409,827.12
ODYSSEY AMERICA REINSURANCE CORPORATION	26,876.89	1,263,128.00	927,655.00	2,217,659.89
ODYSSEY REINSURANCE CORPORATION	1,871,075.43	2,599,370.74	2,272,122.00	6,742,568.17
PENNSYLVANIA MANUFACTURERS' ASSOCIATION INSURANCE CO	235,037.66	319,957.46	493,803.00	1,048,798.12
RANGER INSURANCE COMPANY	117,301.42	452,442.34	316,582.00	886,325.76
RELIASTAR LIFE INSURANCE COMPANY	263,049.31	14,376,396.18	8,557,695.00	23,197,140.49
SCOR REINSURANCE COMPANY	49,975.34	373,672.33	391,633.00	815,280.67
SWISS REINSURANCE AMERICA CORPORATION	0.00	1,298,007.00	519,108.00	1,817,115.00
TOA-RE INSURANCE COMPANY OF AMERICA	41,325.37	1,082,982.41	866,438.00	1,990,745.78
TUREGUM INSURANCE COMPANY (U.K.), LIMITED	192,176.09	431,241.50	263,902.00	887,319.59
UNITED AMERICAS INSURANCE COMPANY	20,395.20	227,799.39	461,036.00	709,230.59
20	6,270,294.68	54,995,402.09	36,293,895.00	97,559,591.77

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

Exhibit “C”

Frontier
Reinsurance Summary

	1997 & Prior **	1998 & 1999	1/1/2000 - 3/31/2000	4/1/2000 - 7/31/2001	8/1/2001 - 7/31/2002
\$0 - \$50,000		Retained			
\$50,000 - \$100,000	Retained		Retained	Retained	Retained
\$100,000 - \$250,000		Commuted Reinsurance treaty on 2/28/00			
\$250,000 - \$1,000,000				XL Mid Ocean Re Bermuda	Everest Re Bermuda
\$1,000,000 - \$5,000,000					
Excess of \$5,000,000					

retained

full transfer of risk contracts

Swing rated contract (premium adjusts with losses in the layer)

* treaties were put into runoff (losses on policies inception prior to 12/21/99 are covered through the expiration of the policy)

** Unicare and Casualty both had reinsurance treaties which are not indicated in the schedule

Exhibit “D”

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 “E”

950 950 Fremont Indemnity Co
STATEMENT OF ASSETS AND LIABILITIES
12 As of December 31, 2003 to 2012

	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
ASSETS										
Cash and cash equivalents:										
Unrestricted	35,367,920	30,328,698	3,314	6,199,473	8,591,720	8,410,016	10,649,496	198,189	198,488	198,892
Restricted	35,695	287,804	-	-	-	-	-	-	-	-
Participation in pooled investments, at market	63,434,115	102,846,223	308,868,755	102,601,374	83,085,112	108,291,609	76,093,705	143,035,777	105,456,896	66,733,759
Non-pooled short-term investments, at market										
Unrestricted	(311,096,710)	74,457,774	2,357,546	(290,000)	-	-	-	-	-	-
Restricted	1,026,434	963,050	920,392	877,519	734,236	715,441	358,577	308,280	286,983	198,367
Other securities held	385,554,484	-	-	-	-	324,657	-	-	-	-
Accrued investment income	6,576,478	920,215	1,982,162	1,020,341	481,574	735,383	465,990	700,459	515,701	257,884
Statutory deposits held by other states	12,987,176	64,772,520	21,777,364	4,852,380	3,680,511	3,686,150	2,788,773	2,804,189	2,813,817	2,815,269
Funds held by guaranty associations	-	17,369,449	-	13,975,131	13,975,131	12,755,131	12,755,131	12,755,131	12,755,131	12,755,131
Recoverable from reinsurers	1,086,785,047	1,104,596,372	361,250,486	354,200,036	263,744,243	168,264,136	180,438,521	184,855,530	132,515,513	110,543,051
Salvage and subrogation recoverable	-	10,680,684	9,467,142	3,844,372	1,311,062	827,837	422,449	359,614	356,441	350,383
Premium balances	47,377,844	46,449,882	598,019	952,060	916,618	417,197	-	-	-	-
Receivable from affiliates	3,323,488	3,241,569	1,086,044	1,086,044	1,086,044	1,086,044	1,150,000	1,176,456	1,077,869	1,359,991
Other receivable	43,925,243	38,343,947	(21,543)	23,405,334	22,756,649	21,390,731	20,019,848	17,000	-	-
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	39,629,730	39,793,646	36,217,932	34,910,565	24,228,217	23,781,543	22,744,512
Total Available Assets	1,484,274,467	1,581,724,582	784,383,052	642,563,794	440,157,546	363,122,264	340,053,255	370,439,832	279,758,182	219,957,239
LIABILITIES										
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
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
Claims against policies, including guaranty associations, before distributions	2,639,793,200	2,448,299,364	2,196,125,111	2,258,692,498	2,340,291,589	2,397,240,781	2,749,754,840	2,980,833,006	3,062,130,457	3,053,988,362
Early access and other policyholder distribution California and Federal claims having preference	(268,375,146)	(335,460,585)	(433,060,164)	(615,383,203)	(760,289,718)	(810,153,276)	(859,789,236)	(862,454,570)	(902,360,588)	(941,977,791)
At other claims	2,771,061	4,195,852	5,328,728	5,328,728	-	-	-	-	62,853	62,853
(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	
Total Estimated Liabilities	2,413,842,582	2,452,102,771	2,140,172,536	2,026,826,611	1,942,980,647	2,005,303,245	2,309,834,336	2,534,106,962	2,525,014,384	2,465,525,103
NET ASSETS (DEFICIENCY)	(929,567,915)	(860,378,189)	(1,355,789,484)	(1,384,272,817)	(1,502,823,101)	(1,642,180,981)	(1,969,781,081)	(2,163,667,130)	(2,245,256,202)	(2,245,567,864)

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, 2013, I served the attached **LIQUIDATOR'S NINTH ANNUAL STATUS CONFERENCE REPORT FOR YEAR ENDING DECEMBER 31, 2012** 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, 2013, at Los Angeles, California.

Linda Richardson
Declarant

Linda Richardson
Signature

SERVICE LIST

Case Name: Insurance Commissioner v. Fremont Indemnity Company
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