

1 ROB BONTA
Attorney General of California
2 LISA W. CHAO
Supervising Deputy Attorney General
3 DOUGLAS J. BETETA
Deputy Attorney General
4 State Bar No. 260377
300 South Spring Street, Suite 1702
5 Los Angeles, CA 90013-1230
Telephone: (213) 269-6014
6 Fax: (916) 731-2144
E-mail: Douglas.Beteta@doj.ca.gov

7 *Attorneys for Insurance Commissioner of the State*
8 *of California, in his capacity as the Liquidator of*
Western General Insurance Company

Electronically FILED by
Superior Court of California,
County of Los Angeles
7/18/2025 1:52 PM
David W. Slayton,
Executive Officer/Clerk of Court,
By A. Lopez, Deputy Clerk

Exempt from filing fees per Gov. Code
§ 6103

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF LOS ANGELES

11 CENTRAL DISTRICT

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

15 Petitioner,

16 v.

17 **WESTERN GENERAL INSURANCE**
18 **COMPANY,**

19 Respondent.

Case No. 21STCP01655
Assigned to Hon. Stephen I. Goorvitch

INSURANCE COMMISSIONER'S
FOURTH STATUS REPORT ON THE
LIQUIDATION OF WESTERN
GENERAL INSURANCE COMPANY
AND RESPONSE TO ORDER TO SHOW
CAUSE RE: DISMISSAL

(Ins. Code § 1016)

Date: August 1, 2025
Time: 8:30 a.m.
Dept.: 82

Action Filed: May 21, 2021

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1 **TO HON. STEPHEN I. GOORVITCH, ALL INTERESTED PARTIES AND THEIR**
2 **ATTORNEYS OF RECORDS:**

3 The Insurance Commissioner of the State of California (Commissioner), in his capacity as
4 the liquidator (Liquidator) of Western General Insurance Company (Western General), hereby
5 submits the following response to the Court's Order to Show Cause re: Dismissal and fourth
6 status report.

7 The Commissioner, through his Conservation and Liquidation Office (CLO), continues
8 into the fourth year of his orderly liquidation of Western General. The estate has made significant
9 progress in addressing unexpected developments (outlined in 2024 status report). The CLO has
10 worked to overcome unanticipated staffing changes, and has successfully transitioned the ongoing
11 work to new resources. Additionally, the estate through legal counsel has resolved a complex
12 litigated collection dispute that resulted in the commencement of a full arbitration proceeding.
13 While the estate has managed to avoid an adverse result from these challenging developments, the
14 efforts have required additional time and expense to address the loss of key staff and to seek
15 resolution to the reinsurance dispute. The guaranty associations participating in the liquidation
16 continue to pay the approved covered claims of Western General but on a much reduced basis due
17 to the disputed nature of the remaining claims. As explained in prior filings, the claim payments
18 in turn create reinsurance obligations and the estate continues to process billings on a quarterly
19 basis and seek collection of those reinsurance proceeds. As the majority of policy exposure has
20 been largely addressed and paid through the participating guaranty entities the estate has
21 commenced the process to seek final resolution to its two primary reinsurance contracts through
22 the settlement and/or commutation process.

23 The estate continues the meticulous process of reviewing all proofs of claims timely filed
24 against the estate. As the CLO claims staff complete the determination of the policyholder class
25 of claims (Class 2), the estate will prepare and seek the Court's approval to distribute Western
26 General's assets to approved Class 2 creditors. In addition to this claim and reinsurance work, the
27 estate has completed the disposal of old company records in accordance with this Court's orders.
28 Finally, after much administrative effort and coordination with John Hancock retirement services,

1 the sponsor of the estate's retirement plan, the CLO has formally closed the estate's 401K
2 program. The Commissioner estimates the work remaining will take place over the next 24
3 months. At this time, other than its oversight duties including approval of CLO's fees, the
4 Commissioner does not require the Court's immediate assistance in the continued liquidation of
5 Western General.

6 The Commissioner respectfully requests that the Court discharge its Order to Show Cause
7 and continue in its oversight of Western General's liquidation.

8 **I. THE CONSERVATION AND LIQUIDATION OF WESTERN GENERAL.¹**

9 Western General is a property and casualty insurance company focusing on non-standard
10 private passenger automobile insurance. Beginning in 2019 and continuing through 2020,
11 Western General experienced significant and continued financial losses, leading the
12 Commissioner to conclude that Western General's continued transaction of business would be
13 hazardous to policyholders, creditors, and the public. Thus, the Commissioner, with the consent
14 of Western General, applied to this Court for an order of conservation, which it entered on May
15 26, 2021.

