2010 ANNUAL REPORT
CONSERVATION AND LIQUIDATION OFFICE

Conservation and Liquidation Office

Section 1 – The Conservation & Liquidation Office

Section 2 – Estate Specific Information

Section 3 – Cross Reference to California Insurance Code

Section 1 – The Conservation and Liquidation Office

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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 a 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.

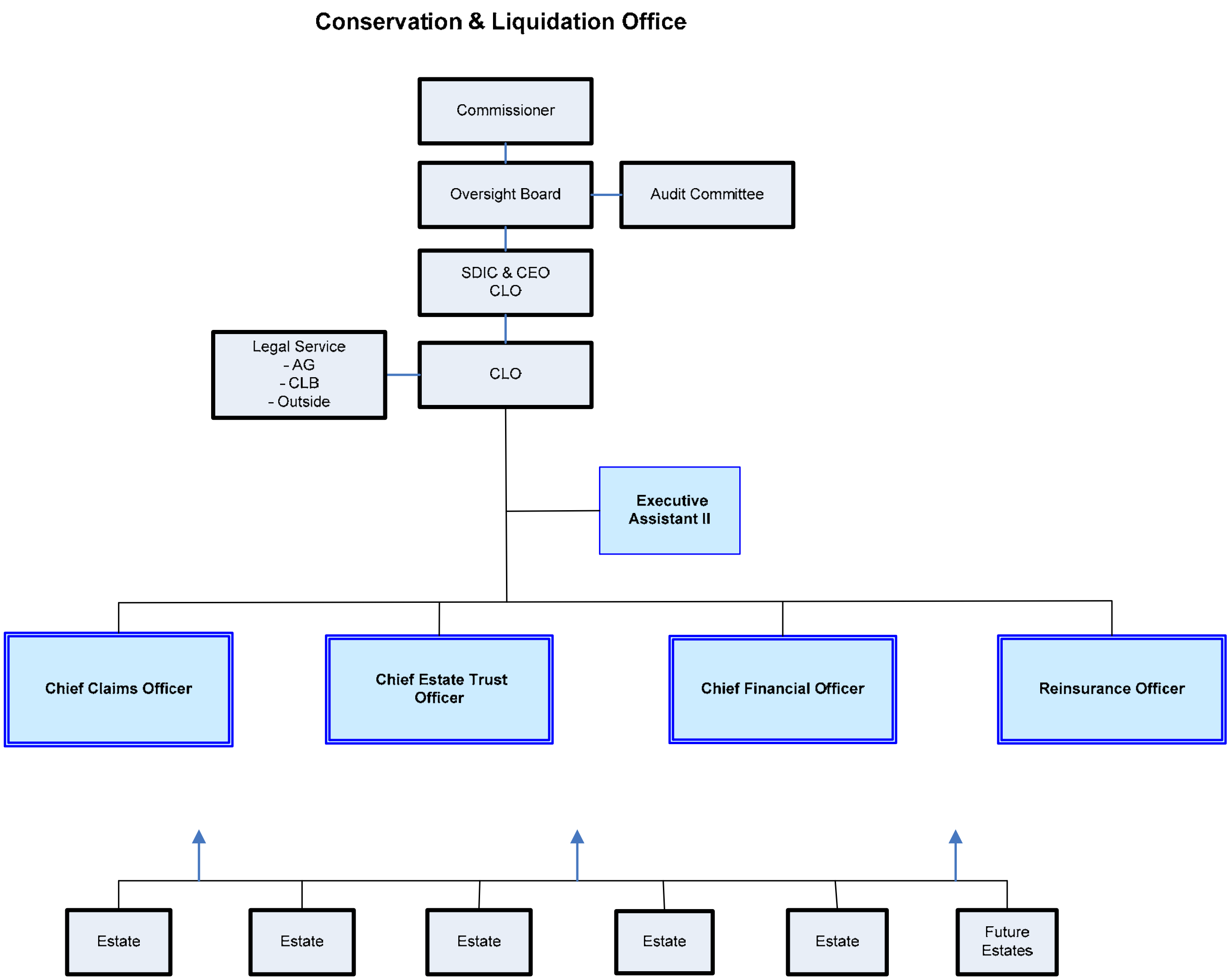
If, at the time the conservation order is issued or anytime thereafter, it appears to the Commissioner that it would be futile to proceed with the conservation of the financially troubled estate, the Commissioner will apply for an order to liquidate the estate's business. In response to the Commissioner's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

In order to discharge the Commissioner's responsibilities as conservator or liquidator, the Commissioner appoints special deputy insurance commissioners as agents to act on his or her behalf. The Commissioner formed the Conservation & Liquidation Office ("CLO") to fulfill the Commissioner's responsibilities as conservator, receiver and liquidator.

The CLO was created in 1994 to be 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, 2010, the CLO was responsible for the administration of 22 insurance estates.

Organizational Structure



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board Committee composed of three senior executives of the California Department of Insurance. The current Committee members are Ms. Nettie Hoge, Chief Deputy Commissioner, Mr. Adam Cole, Deputy Commissioner and General Counsel, and Mr. Sherwood Girion, Deputy Commissioner-Financial Surveillance. For the year ending December 31, 2010, the Committee included Mr. Jesse Huff, Chief Deputy Commissioner, Mr. Adam Cole, Deputy Commissioner and General Counsel, and Mr. Sherwood Girion, Deputy Commissioner-Financial Surveillance. The Committee meets on a quarterly basis throughout the year.

During 2010, the Oversight Board and Audit Committee held four regularly scheduled meetings. In addition, special meetings were held as operational activities occurred.

2010 Organizational Goals and Results

On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is then presented to the Oversight Board Committee for approval. The CLO's Mission Statement is as follows:

> On behalf of the Insurance Commissioner, the CLO acts to rehabilitate and/or liquidate, under court supervision, troubled insurance enterprises. The CLO operates as a fiduciary for the benefit of claimants, handling the property of the failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

The 2010 Business Plan was a continuation of the objectives of the 2009 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

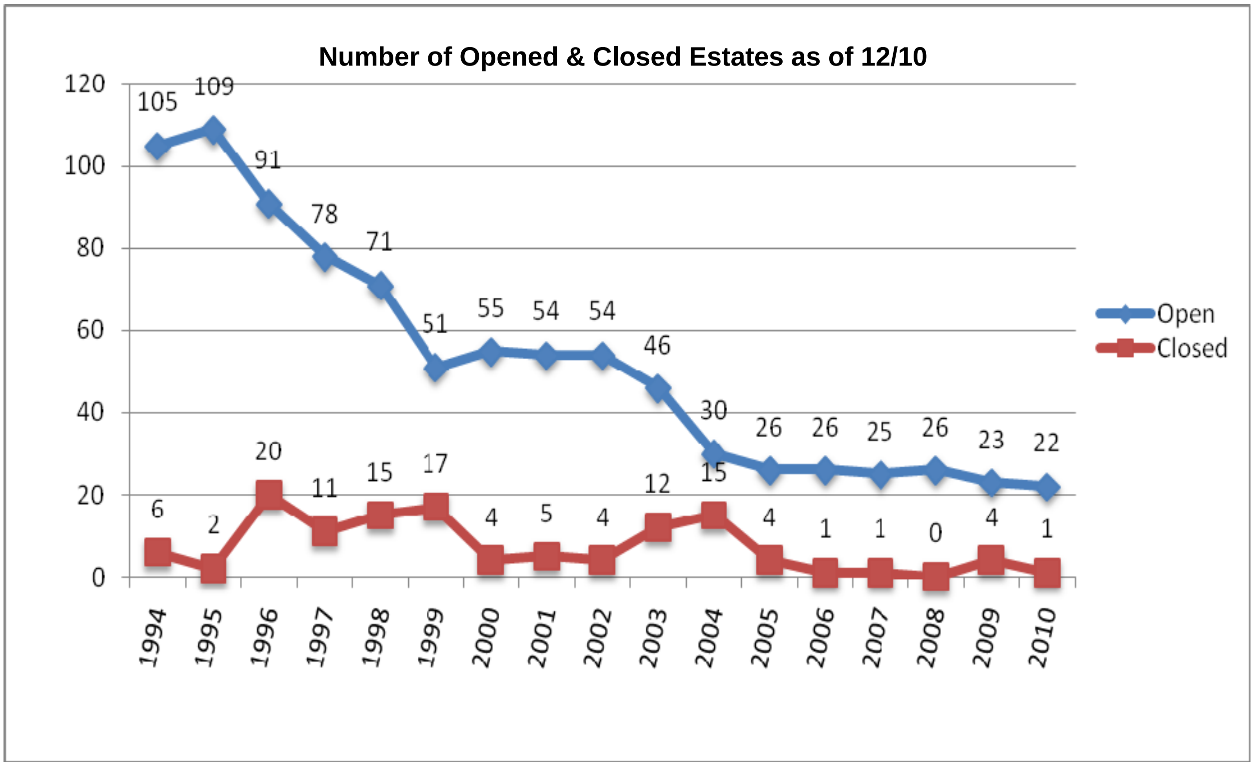
Entering 2010, there were 23 open estates under management by the CLO. The open estates consist of 19 Property & Casualty Estates, one Workers' Compensation Estate, and three Life/Health Estates. The CLO goal in 2010 was to close two estates and distribute $161 million.

