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**LOS ANGELES  
SUPERIOR COURT**

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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.  
  
SUPERIOR NATIONAL INSURANCE  
COMPANY,  
  
Respondent,  
  
AND CONSOLIDATED PROCEEDINGS.

Case No. BS 061974  
Consolidated with:  
BS 061975  
BS 062171  
BS 062173  
BS 063746

ASSIGNED FOR ALL PURPOSES TO  
THE HONORABLE CARL J. WEST,  
DEPT. 311

STIPULATION AND [~~PROPOSED~~]  
ORDER APPROVING SETTLEMENT  
AND COMMUTATION AGREEMENT  
WITH THE UNITED STATES LIFE  
INSURANCE COMPANY AND  
LIQUIDATOR OF THE SUPERIOR  
NATIONAL ESTATES

The Honorable Steve Poizner, Insurance Commissioner of the State of California,  
("Commissioner") in his capacity as liquidator of Superior National Insurance Company,  
Superior Pacific Casualty Company, California Compensation Insurance Company, Combined  
Benefits Insurance Company, and Commercial Compensation Casualty ("Liquidator") (which  
five insurers are hereinafter referenced as the "Superior National Insurance Companies in  
Liquidation" or "SNICIL"), and third party The United States Life Insurance Company in the  
City of New York ("US Life") (collectively, the "Parties"), subject to Court confirmation and  
approval, hereby stipulate as follows:

1. The Parties acknowledge that the SNICIL insurers are reinsured under a  
reinsurance contract issued by US Life entitled Workers' Compensation Quota Share Treaty  
effective May 1, 1998 (the "US Life Treaty").

1                   2.     In June 1999, pursuant to California Insurance Code §§ 11690-11703, US  
2 Life established an account under the control of the Commissioner to secure its obligations under  
3 the US Life Treaty (the "Special Schedule P Account"). The purpose of the Special Schedule P  
4 Account is to secure US Life's obligations under the US Life Treaty with respect to ceded losses.

5                   3.     The Parties entered into a Settlement and Commutation Agreement dated  
6 November 23, 2010 ("Agreement") for the purpose of settling and commuting all of US Life's  
7 existing and future obligations under the US Life Treaty. Upon approval of this Agreement and  
8 satisfaction of US Life's payment obligation under the Agreement, US Life is released from any  
9 and all further obligations to SNICIL and the Liquidator under the US Life Treaty. The current  
10 balance in the Special Schedule P Account has a par value of \$176,015,000 and US Life's  
11 payment obligation under the Agreement is \$139,399,436.

12                  4.     Pursuant to the Agreement, US Life's payment obligation under the  
13 Agreement shall be satisfied from funds held in the Special Schedule P Account and US Life  
14 shall have no further obligations under the May 1, 1998 Treaty to be secured by the remaining  
15 balance in the Special Schedule P Account. Accordingly, as soon as this Stipulation and  
16 [Proposed] Order is "so ordered" by the Court, US Life shall satisfy its payment obligations under  
17 the Agreement from the funds in the US Life Special Schedule P Account and the Liquidator and  
18 US Life shall notify the Commissioner in his official capacity that: (i) the Commissioner is  
19 authorized to draw and receive funds held on deposit in the Special Schedule P Account in the  
20 amount of \$139,399,436 for distribution to the Liquidator in full satisfaction of US Life's  
21 payment obligations under the Agreement; and (ii) that all obligations under the May 1, 1998  
22 Treaty have been fully satisfied or otherwise discharged and US Life's statutory requirement to  
23 maintain a Special Schedule P deposit for these obligations have been released; and that the  
24 Liquidator has no objections to the release of the balance of the Special Schedule P deposit to US  
25 Life after distribution to the Commissioner as set forth in (i) above. The distributions shall be  
26 made by wire transfer to the following accounts:

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28                   Bank:            Union Bank of California

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Address: 350 California Street, 6<sup>th</sup> Floor  
San Francisco, CA 94104

Credit: California Insurance Commissioner, Conservation & Liquidation  
Office

Cash Receipt Account

Acct. No.: 2380013013


ABA#: 122000496

Reference: SNICIL Estates

5. It is hereby agreed that the Parties will take any and all steps, and execute such documents as may be reasonable and necessary, to implement the terms of this Stipulation and [Proposed] Order.

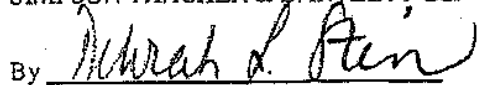
Dated: December 22, 2010

CALIFORNIA DEPARTMENT OF INSURANCE

By   
Laszlo Kornjathy, Jr.  
Staff Counsel IV

Attorneys for  
INSURANCE COMMISSIONER OF THE STATE  
CALIFORNIA

SIMPSON THACHER & BARTLETT LLP

By   
Attorneys for Third Party  
UNITED STATE LIFE INSURANCE COMPANY

IT IS SO ORDERED.

Dated: January 13, 2011

**CARL J. WEST**  
\_\_\_\_\_  
HON. CARL J. WEST  
Los Angeles Superior Court

LA2000CV0370  
60593040 (2).doc

**DECLARATION OF SERVICE BY U.S. MAIL**

Case Name: **Insurance Commissioner v. Superior National Insurance Co.**  
No.: **BS 061974**

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 that same day in the ordinary course of business.

On December 23, 2010, I served the attached **STIPULATION AND [PROPOSED] ORDER APPROVING SETTLEMENT AND COMMUTATION AGREEMENT WITH THE UNITED STATES LIFE INSURANCE COMPANY AND LIQUIDATOR OF THE SUPERIOR NATIONAL ESTATES** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, 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 December 23, 2010, at Los Angeles, California.

Linda Richardson  
Declarant

*Linda Richards*  
Signature

**SERVICE LIST**

**CASE: INSURANCE COMMISSIONER v. SUPERIOR NATIONAL  
INSURANCE COMPANY and CONSOLIDATED PROCEEDINGS**

**CASE NO: BS 061974**

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