16 During the conservation, liabilities continued to accrue and the Commissioner determined
17 that Western General was insolvent under the Insurance Code. With the consent of Western
18 General's management and majority shareholder, the Commissioner sought and the Court entered
19 an order of liquidation on August 5, 2021.

20 **II. STAFFING OF LIQUIDATION OPERATIONS.**

21 The Commissioner continued to rely on the services of the CLO, specialized vendors, and a
22 reduced number of consultants (three being former employees of Western General) to advance or
23 close various areas of the liquidation proceeding.

24 As reported in the third status report, Western General made assessment of the liquidation
25 estate's ongoing staffing needs and through layoffs and/or voluntary resignations, the estate
26 retained a group of 20 employees to complete the remaining run-off operations in Calabasas, CA.

27 ¹ The Commissioner's first status report provides a detailed overview of the facts leading
28 to conservation and liquidation and the Court's statutory role in the liquidation process. (See
March 17, 2022 Commissioner's Status Report on the Liquidation of Western General at pp. 5-9.)

1 As part of their final employment and to provide reasonable incentive for employees to remain
2 and complete the local office closure, certain key Western General employees were provided
3 modest short-term retention agreements to stay and complete the transition of the insolvent estate
4 into the CLO.

5 As part of the successful transition of the Western General estate operations into the CLO,
6 the Deputy Liquidator retained eight Western General employees under short-term consulting
7 agreements to allow them to continue to support the Western General estate remotely. The eight
8 employees all had significant institutional knowledge and or technical legacy-system skills
9 essential to the efficient closure of certain areas of work or in continuing support of the on-going
10 run-off effort. After considering alternative resources, the prospect and costs to hire and/or train
11 new resources in a timely fashion was deemed prohibitive. Throughout 2024 the liquidation
12 estate continued to retain 3 former Western General employees under consulting agreements.
13 Two helped to administer and ultimately close the estate's 401K retirement program and the third
14 is assisting in the review and determination of all timely received Proofs of Claim (POCs) filed
15 against the estate.

16 In addition to retaining three former employees, the Commissioner continues to rely upon
17 third-party specialized vendors/consultants (albeit on a reduced basis) to assist in the processing
18 and collection of reinsurance, provide legal representation, prepare tax returns (including the
19 retirement plan) and conduct periodic financial auditing.

20 **III. TRANSITION OF CLAIMS TO THE GUARANTY ASSOCIATIONS.**

21 The entry of the Liquidation Order on August 5, 2021, which included an express finding of
22 insolvency, triggered the various state insurance guaranty associations' (IGAs) statutory
23 obligation to handle and pay Western General direct insurance claims.

24 By September 4, 2021 essentially all of Western General's direct in-force insurance
25 business had either expired by legal notice or had been cancelled and transitioned to new, solvent
26 insurance companies.

27 Upon the Court's entry of its Liquidation Order the various state based IGAs and the
28 California Insurance Guarantee Association (CIGA) became obligated to pay the "covered

claims” of Western General’s policyholders. (See Insurance Code², §§ 1063.1, subd. (c) & 1063.2.) As of year-end 2024, the participating IGAs have paid the majority of the covered claims that were open at the time of the entry of the liquidation order in 2021.

As of December 31, 2024, in excess of 8,800 claims have been transferred to the IGAs affected by the Western General liquidation.

Through December 31, 2024, CIGA has paid losses, loss adjustment expenses, and return premiums totaling \$15,485,459 for Western General related claims. CIGA has also incurred \$9,940,369 in administrative expenses through December 31, 2024 to implement the in-take, assessment and continuing payment of Western General’s open and guaranty-covered California claims. In addition to the losses and loss adjustment expenses and return premium paid by CIGA, eight other participating guaranty associations representing Arizona (\$179,975), Nevada (\$82,980), Utah (\$2,509,378), Texas (\$929,072), Georgia (\$13,451), Tennessee (\$4,436), Virginia (\$4,169) and Colorado (\$232,305) together reported an additional \$3,955,766 in paid losses and loss adjustment expenses and return premium inception through December 31, 2024. Together with California the participating IGAs have paid approximately \$19,441,225 in total loss, loss adjustment expense, and return premium from inception through year-end 2024.