In addition to the Business Plan, there are individual work plans and cross-departmental estate teams for each estate. The individual Estate teams provide a written update on a quarterly basis.

The 2010 goals and results were as follows:

1. Closings

GOAL	RESULTS
Close 2 Estates: 1) National Automobile 2) Municipal Mutual	One of the two estates was closed during 2010. One estate targeted for closure, Municipal Mutual, has one final reinsurance receivable to commute before it can make a final distribution and position the estate for closure.



Since 1994, there have been approximately 122 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 45 "regular" insurers. Ancillary and title companies typically require only limited work on behalf of the liquidator.

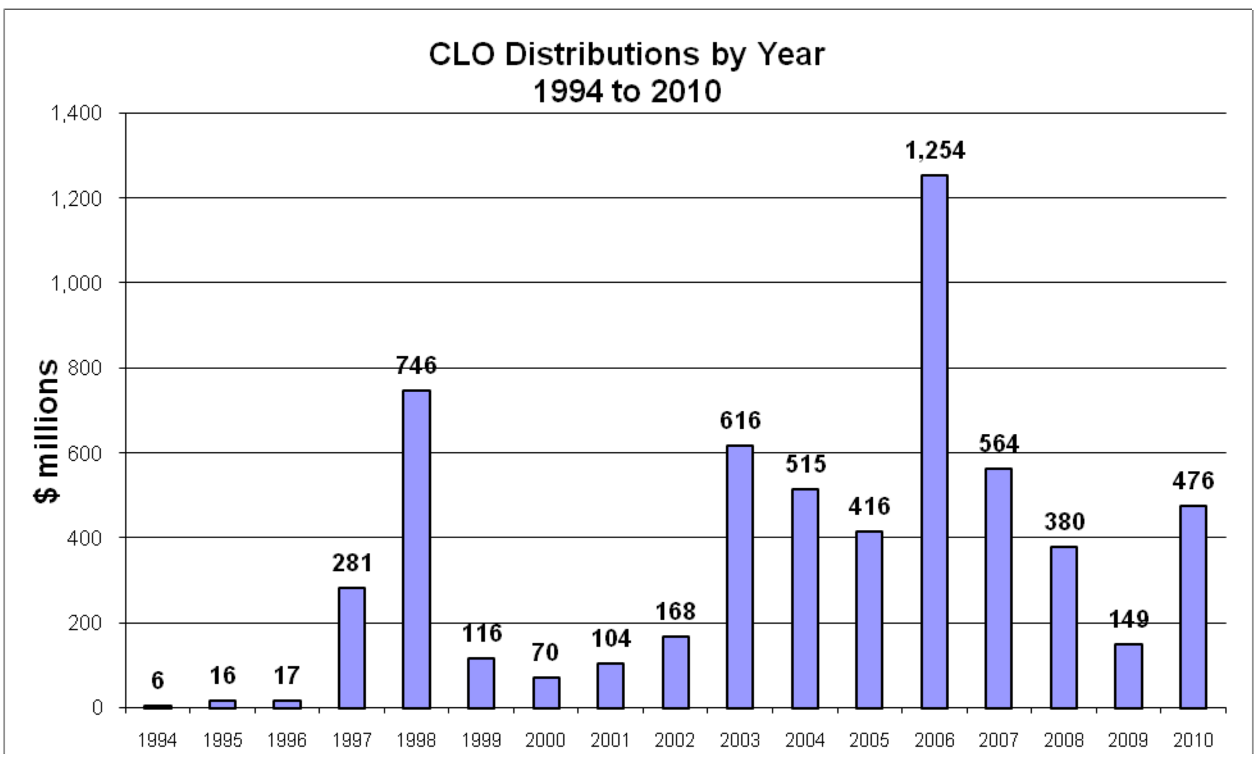
2. Distributions

Early Access and Interim Distributions
(in $ million)

	2010 Actual	2010 Goal
Fremont	$2.7	$50
Mission	$58.8	$60
Pacific National	$10.0	$12
Sable	$15.3	$15
SNICIL	$374.1	$15
Western Employers	$4.2	$0
Sub-total:	**$465.1**	**$152**

Final Distributions
(in $ million)

	2010 Actual	2010 Goal
Citation General	$11	$5
Municipal Mutual	$0	$4
Sub-total:	**$11**	**$9**
TOTAL DISTRIBUTIONS:	**$476.1**	**$161**



CLO Investment Policy

The CLO has a formal investment policy, as approved by its Oversight Board Committee, 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 (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., which was 19 months at December 31, 2010.

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, 2010, the CLO had $793 million of estate marketable investment securities under management.

For the year ending December 31, 2010, the average portfolio balance was approximately $775 million. The portfolio earned an interest yield of 3.0% and a net yield after security gains/losses and mark-to-market adjustments of 3.2%.

Administrative Expenses

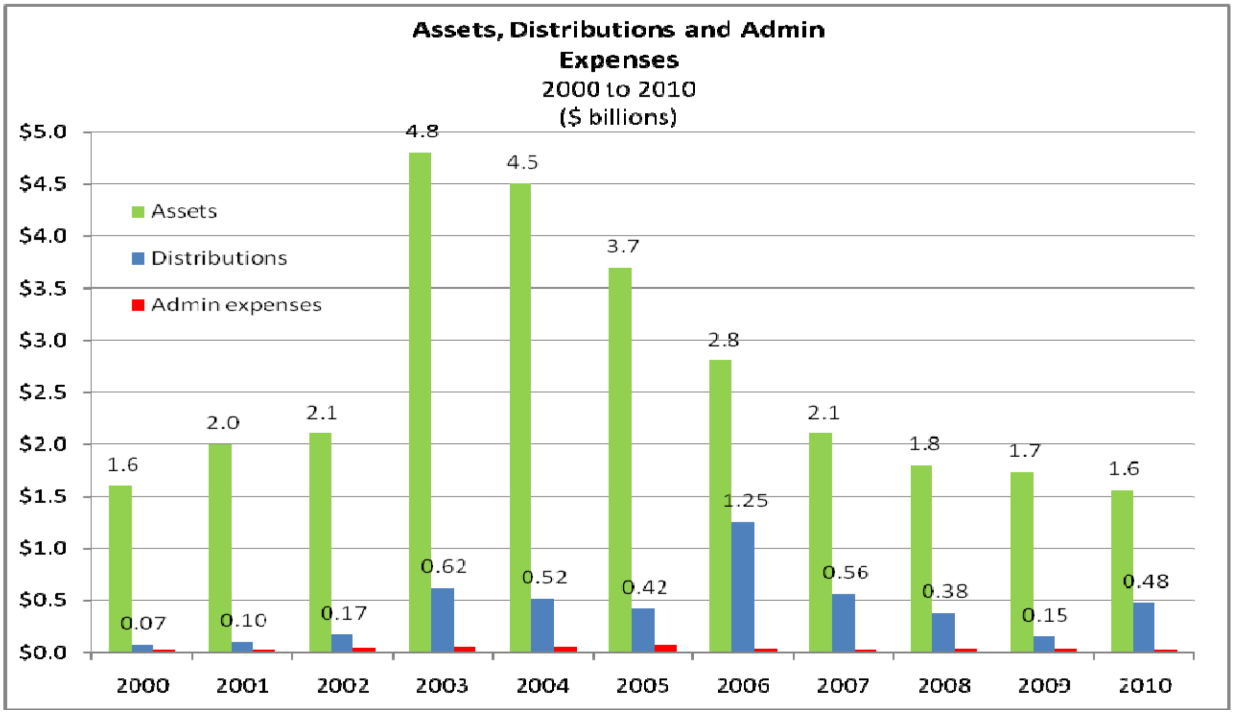
Administrative expenses consist of both direct and indirect expenses. [1]

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, 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, and in some instances direct contract hours charged. 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 2010 for direct and indirect expenses.*



The chart above displays the Conservation & Liquidation Office assets under management, distributions, and administrative expenses from the year 2000 to 2010. The table below lists these figures.