Looking ahead, CIGA, having the largest portion of open claims remaining from Western General, estimates loss and loss adjustment reserves of \$509,394 which reflects estimated losses and loss adjustment expenses still remaining to be paid on 39 open claims as of December 31, 2024. As of December 31, 2024 four of the other participating IGAs discussed above reported \$230,912 in remaining loss and loss adjustment reserves for the Western General claims. Specifically, Arizona reported \$62,330, Utah reported \$46,830, Texas reported \$121,665 and Colorado reported \$87.

Upon CIGA’s satisfaction of its obligations pursuant to section 1063.2 to pay covered claims, CIGA, as well as the balance of IGAs participating in the Western General insolvency, have a statutory right to seek recovery from the Western General estate for the payments made by them on behalf of Western General. Pursuant to section 1033, an IGA’s payment and discharge

² Unless otherwise indicated, all further statutory references are to the Insurance Code.

of covered claims and the payment of, or furnishing, loss adjustment services, is a Class 2 priority claim to the residual assets of the Western General estate, second only to the payment of the Class 1 expense of administration. (§ 1033, subd. (a)(2).) The Western General estate is currently prioritizing completion of the final review and determination of all Class 2 POCs with the intent to prepare for an early access distribution thereafter.

IV. OPERATIONAL CONTROL AND CURRENT ASSETS

The Liquidator has transferred (except where described below) all Western General's bank accounts into the CLO investment pool for the benefit of the Western General liquidation estate. As of December 31, 2024, the estate held the following cash balances or securities (at market value):

Cash - unrestricted:	\$ 22,701,500
Accrued Investment Income:	\$ 499,100
Short-term Inv. :	\$ 4,650,500
Short-term Inv. Restricted:	<u>\$ 1,616,500</u>
Total Cash and Investments:	\$ <u>29,467,600</u>

In addition to cash, accrued investment income and investments held in the CLO investment pool, Western General also had \$5,563,800 in cash and securities pledged (at market value) in the form of protective/statutory collateral deposits held under the authority of various Departments of Insurance in the states Western General wrote policies. With the exception of the state of New Mexico, who's ancillary receiver released \$850,000 in pledged assets to the liquidation estate in 2024, the remaining balance of pledged funds remain with the ancillary states.

Release of Western General's protective/statutory deposits requires the Liquidator to assure a number of respective departments of insurance that all known Western General claims and policy exposure are resolved in their state. Until the majority or all open claims are resolved and settled, the estate will not make much progress in this administrative release process. The Liquidator will seek release of the remaining statutory collateral once the remaining claims are closed in those states. At the current time, and with the exception of New Mexico, the Liquidator

1 does not anticipate being able to fulfill the various state requirements to complete the collection
2 process for another year.

3 Finally, at year-end 2024 Western General reports \$1,448,500 due from its reinsurers as
4 well as \$1,616,500 in bonds and cash on deposit in an investment trust account pledged as
5 collateral in support of its obligations arising under an assumed reinsurance contract. See the
6 Reinsurance Section below for further explanation.

7 Other than the statutory deposits and pledged collateral discussed above all known Western
8 General estate cash and held investments have been identified and secured and transferred to the
9 CLO investment pool now under the authority of the Liquidator.

10 **V. CLAIMS HANDLING**

11 After entry of the liquidation order, the Liquidator mailed or emailed in excess of 225,000
12 proof of claim (POC) forms to all known interested parties. All interested parties who received
13 the Notice of Liquidation in 2021, were also provided POC forms well in advance of the Claims
14 Bar-Date of February 28, 2022. The CLO Claims Department continued directing the weekly
15 activities of Western General's non-IGA covered claims administration (including POCs) as well
16 as manage subrogation collections and coordinate policyholder/IGA outreach. With the IGA
17 claims handling function winding down, the Western General claim staff's focus in 2024 was the
18 detailed review, assessment and determination of all Class-2 policyholder related POCs. As of
19 December 31, 2024 all Western General claims operations (with the exception of the work
20 performed by the IGAs) are now conducted or managed through the CLO offices and staff. The
21 CLO claims manager will continue to retain the services of one full-time claims consultant with
22 considerable historical knowledge of the estate's open claims and operations gained through her
23 many years of service as a Western General claims manager. As of December 31, 2024 a total of
24 2,593 proofs of claim have been filed with the Liquidator. The breakdown is as follows: 2,405
25 Class 2 (policy related), 185 Class 7 (general creditor) and 3 Class 9 (shareholders). The CLO
26 claims staff, together with the support of the former Western General claims manager, continue to
27 review and determine timely received POCs. After a considerable effort to review all received
28 POCs for basic legal compliance (timeliness and standing), and organize them by statutory

1 priority, there is much work still to be performed as part of the comprehensive review and
2 determination of the estate's policyholder class liability. Through year-end 2024 the claims staff
3 have approved 485 Class 2 claims in the amount of \$49,792 and one Class 7 claim in the amount
4 of \$1,444. Many of these approvals are low dollar amounts of unearned premium. Additionally,
5 1,232 Class 2 claims in the amount of \$8,728,089 and one Class 7 claim, that was filed
6 conditional with no claimed amount, have been rejected. Notification has been sent to the
7 creditors who's POCs have been determined. Looking ahead to 2025, there are 875 remaining
8 open POCs requiring review and determination. The breakdown is as follows: 689 Class 2, 183
9 Class 7 and 3 Class 9. The priority in 2024 and working into 2025 will be to resolve as much of
10 the Class-2 exposure as possible. The IGAs have reported less than \$1 million in remaining open
11 reserves, but traditionally in many similar liquidations the last population of open claims to be
12 resolved (the Tail) are frequently the most difficult to close. The CLO claims staff continues to
13 work closely with CIGA to deploy system-based methods to share claim and policy information
14 to facilitate and streamline significant portions of the POC determination process. To date, this
15 on-going exchange has allowed the Liquidator to resolve a significant number of policyholder
16 level POCs filed with the estate specifically for claims already resolved or to be resolved by
17 CIGA. In June of 2024 the Claims Department mailed 833 "prove-up" letters (in both English
18 and Spanish) to POC holders that failed to include proper supporting documentation with their
19 initial POC filing. Those claimants were required to submit the necessary and required
20 documentation supporting their claim within 90 days and were further advised that failure to do
21 so would result in their claim being rejected. 772 claimants failed to respond to the prove-up
22 mailing. Those 772 POCs were rejected. 20 claimants responded with supporting documentation
23 for further review and consideration. 37 claimants returned the form with no documentation and
24 the CLO issued a follow-up letter in October 2024 allowing an additional 60 days to respond and
25 provide the requested support. One claimant responded to the follow-up letter and submitted
26 supporting documentation for review. The remainder of the claimants who failed to provide
27 supporting documentation after receiving both mailings will be rejected for failure to provide
28 documentation.

As mentioned above, the claims staff continue to collect subrogation and salvage recoveries albeit on a much-reduced basis. As the claims exposure resolves so too do the subrogation recoveries. During 2024 the Western General estate collected \$21,907. The claims staff estimates approximately \$8,000 remaining to be collected in 2024.

VI. CALCULATION AND PAYMENT OF UNEARNED PREMIUM

Following the cancellation of all Western General's in-force policies, the participating IGAs (primarily CIGA) were required to pay any unearned premium³ to Western General's policyholders. (See § 1063.1, subd. (c)(1) [defining "covered claim" to include unearned premium obligations].) As of December 31, 2024 CIGA and two other participating IGAs (Arizona and Texas) paid a total of \$1,493,766 in unearned premium to Western General policyholders. The amounts reported to date represent essentially all unearned premium due Western General policyholders excluding the return premium accrual associated with coverage written through a car dealership program reserved at approximately \$1 million. The additional unpaid return premium accrual is being considered as part of the ongoing proof of claim determination process.

VII. DECEMBER 31, 2024 FINANCIAL STATEMENT

The accompanying Statement of Assets and Liabilities attached as Exhibit 1 represent the Liquidator's best estimate of the assets, liabilities and net loss of Western General as of and for the period ending December 31, 2024 using a liquidation basis of accounting. The CLO accounting and finance staff assumed and took control of the estate's accounting and financial operations in early 2023. Thereafter the department has taken charge of all accounting and financial aspects of the Western General estate, including the general ledger, financial statements and account reconciliation, cash management, investments and banking relationships, accounts payable, receivable accounting as well as audit and compliance. The department is also responsible for the reconciliation of all cash receipts and disbursements of the estate and staff will

³ Section 1063.1, subdivision (j) defines "Unearned premium" as "that portion of premium as calculated by the liquidator that had not been earned because of the cancellation of the insolvent insurer's policy and is that premium remaining for the unexpired term of the insolvent insurer's policy."