Year	Assets ($ billions)	Distributions ($ millions)	Admin. Expenses ($ millions)
2000	$1.6	$70	$21
2001	$2.0	$104	$24
2002	$2.1	$168	$40
2003	$4.8	$616	$53
2004	$4.5	$515	$51
2005	$3.7	$416	$77
2006	$2.8	$1,254	$32
2007	$2.1	$564	$21
2008	$1.8	$380	$26
2009	$1.7	$149	$30
2010	$1.6	$476	$22

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, two published survey sources were used. These survey sources are described below:

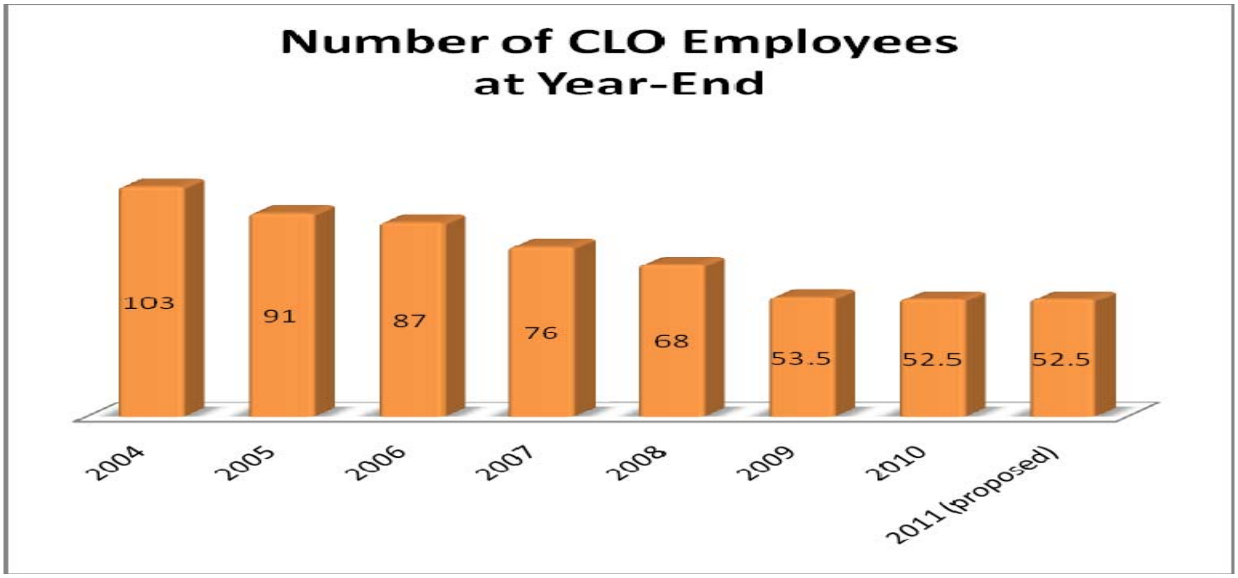
- Comp Analyst: Large survey representing thousands of companies across the U.S. which include hundreds of jobs. This subscription survey collects marketplace compensation data from many sources, and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.
- Economic Research Institute: Large survey representing thousands of companies across the U.S. which includes 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, organizations similar in size to the CLO, and 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 and total salaries for employees are summarized below:

	31-Dec-10	**31-Dec-11 (Budget)**
Number of CLO employees at beginning of year	52.5	52.5
Total compensation and benefits for CLO employees	$ 6,875,000	$ 7,200,200



The chart above shows the number of CLO employees from 2004 to 2011.

As estates have closed resulting in reduced workloads, and as a result of internal operating efficiencies, the number of full-time employees decreased by 49% compared to December 31, 2004.

CLO Financial Results

For Years Ended December 31, 2010 and December 31, 2009

Cash received	December 31, 2010		December 31, 2009
	Actual	Budget	
Litigation and reinsurance recoveries	$553,998,900	N/A[2]	$86,965,900
Investment income, net of expenses	23,876,200	N/A[3]	42,943,900
Total:	**$577,875,100**		**$129,909,800**

[2] Litigation and reinsurance recoveries are not susceptible 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, as well as changes in investment return rates.

	December 31, 2010		December 31, 2009
	Actual	Budget	
Distributions	**$476,114,600**	**$161,000,000**	**$148,556,800**

Administrative – Estate Direct Expenses

Estate Direct Expenses	December 31, 2010		December 31, 2009
	Actual	Budget	
Legal expenses	$9,202,000	$13,666,900	$12,831,300
Consultants and contractors	2,177,600	1,719,400	2,710,800
Office expenses	1,538,000	1,352,600	3,107,000
Compensation and benefits	80,100	0	863,300
Total	$12,997,700	$16,738,900	$19,512,200

Administrative – CLO Overhead Expenses

CLO overhead expenses	December 31, 2010		December 31, 2009
	Actual	Budget	
Compensation and benefits	$6,875,000	$6,757,100	$7,400,700
Office expenses	1,967,500	1,997,400	2,632,600
Consultants and contractors	185,500	225,600	399,100
Legal expenses	23,200	66,000	45,400
Total	$9,051,200	$9,046,100	$10,477,800

Administrative Totals	December 31, 2010		December 31, 2009
	Actual	Budget	
Estate Direct Expense Total	$12,997,700	$16,738,900	$19,512,200
CLO Overhead Expense Total	$9,051,200	$9,046,100	$10,477,800
Total:	**$22,048,900**	**$25,785,000**	**$29,990,000**

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.

Citation General:

The Estate wrote coverage on a broad range of long-tail insurance exposures. The 10-year statute of limitations on most of Citation's risks expired in late 2005 and a distribution of available funds was made to policyholder claims[4] in 2008. The Estate completed its final distribution in September 2010 and is scheduled to be closed in 2011.

[4] Policyholder claims are Class 2 claims under the current priority of payment scheme defined in the California Insurance Code 1033. Prior to 1998, policyholder claims were Class 5 claims. The date of liquidation governs which statutory priority scheme is applicable.

Executive Life & ELIC Opt Out Trust:

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The damages phase of the Commissioner's lawsuit against Altus has not been scheduled at this time. The Estate and associated trusts will be required to complete any escheatment of unclaimed funds post-final distribution. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $731 million from litigation and distributed $737 million to claimants. Assets presently in the Estate are held to fund ongoing litigation.

Golden Eagle:

The Estate is in long-term run off. Although all policyholder claims have been 100% reinsured, Golden Eagle remains liable to the policyholders should the reinsurer not be able to fulfill their obligations under the contract. The reinsurance program is structured to handle all remaining claims exposure. Until all claims are resolved or paid out, and all reinsurance collected, the Estate must remain open. The CLO acts in a pure monitoring capacity to ensure that the reinsurance structure continues to pay all claims. The claimants have received 100% reimbursement for their approved claims.

Mission/ Mission National/ Enterprise:

All policyholder claims have been paid in full in accordance with the 2006 distribution plan. Significant reinsurance recoveries remain due from other insolvency proceedings. The estates could incur a potentially significant federal income tax liability as a participant in a consolidated tax group. As tax years close, the tax reserves will be released and distributed to remaining creditors. All three estates will be required to complete the escheatment process once all funds have been distributed.