1 prepare all financial analysis and reports as necessary. Preparation of the statements requires the
2 use of estimates and actual results could differ from these estimates. As of December 31, 2024,
3 liabilities exceeded assets resulting in a policyholder deficit of \$4.03 million. A number of
4 general creditor POCs have yet to be determined and may represent a significant increase in estate
5 liability.

6 **A. Assets**

7 Western General has CLO pool investments (at market value) and accrued interest
8 (\$499,100) totaling \$23,200,600. Additionally, the estate holds \$6,266,930 in non-CLO pool
9 short-term investments of which approximately \$4,650,455 is unrestricted. In addition, the estate
10 has approximately \$5,563,797 in pledged assets on deposit with various state insurance
11 departments. After additional review and analysis the estate's remaining uncollected premium
12 receivable of approximately \$89,000 has been written off as uncollectable. The estate also holds
13 reinsurance receivables reported at approximately \$1,448,547 which are explained in the
14 Reinsurance section. The Western General estate reported total assets (including receivables) of
15 \$36,491,000 at year-end 2024.

16 **B. Liabilities**

17 Losses and loss adjustment expenses (LAE) outstanding represent the estimated reserves,
18 including claim exposure that has been incurred but not reported (IBNR), for policyholder claim
19 obligations less estimated amounts recoverable from reinsurers. As of December 31, 2024 the
20 Western General estate reported \$4,115,029 in loss and loss adjustment expense reserves. As a
21 reminder to the court, the IGA loss and expense data is received quarterly by the estate and is
22 typically posted to the estate's ledgers approximately 45 days following the quarter-end. The
23 estate's December 31, 2024 statement also reports approximately \$26,870,786 due to IGAs and
24 reflects the amounts the participating guaranty associations have paid out for Western General's
25 covered claims, return premium and administrative expenses. The losses and loss adjustment
26 expenses paid to date by the participating guaranty funds make the basis for subsequent
27 reinsurance billings through the estate's reinsurance program discussed below.

1 **C. Expense of Operations**

2 Western General incurred estate operating expenses for the 12 months ending December
3 31, 2024 in the total amount of \$2,737,217. The estate’s expenses fall into two broad categories;
4 1) \$1,399,039 paid to the CLO for their allocated administrative fees; and 2) \$1,338,178 in direct
5 estate expenses paid by CLO for the benefit of the Western General estate during the Reporting
6 Period. The Liquidator is currently preparing an application seeking court approval of the fees
7 and disclosure of the expenses incurred during the Reporting Period pursuant to sections 1035
8 and 1036. The Western General estate will continue to file fee applications, on an annual basis,
9 with status filings advising the court of our ongoing progress to closure.

10 **D. Reinsurance Program**

11 As part of Western General’s operations, it entered into agreements with third-party
12 insurers whereby certain risks were ceded to these insurers in order to limit Western General’s
13 exposure to risk of losses from the policies it had issued by having the third-party insurers
14 indemnify Western General for a proportional share of policy limits and related claims adjustment
15 expenses. These agreements are commonly referred to as “quota share” reinsurance contracts and
16 the third-party insurers accepting a proportional share of the risk are commonly called reinsurers.
17 Historically, Western General had quota share reinsurance contracts (commonly referred to as
18 treaties) in place to limit Western General’s exposure to losses on its personal auto policies. From
19 mid-2016 until operations ceased in 2021, Western General was generally ceding 80% of the risks
20 on most of its programs so essentially 80% of all claim amounts paid by the IGAs may be
21 recoverable from reinsurers. These reinsurance treaties and the losses they cover represent
22 Western General’s largest recoverable asset. The vast majority of Western General’s paid losses
23 and loss expenses have been reinsured under quota share treaties with Yosemite Re (Enstar) and
24 Partner Re.

25 The largest recoverable under the total program is due by Partner Re. In 2019 and 2020,
26 and running off into 2021, Partner Re reinsured 80% (94% for a brief two-month period) of
27 Western General’s primary personal auto business. A provision in the Partner Re treaties
28

obligates Partner Re to pay Western General a “Profit Commission” if ultimate ceded losses are below a certain level.

After extensive work (performed following each quarter of the year) to convert and prepare paid loss and loss adjustment data provided by the participating IGAs (reported billing data is from the 2021 inception of the estate through December 31, 2024), the Western General estate has billed \$28,858,463 (including a \$17.2M profit commission due from Partner Re and a \$429,078 profit commission due from Bluefire Re) and has collected \$27,420,732 million in reinsurance recoveries through December 31, 2024. These collections figures include approximately \$238,000 in interest billed as well as the write-off of approximately \$420,691 in balances due from Yosemite Re as a result of the terms of the recent arbitration settlement approved by this court. The estate has an open balance of billed amounts still due of approximately \$784,088 at year-end 2024. The Liquidator has commenced preparing 2025 loss billings to the reinsurers and will continue follow-up collection efforts on all balances due.

During this reporting period, the Liquidator resolved a long-standing dispute with Maiden Re (now known as Yosemite Re/Enstar). After extensive negotiations, and as more fully reported in the Liquidator’s Motion for Approval of Settlement filed on November 26, 2025, the Liquidator and Maiden Re resolved their dispute by agreeing to split the disputed amount. The settlement resulted in a payment of the estate \$517,641 which represents 47.5% of the disputed amount plus undisputed claims owed by Yosemite.

In addition to ceding reinsurance, Western General utilized an assumed reinsurance contract to access certain auto insurance markets in Texas through a “fronting arrangement” with Home State, a Texas domestic insurer. Effective October 31, 2021, Western General terminated the 100% quota share reinsurance agreement with Home State on a run-off basis. Home State directly issued the policies so there is no guaranty association involvement with claim management. Home State’s third-party administrator continues to handle all claims management. As of December 31, 2024, Western General is reporting approximately \$1,065,880 in loss and loss adjustment expense (no IBNR) reserves under the terms of the reinsurance agreement. As previously noted, Home State is the beneficiary to an investment trust established by Western

1 General to secure its obligations. As of December 31, 2024 that investment trust account balance
2 was \$2,660,776. To the extent the remaining claim exposure is fully resolved, any remaining
3 assets in the trust account will inure to the liquidation estate.

4 Western General also acted as a “Front Company” for a managing general agency named
5 Suncoast. For this program Western General issued the policy and generally ceded 100% of the
6 risks to various reinsurers. The amounts due from such reinsurers are secured, largely by letters
7 of credit naming Western General as the beneficiary. As previously reported, by July of 2023,
8 Western General had provided the necessary loss and loss expense data from the participating
9 IGAs for the years 2021 and 2022, and after affording a considerable amount of time to Suncoast
10 to prepare reinsurance billings, the estate appears to be getting back on track with this program’s
11 collections. Suncoast has managed to produce total billings (from loss data received mid-year
12 2023) through year-end 2024 totaling approximately \$2.4 million and the estate had collected
13 approximately \$2.05 million by year-end 2024. At year-end 2024 the program has a balance due
14 the liquidation estate of \$382,399 with losses billed through September 30, 2024. Western
15 General will continue to follow up on open balances and has released the 2024 fourth quarter
16 billing data to Suncoast (albeit losses are much reduced). The data management and system
17 coordination between the liquidation estate, Suncoast (and its third-party vendors) as well as the
18 participating IGAs has improved in many regards, but continues to require significant time and
19 expense to complete and issue the final billings and additional time thereafter to collect from the
20 pool of insurers reinsuring these losses.

21 The Liquidator will continue to process comprehensive reinsurance billings and pursue
22 collections based upon the continuing loss activity reported by CIGA and the IGAs. As the
23 business is run-off into 2025 the Liquidator will continue to explore the potential to settle the
24 remaining reinsurance contracts for the net present value of the treaty coverage. Settlements of
25 reinsurance contracts are commonly referred to as “commutations”, and, to the extent the
26 Liquidator seeks to commute a treaty, he will seek court approval in accordance with section
27 1037, subdivision (d). At this time the Liquidator does not have any such settlements in progress
28 or to be approved. Subsequent to time period covered by this report, Western General did come

1 to terms with Partner Re in early 2025 on the final payout of that treaty's profit commission. The
2 final profit commission agreement was in accordance with specific terms contained in the treaty
3 and the settlement resulted in a payment to the liquidation estate of all remaining amounts owed.
4 Western General collected the final \$3.7 million payment (with no offsets or discounts) during the
5 second quarter of 2025. Western General will report in more detail on this positive resolution to
6 the Partner Re relationship in the 2025 status filing.