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

SNICIL resolved a long-term dispute with U.S. Life in 2010. Going forward, SNICIL will continue to run-off the reinsurance program.

Western Employers:

Western Employers wrote coverage on very long-tail exposures (asbestos, tobacco, etc.) and has been subject to extensive litigation associated with claims that exceed state guaranty fund limits or were altogether not covered. Inadequate record keeping and poor file management inherited at the time of liquidation have increased the difficulty in resolving the Estate's ultimate liability and collecting final assets.

Claims History

Property and Casualty Estates

Estate	Liquidation Date	Claims Filed	Claims Adjudicated	Open Claims
Alistar	10/24/2002	355	354	1
Citation	8/24/1995	1,107	1,107	0
Frontier Pacific	11/30/2001	33,636	33,633	3
Fremont	7/2/2003	45,611	45,319	292
Golden Eagle[5]	2/18/1998		n/a (see below)	
HIH (2 estates)	5/8/2001	3,172	3,158	14
Municipal Mutual	10/31/2006	4	3	1
Mission (3 estates)	2/24/1987	173,920	173,920	0
Pacific National	8/5/2003	4,448	4,446	2
Superior (5 estates)	9/26/2000	13,945	13,893	52
Sable	7/17/2001	377	377	0
Western Employers	4/19/1991	9,811	9,283	528
	Total:	**286,386**	**285,493**	**893**

[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.*

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.

Fremont Life Insurance Company: Fremont Life transferred approximately 3,500 in-force policies to assuming insurers via reinsurance agreements.

Golden State Mutual Life Insurance Company: Golden State transferred approximately 120,000 in-force policies to an assuming insurer via a reinsurance agreement.

2011 Business Goals

The 2011 Business Plan is a continuation of the objectives of the 2010 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing operating efficiencies.

Entering 2011, there are 22 open estates under management by the CLO. The open estates consist of 18 Property & Casualty Estates, one Workers' Compensation Estate, and three Life/Health Estates. Our goal in 2011 is to close three estates and distribute $382 million.

Starting 2011, we have 52.5 full-time employees and no temporary employees. We will re-assess staffing requirements at mid-year and will make any changes deemed necessary during the second half of 2011. In addition to the organizational goals, there are individual work plans and cross-departmental Estate teams for each of the 22 estates. The individual estate teams provide a written update on a quarterly basis.

The 2011 Goals are as follows:

1. Close 3 Estates[6]
   - Citation General
   - Municipal Mutual
   - Sable

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

2. Early Access, Interim, and Final Distributions

Early Access Distributions:	
Superior National Estates	$239,000,000
Fremont	60,000,000
Alistar	5,000,000
Interim Distributions:	
Pacific National	5,000,000
Superior National Estates	1,000,000
Final Distributions:	
Municipal Mutual	4,000,000
Enterprise	5,000,000
Sable	1,000,000
HIH America	60,000,000
National Automobile*	1,000,000
Paula*	1,000,000
	$382,000,000

**Supplemental Distribution*

Section 2 – Estate Specific Information

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Conservation or Liquidation Estates Opened During the Year 2010

N/A

Conservation or Liquidation Estates Closed During the Year 2010

National Automobile Cas. Ins. Co. – August 5, 2010

Current Year and Cumulative Distributions by Estate (in $000) [7]

	Year Ended 12/31/2010				Cumulative to 12/31/2010				
	Policyholders	Federal and State Claims	General Creditors	Total	Policyholders	Federal and State Claims	General Creditors	Total	
Alistar Ins Co	-	-	-	-	$8,073	-	-	$8,073	
Citation General Ins Co	$9,198	-	$1,813	$11,010	26,330	-	$1,813	28,143	
Executive Life Ins Co	-	-	-	-	-	-	-	737,276	*
Fremont Indemnity Co	2,665	-	-	2,665	862,455	-	-	862,455	
Great States Ins Corp	-	-	-	-	10,155	-	-	10,155	
HIH America Ins Co	-	-	-	-	278,088	-	-	278,088	
Mission Ins Co	203	-	58,413	58,616	846,833	$111	265,664	1,112,608	
Mission National Ins Co	245	-	-	245	499,852	-	27,077	526,929	
Enterprise Ins Co	-	-	-	-	120,573	40	5,339	125,952	
Pacific National Ins Co	10,000	-	-	10,000	33,416	-	-	33,416	
Sable Ins Co	15,321	-	-	15,321	21,983	-	-	21,983	
California Comp Ins Co	174,384	-	-	174,384	646,484	-	-	646,484	
Combined Benefits Ins Co	3,272	-	-	3,272	21,480	-	-	21,480	
Superior National Ins Co	154,531	-	-	154,531	341,703	-	-	341,703	
Superior Pacific Cas Co	7,508	-	-	7,508	38,094	-	-	38,094	
Commercial Comp Cas Co	34,407	-	-	34,407	83,850	-	-	83,850	
Western Employers Ins Co	4,156	-	-	4,156	67,070	-	-	67,070	
	$415,889	$0	$60,226	$476,115	$3,906,440	$151	$299,894	$4,943,760	

[7] *Fremont Life, Frontier Pacific, Golden Eagle, Golden State Mutual, and Municipal Mutual estates are not included on this schedule as no distributions have occurred.*

** Since administration was transferred to CLO in 1997.*

Estates in Conservation and/or Liquidation as of December 31, 2010

Estate Name	Date Conserved	Date Liquidated
Alistar Insurance Company	04/11/02	10/24/02
California Compensation Insurance Company	03/06/00	09/26/00
Citation General Insurance Company	07/21/95	08/24/95
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Enterprise Insurance Company	11/26/85	02/24/87
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	*
Frontier Pacific Insurance Company	09/07/01	11/30/01
Golden Eagle Insurance Company	01/31/97	02/18/98
Golden State Mutual Life Insurance Company	09/30/09	01/28/11
Great States Insurance Company	03/30/01	05/08/01
HIH America Comp. & Liability 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
Municipal Mutual Insurance Company	*	10/31/06
Pacific National Insurance Company	05/14/03	08/05/03
Sable Insurance Company	05/10/01	07/17/01
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 Conservation or 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 2010 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

Alistar Insurance Company

Conservation Order: April 11, 2002
Liquidation Order: October 24, 2002

2010 Report

Alistar Insurance Company ("Alistar") was a non-standard automobile and workers' compensation insurance company that was domiciled and wrote business in California. Alistar also wrote bail bond business, some portion of which was sold to Lincoln General Insurance prior to liquidation. The "Claims Bar Date," or the final date to submit a claim against the insolvent insurer, was July 31, 2003.

The primary work associated with the insolvency was the transfer of all open covered claims to the California Insurance Guarantee Association ("CIGA") and to run off the reinsurance program.

During 2010, the Estate's goal was to bill active reinsurance treaties and to position the remaining reinsurance agreements for commutation. The Reinsurance Department has obtained updated actuarial studies and is in negotiations with one primary reinsurer to commute their treaty. Absent a settlement with the reinsurer in the near term, the Estate will work with CIGA to assign the remaining reinsurance treaties to them and allow the Estate to make its final distribution.

The Estate's immediate goal is to resolve the final reinsurance contract through commutation or assignment. Thereafter all policyholder claims liability will be determined and a final distribution paid. The Estate will seek to make the final distribution by 2011 and close the Estate thereafter subject to any escheatment requirements.