7 **VIII. REMAINING ACTIVITIES OF THE LIQUIDATOR**

8 In the Liquidator's prior reporting, he disclosed the key milestone to have all daily estate
9 operations and activities fully relocated to the offices of the CLO or discontinued. The entire
10 liquidation estate and its work are now managed through the CLO office with remote support
11 from a few key consultants. Further, the Liquidator advised the court of three main objectives of
12 the estate as it entered 2024. One being the reasonable resolution to the Yosemite arbitration,
13 second was the review and determination of Class-2 POCs timely received by the liquidation
14 estate, and the last major milestone was the closure of the estate's 401K plan. The arbitration
15 with Yosemite Re has been settled, approved by this court and all amounts due the estate have
16 been collected. The 401K plan is now closed and all accounts have been transferred or liquidated
17 based upon the election of the participants. Finally, the Class-2 POC review is approaching
18 completion but there remains open POCs requiring determination. The CLO claims staff have
19 made steady progress and will continue to make the determination of all policyholder class POCs
20 a priority in 2025 thereby positioning the estate to release a priority distribution to approved
21 Class-2 claimants.

22 The Western General estate will continue to process and collect the remaining obligations
23 from the two remaining primary reinsurers including additional profit commissions from Bluefire
24 and potentially Yosemite Re.

25 The Liquidator retained three former employees under consultancy agreements during most
26 of 2024 to assist in the determination of the remaining POCs, and to decommission the estate's
27 401K retirement plan. Upon the final distribution of all plan assets associated with the 401K
28 program, one consultant was terminated and the second consultant working on the 401K closure

1 is scheduled to terminate in mid-2025 as the plan is now closed and most all post-closure tasks are
2 largely complete. The third consultant will continue on with the estate for the foreseeable future
3 to continue to address the remaining open POCs. The liquidation estate and its work is now
4 managed through the CLO office with remote support from a few key consultants. The balance of
5 the consultancy engagements awarded to former employees in early 2023 have terminated.

6 As the IGAs continue to address their last populations of open Western General claims, the
7 Liquidator has not been able to secure recovery of statutory deposits still held by states. Although
8 the New Mexico ancillary receiver (after repeated demand) has remitted the funds they held to
9 Western General, none of the deposits with California and Nevada are available for release as
10 both states continue to have open claims (albeit much reduced). Collectable subrogation and
11 salvage has largely been resolved, the estate will continue to pursue collection of the remaining
12 subrogation amounts due under the Western General policies with the expectation to conclude this
13 effort in mid-2025.

14 Finally, Western General as a participant in the Western General Holdings consolidated tax
15 group has prepared its 2023 pro forma tax return in accordance with the group's tax sharing
16 agreement and provided the return to be included in the group's consolidated tax filing. The
17 Liquidator will rely upon the same audit firm to prepare the 2024 tax return for the consolidated
18 group. Additionally, the estate will prepare and file its final 5500 tax return associated with the
19 401K retirement program. The Liquidator has confirmed no audit will be required for the 2024
20 plan year.

21 CONCLUSION

22 Consistent with his obligations and authority set forth in the Liquidation Order, the
23 Liquidator will continue to conduct the diligent and efficient liquidation of Western General for
24 approximately the next two years. There remain final reinsurance assets to collect, POCs and
25 claims to be determined, and creditor distributions to be made in accordance with State and
26 Federal employment laws.

27 The Western General estate will seek approval of its fees and expenses associated with the
28 12 months of operations from January 2024 through December 31, 2024. Based on the foregoing,

1 the Liquidator respectfully requests that the Court discharge its Order to Show Cause re:
2 Dismissal and continue its oversight of Western General's liquidation.

3
4 Dated: July 18, 2025

Respectfully submitted,

5 ROB BONTA
6 Attorney General of California
7 LISA W. CHAO
8 Supervising Deputy Attorney General

9 

10 DOUGLAS J. BETETA
11 Deputy Attorney General
12 *Attorneys for Insurance Commissioner of the*
13 *State of California, in his capacity as the*
14 *Liquidator of Western General Insurance*
15 *Company*

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EXHIBIT 1

701 **701 Western General Ins Co**
STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 2024