Alistar Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$14,170,000	$16,155,700
Recoverable from reinsurers	9,438,800	2,962,500
Other assets	1,500	1,300
Total assets	23,610,300	19,119,500

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	283,500	8,900
Claims against policies, before distributions	47,911,200	48,409,600
Less distributions to policyholders	(8,073,200)	(8,073,200)
All other claims	111,000	111,000
Total liabilities	40,232,500	40,456,300
Net assets (deficiency)	($16,622,200)	($21,336,800)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$858,000	$453,800
Salvage and other recoveries	104,100	366,800
Total income	962,100	820,600

Expenses	2009	2010
Loss and claims expenses	(2,279,500)	5,673,900
Administrative expenses	274,300	133,000
Total expenses	(2,005,200)	5,806,900
Net income (loss)	$2,967,300	($4,986,300)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$13,361,500
Recoveries, net of expenses	10,867,400
Distributions	(8,073,200)
Monetary assets available for distribution	$16,155,700

Citation General Insurance Company

Conservation Order: July 21, 1995
Liquidation Order: August 24, 1995

2010 Report

Citation General Insurance Company ("Citation") was the successor to Canadian Indemnity Company and Canadian Insurance Company of California via an Assumption Agreement dated February 13, 1986. Citation wrote primarily medical malpractice, workers' compensation and healthcare insurance. Citation also wrote contractors' general liability policies covering construction defects and other losses. Citation was licensed to conduct business in California, Nevada, Arizona, South Dakota, and Washington. The "Claims Bar Date," or the final date to submit a claim against the Estate, was September 9, 1996.

The initial effort after liquidation was to transfer all covered claims to the insurance guaranty associations (primarily workers compensation and construction defect exposure) and to resolve the Estate's participation in a claims pooling arrangement. Additionally, the Estate assumed control of the reinsurance program and completed a run off of all treaties.

During 2010, the Estate's goal was to resolve all asset collections, determine final estate liabilities (subject to ultimate tax exposure), obtain IRS approval for recognition of exemption for years 2004-2007, and position the Estate to make a final distribution. All goals were satisfied and the estate completed its final distribution on September 2, 2010.

The Estate's remaining objective is to escheat any unclaimed funds to the California Department of Insurance, and petition the San Francisco Superior Court to close the Estate in 2011.

Citation General Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$11,500,000	$557,800
Recoverable from reinsurers	86,600	-
Other assets	600	300
Total assets	11,587,200	558,100

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	1,615,800	222,600
Claims against policies, before distributions	17,961,600	26,330,300
Less distributions to policyholders	(17,132,700)	(26,330,300)
All other claims	1,812,600	-
Total liabilities	4,257,300	222,600
Net assets (deficiency)	$7,329,900	$335,500

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$829,100	$363,900
Salvage and other recoveries	25,000	600
Total income	854,100	364,500

Expenses	2009	2010
Loss and claims expenses	326,400	8,427,200
Administrative expenses	326,500	383,100
Total expenses	652,900	8,810,300
Net income (loss)	$201,200	($8,445,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$8,744,200
Recoveries, net of expenses	19,956,500
Distributions	(28,142,900)
Monetary assets available for distribution	$557,800

Executive Life Insurance Company

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

2010 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 350,000 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 was approved by the Court.

In March 1992, ELIC's junk bond portfolio was transferred to Altus Finance for a total 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, in his capacity as conservator, rehabilitator and liquidator of the Estate, 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 defendants in 2004 and 2005.

A trial against the remaining defendants 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. 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. At present, no trial date has been set.

The Estate is a party to a proceeding brought by certain Indenture Trustee policyholders who challenged various CLO administrative expenses for the period January 1, 1997 to June 30, 2008. The Court issued an order on December 7, 2009 approving those expenses and subsequently denied the request by the Indenture Trustee policyholders for attorneys fees. The policyholders have filed an appeal, and the Estate expects that the appeal will be heard in 2011.

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. A distribution of $211 million of Altus Litigation Funds was made to Opt-Out policyholders in February 2006. Presently the remaining assets of the Opt-Out Trust consist of (1) distributions allocated to policyholders with whom contact has been lost, in most cases due to bad addresses (funds for those for whom contact has been lost will be escheated to the last known state of residence), and (2) the settlement proceeds of Mutuelle Assurance Artisinale De France ("MAAF") (one-third of the recovery of a default judgment in the name of defendant, MAAF) which became available for distribution to Opt-Out policyholders. As the costs to effect a distribution of this size outweigh the benefits to the Opt-Outs, the Commissioner determined that MAAF funds would be distributed when the new damages phase of the NOLHGA Premise including punitive damages, if any, is concluded. The trial court had initially set a hearing on November 3, 2009 but the court vacated that date with the understanding that a new trial date would be set. The Commissioner anticipated that if the hearing was held on the date it was originally set, a distribution of the MAAF funds would have occurred together with any new awards that the Commissioner would have received. Because the date of the trial was vacated and a new date has not yet been set, the Commissioner moved forward and completed a distribution of approximately $10 million of MAAF funds in September 2010. This trust however, continues to remain open to effect additional distributions to Opt-Out policyholders if the Commissioner is successful in the retrial.

Holdback Trust

The Holdback Trust was closed on September 29, 2010 and the Commissioner was discharged as trustee. Funds were distributed to policyholders for whom we had an appropriate address. For policyholders that we were unable to locate, those funds were escheated to the various states of domicile.

FEC Litigation Trust

This trust was established September 1992 between First Executive Corporation ("FEC"), the parent company of Executive Life Insurance Company ("ELIC") and the Commissioner in his capacity as conservator, rehabilitator and liquidator of ELIC. The purpose of this trust was to collect the proceeds of certain litigation claims and to distribute the proceeds to former ELIC policyholders in accordance with the terms of the trust. The distribution in 2002 paid all funds except for funds that were due ELIC policyholders that could not be located. Those funds, where policyholders were unable to be located, were escheated to the various states of domicile. We have applied and have received approval from California Insurance Fund for a transfer of funds to reimburse the trust because of budget over-run. The trust is in position for closure by June 30, 2011. At that time the Commissioner will file an application, including financials from inception to close, to the court to terminate the trust and discharge the Commissioner as trustee.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$51,375,500	$46,208,200
Other assets	1,605,800	1,605,800
Total assets	52,981,300	47,814,000

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	8,484,800	8,835,200
Policyholder liability	5,241,748,200	5,696,985,700
All other claims	428,800	428,800
Total liabilities	5,250,661,800	5,706,249,700
Net assets (deficiency)	($5,197,680,500)	($5,658,435,700)

INCOME AND EXPENSES

For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$2,669,000	$1,245,400
Miscellanoues income	-	650,500
Total income	2,669,000	1,895,900

Expenses	2009	2010
Post-liquidation Federal income tax	229,400	(226,500)
Administrative expenses	10,302,900	7,848,300
Interest on policyholder liability	227,623,300	227,623,300
Total expenses	238,155,600	235,245,100
Net income (loss)	($235,486,600)	($233,349,200)

CHANGE IN MONETARY ASSETS [9]

Beginning monetary assets at takeover	$112,111,400
Recoveries, net of expenses	671,372,700
Distributions	(737,275,900)
Monetary assets available for distribution	$46,208,200

[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, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$21,184,100	$10,234,000
Total assets	21,184,100	10,234,000

Liabilities	12/31/2009	12/31/2010
Secured claims	18,043,800	7,568,800
Unclaimed funds payable	2,476,700	2,474,600
Reserve for administrative expenses	663,600	190,600
Total liabilities	21,184,100	10,234,000

INCOME AND EXPENSES

For Year Ended December 31, 2009 and 2010

Income and Expenses	2009	2010
Investment income	$39,000	$114,000
Administrative expenses	120,100	631,500
Net income (loss)	($81,100)	($517,500)

ELIC FEC Litigation Trust

Assets	12/31/2009	12/31/2010
Cash and investments	($201,500)	($21,700)
Receivable from Insurance Fund	298,700	22,100
Total assets	97,200	400

Liabilities	12/31/2009	12/31/2010
Reserve for administrative expenses	97,200	400
Total liabilities	97,200	400

INCOME AND EXPENSES

For Year Ended December 31, 2009 and 2010

Income and Expenses	2009	2010
Investment income	$33,500	($3,500)
Administrative expenses	144,800	263,700
Net income (loss)	($111,300)	($267,200)

Fremont Indemnity Company

Conservation Order: June 04, 2003
Liquidation Order: July 02, 2003

2010 Report

Fremont was authorized as a multi-line Property & Casualty insurer, but at 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 is 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.

The Estate filed various lawsuits seeking to recover assets or damages from the parent entity, former officers and directors as well as third parties.

The Estate's parent company, FGC, filed for protection under Chapter 11 of the federal bankruptcy code in June of 2008. As part of the FGC consolidated tax group the Estate sought to protect certain tax attributes and to ensure financial recovery or preservation of its net operating losses.