	Dec 31 2024
ASSETS	
Participation in pooled investments, at market	22,701,500
Non-pooled short-term investments, at market	
Unrestricted	4,650,500
Restricted	1,616,500
Accrued investment income	499,100
Statutory deposits held by other states	5,563,800
Recoverable from reinsurers	1,448,500
Receivable from affiliates	-
Other receivable	11,100
Total Available Assets	36,491,000
LIABILITIES	
Secured claims	830,400
Accrued administrative expenses	300,000
Claims against policies, including guaranty associations, before distributions	33,463,600
All other claims	5,927,800
Total Estimated Liabilities	40,521,800
NET ASSETS (DEFICIENCY)	(4,030,800)

701 **701 Western General Ins Co**
STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 2024

		Dec 31 2024
ASSETS detail		
Cash and Investments		
12001	Participation in Pooled Investment	22,701,536
12002	Short Term Investments	4,650,455
12003	Short Term Inv. Restricted	1,616,475
	Cash and Investments	<u>28,968,466</u>
13015	Accrued Int & Div Receivable	499,063
12012	Statutory Deposits	5,563,797
Reinsurance Receivable		
13001	Rein Recoverable-Paid	1,019,434
13002	Rein Recover-Unpaid Losses	1,087,954
13003	Allow For Uncoll Rein Receivable	<u>(658,842)</u>
	Reinsurance Receivable	1,448,547
Premium Receivable		
13006	Premium Receivable	243,474
13009	Allow for Uncollectible Premiums	<u>(243,474)</u>
	Premium Receivable	-
Other Receivables		
13018	Other Receivables	<u>11,138</u>
	Other Receivable	11,138
Property and Equipment		
14006	Leasehold Improvement	231,533
14007	Accum Amort-Leasehold Imp	<u>(231,533)</u>
	Property and Equipment	(0)
Other Assets		
15003	Prepaid Rent	<u>(0)</u>
	Other Assets	(0)
Total Available Assets		<u>36,491,010</u>
LIABILITIES detail		
Secured Claims		
22001	Unclaimed Funds Payable	<u>830,390</u>
	Secured Claims	830,390
Class 1: Payables and Accrued Expenses		
24014	Accrued Expenses	300,000
25001	Due To/From Intercompany Acct	<u>0</u>
	Class 1 Liabilities	300,000
Class 2: Losses, Reserves and non-IGA Claims		
28001	Loss & ALAE Reserve	4,115,029
28003	Unearned Premiums	2,436,105
28006	Liability Due to GAs	26,870,786
29091	Other Class 2 Payable-GOLD	<u>41,726</u>
	Class 2 Liabilities before Distributions	33,463,646

701 **701 Western General Ins Co**
STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 2024

		Dec 31 2024
	Class 7: All Other Claims	
30001	Accounts Payable-Pre Liquidation	741,486
30005	Reinsurance Payable	660,011
30007	Contingent Commission	462,314
30008	Other Class 7 Liabilities	5,000,000
30098	Other Class 7 Liabilities-GOLD	1,445
31001	Funds Held for Others	66,485
32001	Equity Stakeholder Liability	(1,003,883)
	Class 7 Liabilities	5,927,858
	Total Estimated Liabilities	40,521,894
	NET ASSETS (DEFICIENCY)	(4,030,884)

DECLARATION OF SERVICE BY E-MAIL

Case Name: Insurance Commissioner v. Western General Insurance Co.
Case Number: 21STCP01655
Party Represented: Petitioner

Declaration of Electronic Service

1. I am at least 18 years of age and not a party to this matter.
2. I am employed in the Office of the Attorney General of the State of California. My business address is 300 South Spring Street, Suite 1702, Los Angeles, CA 90013-1230, County of Los Angeles.
3. My electronic service address is Michelle.Chasman@doj.ca.gov.
4. On July 18, 2025, I electronically served the following document[s]:
 - a. **INSURANCE COMMISSIONER'S FOURTH STATUS REPORT ON THE LIQUIDATION OF WESTERN GENERAL INSURANCE COMPANY AND RESPONSE TO ORDER TO SHOW CAUSE RE: DISMISSAL**
5. I electronically served the aforementioned document[s] by emailing them to the following individual[s]:

John E. McPherson, Esq.
Hinshaw & Culbertson LLP
350 South Grand Ave., Suite 3600
Los Angeles, CA 90071-3476
E-mail: jmcpherson@hinshawlaw.com

Attorneys for Western General Insurance Company

I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct, and that this declaration was executed on July 18, 2025.

M. Chasman
Declarant

M. Chasman
Signature