All legal disputes have been resolved and essentially all amounts due under the global settlement with FGC have been collected. The Estate has completed the deconsolidation process and is now a stand-alone taxpayer.

The Estate continues to bill and collect on active reinsurance treaties, as well as seeking commutations where advantageous. The closure of the Los Angeles reinsurance unit was completed on June 30, 2009. All on-going reinsurance processing is now being handled by the CLO San Francisco staff who will complete the balance of the run off of the reinsurance program.

Fremont Indemnity Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$103,111,700	$159,803,100
Recoverable from reinsurers	180,438,900	184,855,500
Other assets	56,502,600	25,781,300
Total assets	340,053,200	370,439,900

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	24,261,300	15,644,400
Claims against policies, before distributions	2,749,754,800	2,980,833,000
Less distributions to policyholders	(859,789,200)	(862,454,600)
All other claims	395,607,400	400,084,200
Total liabilities	2,309,834,300	2,534,107,000
Net assets (deficiency)	($1,969,781,100)	($2,163,667,100)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$9,417,100	$2,998,100
Litigation recoveries	40,428,700	251,700
Salvage and other recoveries	8,370,500	10,565,500
Total income	58,216,300	13,815,300

Expenses	2009	2010
Loss and claims expenses	375,218,300	210,327,300
Administrative expenses	9,261,600	3,938,200
Total expenses	384,479,900	214,265,500
Net income (loss)	($326,263,600)	($200,450,200)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$434,855,900
Recoveries, net of expenses	587,401,800
Distributions	(862,454,600)
Monetary assets available for distribution	$159,803,100

Fremont Life Insurance Company

Conservation Order: June 05, 2008

2010 Report

Fremont Life Insurance Company ("Fremont Life"), a California domiciled life insurance company was located in Costa Mesa, California and licensed in 13 states and Guam. Fremont Life is a wholly owned subsidiary of Fremont Compensation Insurance Group Inc., whose ultimate parent is Fremont General Corporation ("FGC"). FGC filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June of 2008. On May 15, 2008, Fremont Life filed their March 31, 2008 quarterly statement with the California Department of Insurance reporting surplus of $1,967,289. The minimum required capital and surplus for Fremont Life is $4,500,000. With the subsequent bankruptcy filing by its parent FGC the California insurance regulators opted to seek a conservation of Fremont Life.

All active 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 was able to recover most protective deposits in 2010, and is well under way to ensuring all risk has been transferred and novated. The Estate will seek to resolve all pending issues in 2011 and will work to close the conservation in 2012.

Fremont Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$1,296,800	$1,246,900
Other assets	209,300	159,300
Total assets	1,506,100	1,406,200

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	32,700	3,300
All other claims	1,408,500	1,435,000
Total liabilities	1,441,200	1,438,300
Net assets (deficiency)	$64,900	($32,100)

INCOME AND EXPENSES

For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	($67,000)	$73,400
Litigation recoveries	100,000	-
Salvage and other recoveries	96,100	10,000
Total income	129,100	83,400

Expenses	2009	2010
Loss and claims expenses	-	12,500
Administrative expenses	170,300	141,400
Total expenses	170,300	153,900
Net income (loss)	($41,200)	($70,500)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$1,443,100
Recoveries, net of expenses	(196,200)
Monetary assets available for distribution	$1,246,900

Frontier Pacific Insurance Company

Conservation Order: September 7, 2001
Liquidation Order: November 30, 2001

2010 Report

Frontier Pacific Insurance Company ("FPIC"), a California domiciled property and casualty insurer, was licensed in California, Nevada, New York and South Carolina. FPIC primarily wrote surety and private passenger auto liability. In August 2001, FPIC's parent company, Frontier Insurance Company ("FIC") of New York, voluntarily entered rehabilitation under the control of the New York Liquidation Bureau. As a result of the FIC rehabilitation, substantial reinsurance recoverables due FPIC from FIC were never paid. A subsequent financial examination by the California regulators disallowed the FIC reinsurance receivable, resulting in a negative surplus on FPIC's books, and FPIC was placed into conservation on September 7, 2001. During conservation, the Commissioner determined that FPIC's financial condition was such that rehabilitation was futile and an Order of Liquidation was obtained on November 30, 2001. The "Claims Bar Date," or the final date to submit a claim against the Estate, was August 30, 2002. The FPIC claims operation was transferred to the CLO in October 2005.

FPIC and its agents (including its parent, FIC) held collateral in various forms as security for the issuance of surety bonds, including large numbers of bail bonds. The Liquidator has finalized and released security for those obligations which have expired. All items of collateral associated with bail bonds have been returned, except those associated with forfeited bonds. As for those outstanding unliquidated obligations, the Liquidator is making suitable arrangements to effect release to the appropriate parties, including escheatment. The Liquidator has reached an agreement with the New York Liquidation Bureau on a procedure for the disposition of collateral securing joint and several obligations of FPIC and FIC.

Since FPIC's liquidation in November 2001, the liquidator continues to marshal FPIC's assets to pay approved claims. However, FIC has refused to honor approximately $19.1 million in reinsurance obligations owed to FPIC. In addition, FIC has improperly retained approximately $190,000 which FIC collected on FPIC's behalf from Everest Reinsurance Company and has not provided FPIC with the necessary documents or assistance to collect on a federal income tax recoverable of approximately $5.3 million. Over the past eight years, the Commissioner has sought the cooperation of the New York Liquidation Bureau in marshalling these assets, but that cooperation has not been forthcoming. Thus, the Commissioner commenced litigation against FIC in the New York court overseeing the FIC rehabilitation, to determine whether FIC is in a financial position to honor any portion of FPIC's claims. The New York Liquidation Court denied the petition for lack of standing, but ordered FIC to develop and submit a Plan of Rehabilitation by April 10, 2011.

In April 2011, the Commissioner contemplates arbitration proceedings with FPIC's largest reinsurer, National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway, which refuses to pay FPIC, asserting that it may offset against FPIC's claims over $40 million in premium owed by FIC, for which NICO released FIC, in a transaction to which FPIC was not a party. Resolution of the NICO and FIC reinsurance relationships will be a significant step toward positioning the Estate for a final distribution and closure.

Frontier Pacific Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$19,335,900	$18,270,900
Recoverable from reinsurers	43,956,900	40,358,200
Other assets	1,419,600	1,379,400
Total assets	64,712,400	60,008,500

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	2,638,000	2,810,000
Claims against policies, before distributions	53,908,900	53,847,100
All other claims	22,675,000	22,608,400
Total liabilities	79,221,900	79,265,500
Net assets (deficiency)	($14,509,500)	($19,257,000)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$1,096,900	$512,800
Salvage and other recoveries	285,900	118,100
Total income	1,382,800	630,900

Expenses	2009	2010
Loss and claims expenses	5,199,000	3,669,500
Administrative expenses	980,200	1,709,000
Total expenses	6,179,200	5,378,500
Net income (loss)	($4,796,400)	($4,747,600)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,531,900
Recoveries, net of expenses	(261,000)
Monetary assets available for distribution	$18,270,900

Golden Eagle Insurance Company

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

<u>2010 Report</u>

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 operating assets and future business was 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.

Prior to December 2006, the Golden Eagle Insurance Company Liquidating Trust ("The Trust"), which was created under the Plan and approved by the Superior Court as a neutral mechanism to manage the liquidation of Golden Eagle. Substantially all of the Trust's duties were fully discharged by the end of 2006, at which point the Trust was terminated and the residual liquidation duties were assumed by the Commissioner's Conservation & Liquidation Office ("CLO").

The Liquidation Order does not contain a formal finding of insolvency, and thus the Insurance Guaranty Associations ("IGAs") have not been triggered, and no bar date has been set for the filing of 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.

Prior to its termination, the Trust was responsible for the management of the third-party claim administrator and reinsurer (affiliates of Liberty Mutual Insurance Company) that were and continue to be responsible for the adjustment and payment of covered policyholder claims under the Plan. Those oversight duties now reside with the CLO. The Trust also managed the residual assets of the liquidated Estate and administered to resolution all proofs of claims filed by general creditors. The "Claims Bar Date," or the final date to submit general creditor claims (i.e., non-policyholder claims) against the Estate, was February 27, 1998. The adjustment and payment of non-policyholder claims was completed by the Trust shortly before its termination near the end of 2006.

As part of the Plan, the Trust purchased sufficient reinsurance coverage to cover the remaining covered insurance policy exposures, including liabilities under both workers' compensation and other property and casualty policies. In 2006, the Trust and the Commissioner prepared and implemented a final closing plan for the Trust. All affairs associated with the discontinued insurance operations and monitoring of the claims run off plan have been transferred to the CLO. The Trust was officially terminated and closed on November 30, 2006.

As all remaining policyholder claims are being administered and paid under an indemnity reinsurance agreement with Liberty Mutual affiliates. Given the "long-tail" nature of the claims portfolio, completing the run-off process is expected to take many more years. During 2010, the CLO opened negotiations with Liberty Mutual regarding a possible transfer of the remaining run-off claims via novation or the equivalent. Until the entire remaining exposure is assumed or novated, the Estate must remain open to monitor the long-term claim run-off.

Golden Eagle Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$1,923,800	$1,888,700
Total assets	1,923,800	1,888,700

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	300	900
Total liabilities	300	900
Net assets (deficiency)	$1,923,500	$1,887,800

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	($4,800)	$58,200
Salvage and other recoveries	2,300	-
Total income	(2,500)	58,200

Expenses	2009	2010
Administrative expenses	104,500	93,900
Total expenses	104,500	93,900
Net income (loss)	($107,000)	($35,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover [10]	$2,029,000
Recoveries, net of expenses	(140,300)
Monetary assets available for distribution	$1,888,700

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

Golden State Mutual Life Insurance Company

Conservation Order: September 30, 2009
Liquidation Order: January 28, 2011

2010 Report

Golden State Mutual Life Insurance Company, (Golden State), was a mutual life and health insurance company domiciled and incorporated in California, with its principal place of business and home office located in Los Angeles. Golden State's business focus has been to provide life insurance products to the minority middle-income marketplace with a geographic emphasis in California, Texas, North Carolina, Michigan and Illinois.

In August 2009, Golden State filed a Quarterly Statement as required by the Insurance Code, showing its financial condition as of June 30, 2009. The Quarterly Statement indicated that Golden State had assets of $93,291,509 and liabilities of $91,640,816. Thus, Golden State's surplus was $1,650,693 or $3,349,307 less than the total aggregate of the minimum paid-in capital and minimum surplus required by the Insurance Code, a circumstance that indicates Golden State was impaired. Consequently, Golden State was placed into conservation on September 30, 2009.

Based on Golden State's financial condition and its operational capabilities, the Conservator determined that the business operations of Golden State were not sustainable and that the best course of action for Golden State's policyholders and creditors was for the Conservator to position Golden State for a sale, merger or an assumption of its insurance book of business by a third party.

In November 2009, the Conservator conducted a national "request for proposal" process seeking a healthy successor insurer to purchase the mutual company or assume its book of business. IA American Life Insurance Company was the successful bidder and the Superior Court approved the sale on June 24, 2010.

On September 2, 2010, the Conservator and IA American Life Insurance Company ("IA American") closed both the Assumption Reinsurance Agreement and the Agreement and Plan of Rehabilitation for Golden State Mutual Life Insurance Company both dated May 7, 2010. Both agreements had been approved by the Court on June 24, 2010. The closing of these agreements means that (1) all of Golden State's in-force life, health and disability insurance policies and annuity contracts were transferred to and assumed by IA American as of January 1, 2010, (2) all required governmental and state insurance department approvals for the transaction were attained, (3) all assets to be transferred to IA American were transferred including Golden State's mortgage loan portfolio, and (4) Golden State received the $11 million ceding commission for the transaction, paid in the form of a credit to Golden State against transferred liabilities.

On December 21, 2010, the Conservator filed and served a Motion for Order of Liquidation and Orders and Injunctions in Aid of Liquidation for Golden State Mutual Life Insurance Company ("Liquidation Motion"), seeking an order to liquidate and wind up Golden State's business, an order establishing a Claims Bar Date, and orders and injunctions in aid of liquidation. These orders are appropriate and required because, pursuant to Insurance Code § 1016, the Conservator has determined that it would be futile for him to proceed as Conservator since Golden State's estimated liabilities of $9,291,895 exceed its estimated remaining assets of $5,721,154 by over $3 million. A hearing on the Liquidation Motion and an Order to Show Cause why the Court should not grant the Liquidation Motion was held on January 28, 2011, and an order was granted.

The majority of the 2011 Golden State activities will revolve around the dissolution of the pension plan, monetizing the real estate and art assets and conducting the proof of claim process.

Golden State Mutual Life Ins Co

ASSETS AND LIABILITIES
As of September 30, 2009 and December 31, 2010

Assets	9/30/2009 [11]	12/31/2010 [12]
Cash and investments	$72,139,200	$1,592,700
Recoverable from reinsurers	25,900	-
Other assets	2,366,200	2,537,400
Total assets	74,531,300	4,130,100

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	-	1,618,800
Policyholder claims	71,078,700	-
All other claims	4,236,200	7,569,100
Total liabilities	75,314,900	9,187,900
Net assets (deficiency)	($783,600)	($5,057,800)

INCOME AND EXPENSES
For Period Ended September 30, 2009 and December 31, 2010

Income	2009 [11]	2010 [12]
Investment income (loss)	$2,560,000	($605,400)
Cessions and premium income	8,367,000	15,707,200
Other income	179,900	1,070,200
Total income	11,106,900	16,172,000

Expenses	2009	2010
Loss and claims expenses	13,204,500	7,034,000
Administrative expenses	150,900	13,412,200
Total expenses	13,355,400	20,446,200
Net income (loss)	($2,248,500)	($4,274,200)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$72,139,200
Recoveries, net of expenses	(70,546,500)
Monetary assets available for distribution	$1,592,700

[11] *Assets and liabilities of Golden State Mutual and its operating income and expenses using statutory basis of accounting as of 9/30/2009, when it was placed under a Conservation Order.*

[12] *Assets and liabilities of Golden State Mutual and its operating income and expenses using liquidation basis of accounting as of 12/31/2010.*

HIH America Comp. & Liability Insurance Company

Conservation Order: March 30, 2001
Liquidation Order: May 8, 2001

2010 Report

HIH America Compensation Liability Insurance Company ("HIH") was domiciled in California and licensed to transact business in 31 states with California being the primary state accounting for 82% of the business written. HIH wrote only workers' compensation insurance. The "Claims Bar Date," or the final date to submit a claim against the insolvent Estate, was December 2, 2001.

Given the number of states in which HIH wrote business, a significant effort was required at the time of liquidation to properly transfer all open covered claims to the insurance guaranty community. The Estate had a significant amount of intercompany relationships with various affiliates that required a considerable amount of work to resolve such intercompany balances. Additionally, the Estate had a significant reinsurance program that was placed under a run off plan.

The reinsurance program has been essentially run-off to conclusion. All recoverable assets have been collected or resolved. The Estate continues to collect periodic payments from the insolvent parent company and is preparing for a final distribution in 2011.

HIH America Comp & Liability Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$60,209,600	$62,555,300
Recoverable from reinsurers	2,014,100	1,507,100
Other assets	11,059,400	100
Total assets	73,283,100	64,062,500

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	1,800	100
Claims against policies, before distributions	721,916,800	748,525,900
Less distributions to policyholders	(278,087,900)	(278,087,900)
All other claims	923,800	927,500
Total liabilities	444,754,500	471,365,600
Net assets (deficiency)	($371,471,400)	($407,303,100)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$3,459,300	$1,878,800
Salvage and other recoveries	1,492,800	1,420,200
Total income	4,952,100	3,299,000

Expenses	2009	2010
Loss and claims expenses	52,861,800	38,868,500
Administrative expenses	403,800	262,300
Total expenses	53,265,600	39,130,800
Net income (loss)	($48,313,500)	($35,831,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$147,637,800
Recoveries, net of expenses	193,005,400
Distributions	(278,087,900)
Monetary assets available for distribution	$62,555,300

Great States Insurance Company

Conservation Order: **March 30, 2001**
Liquidation Order: **May 8, 2001**

2010 Report

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 issue with American Home Assurance. Absent an agreement on the development of loss reserves, the Estate will consider foregoing a settlement and seek agreeable arrangement with the California Guarantee Association to assign the surety bonds and prepare the Estate for a final distribution in 2012.

Great States Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$7,064,600	$7,163,500
Recoverable from reinsurers	10,590,600	10,590,600
Total assets	17,655,200	17,754,100

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	17,000	48,000
Claims against policies, before distributions	85,041,800	85,178,400
Less distributions to policyholders	(10,154,800)	(10,154,800)
All other claims	11,917,600	11,917,600
Total liabilities	86,821,600	86,989,200
Net assets (deficiency)	($69,166,400)	($69,235,100)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$447,000	$219,000
Salvage and other recoveries	(293,000)	23,700
Total income	154,000	242,700

Expenses	2009	2010
Loss and claims expenses	4,897,900	182,300
Administrative expenses	194,000	129,200
Total expenses	5,091,900	311,500
Net income (loss)	($4,937,900)	($68,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$7,889,700
Recoveries, net of expenses	9,428,600
Distributions	(10,154,800)
Monetary assets available for distribution	$7,163,500

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

Enterprise Insurance Company

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

2010 Report

The insolvency of Mission Insurance Company and affiliated insurers was the largest Property and Casualty insurer failure at the time of its conservation. The Mission Companies wrote complicated primary, excess, and surplus insurance and reinsurance, much of which covers long-term exposure with losses developing over decades of time.

The Mission group of companies consisted of five affiliates: Mission Insurance Company ("MIC"), Mission National Insurance Company ("MNIC") and Enterprise Insurance Company ("EIC") which are California-domiciled companies. Holland-America Insurance Company ("HAIC") and Mission Reinsurance Corporation ("MRC") are domiciled in Missouri. HAIC wrote Property &Casualty business while MRC reinsured Property & Casualty business. These companies are direct or indirect subsidiaries of the Mission Insurance Group, Inc., which was later renamed as Danielson Holding Corporation ("DHC"), now known as Covanta Holding Corporation.

The Mission Insurance Companies' insolvency proceedings began with a court-ordered conservation of the Enterprise entity in November of 1985 with the balance of the entities being conserved on October 31, 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 HAIC and MRC 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 2010, the general creditors of the Mission and Enterprise estates 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. Once those tax years are closed, the estates will seek court approval to distribute the reserves to claimants or pay the Internal Revenue Service.

Distributions to claimants in 2008 included the payment of both cash and stock. Both the Mission and Mission National estates held stock for the benefit of its claimants. In accordance with the court-approved allocation methodology, $32 million worth of Covanta shares were distributed to Mission and Mission National claimants. Additionally, the Mission estate distributed $28 million to its general creditors, and Mission National distributed $93 million as interest to its covered policyholder class.

The Mission estates file status conference reports on a regular quarterly interval. As final assets are recovered and tax reserves released, additional distributions to the claimants will be scheduled. The Mission Estate received a distribution from an insolvent affiliated entity thus allowing the Estate to make a $58 million distribution to its creditors in 2010.Both the Mission and Mission National estates will also evaluate the available assets in 2011, and determine potential further distributions to general creditors.

Mission Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$94,423,500	$102,473,300
Recoverable from reinsurers	21,586,400	21,586,400
Other assets	79,798,100	24,027,200
Total assets	195,808,000	148,086,900

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	79,398,300	79,370,900
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,629,600)	(846,832,600)
All other claims	256,851,600	198,438,500
Total liabilities	336,452,900	277,809,400
Net assets (deficiency)	($140,644,900)	($129,722,500)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$5,966,000	$4,254,300
Salvage and other recoveries	233,200	5,809,600
Total income	6,199,200	10,063,900

Expenses	2009	2010
Loss and claims expenses	25,067,700	(1,202,800)
Administrative expenses	739,800	700,100
Total expenses	25,807,500	(502,700)
Net income (loss)	($19,608,300)	$10,566,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$133,667,000
Recoveries, net of expenses	1,081,414,300
Distributions	(1,112,608,000)
Monetary assets available for distribution	$102,473,300

Mission National Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$21,853,600	$22,458,100
Recoverable from reinsurers	5,119,900	5,119,900
Other assets	120,700	90,600
Total assets	27,094,200	27,668,600

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	17,754,900	17,753,800
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(499,606,700)	(499,851,900)
All other claims	16,838,100	16,838,100
Total liabilities	131,084,800	130,838,500
Net assets (deficiency)	($103,990,600)	($103,169,900)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$1,251,100	$679,200
Salvage and other recoveries	57,200	-
Total income	1,308,300	679,200

Expenses	2009	2010
Loss and claims expenses	(678,700)	-
Administrative expenses	162,200	103,700
Total expenses	(516,500)	103,700
Net income (loss)	$1,824,800	$575,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,289,000
Recoveries, net of expenses	531,098,300
Distributions	(526,929,200)
Monetary assets available for distribution	$22,458,100

Enterprise Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$1,595,700	$7,015,600
Total assets	1,595,700	7,015,600

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	1,241,600	1,240,500
Claims against policies, before distributions	120,573,400	120,573,400
Less distributions to policyholders	(120,573,400)	(120,573,400)
All other claims	30,780,900	30,780,900
Total liabilities	32,022,500	32,021,400
Net assets (deficiency)	($30,426,800)	($25,005,800)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$242,300	$22,300
Salvage and other recoveries	200	-
Total income	242,500	22,300

Expenses	2009	2010
Loss and claims expenses	76,600	(5,427,800)
Administrative expenses	184,800	29,100
Total expenses	261,400	(5,398,700)
Net income (loss)	($18,900)	$5,421,000

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$3,281,000
Recoveries, net of expenses	129,687,100
Distributions	(125,952,500)
Monetary assets available for distribution	$7,015,600

Municipal Mutual Insurance Company

Supervision Agreement Date: August 18, 2003
Liquidation Order: October 31, 2006

2010 Report

Municipal Mutual Insurance Company, an excess liability and workers' compensation insurance company doing business only in California, was placed in informal administrative supervision in August of 2003 by the California Department of Insurance. The company had ceased writing business in April of 2003 and was liquidated on October 31, 2006. All insurance claims were transferred to the California Insurance Guarantee Association ("CIGA") for administration and payment.

The Commissioner obtained an order to limit the Proof of Claim process to only the liability policies issued by Municipal Mutual and to that of CIGA. This order will allow CIGA to accept policyholder claims relating to latent exposures into the future.

Collection of reinsurance remains the only reason the Estate is open. Actuarial evaluations necessary to commute all remaining reinsurance treaties have been completed and commutation offers have been presented to the reinsurers. Of the two remaining significant reinsurance contracts, one has a commutation agreement in place awaiting final court order while the other is still being actively negotiated. There remains one additional reinsurer on a higher layer with whom we may not reach agreement, but there are no ceded losses applicable to that contract at present.

Municipal Mutual Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$1,646,300	$1,573,300
Recoverable from reinsurers	4,778,200	5,522,700
Total assets	6,424,500	7,096,000

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	25,200	24,400
Claims against policies, before distributions	10,542,100	11,077,800
Total liabilities	10,567,300	11,102,200
Net assets (deficiency)	($4,142,800)	($4,006,200)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$95,300	$49,400
Salvage and other recoveries	127,700	62,000
Total income	223,000	111,400

Expenses	2009	2010
Loss and claims expenses	(2,091,600)	(93,600)
Administrative expenses	72,900	68,300
Total expenses	(2,018,700)	(25,300)
Net income (loss)	$2,241,700	$136,700

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$920,200
Recoveries, net of expenses	653,100
Monetary assets available for distribution	$1,573,300

Pacific National Insurance Company

Conservation Order: May 14, 2003
Liquidation Order: August 5, 2003

2010 Report

Pacific National Insurance Company ("PNIC") is a subsidiary of the Highlands Insurance Group. PNIC's principal business lines include workers' compensation, commercial multiple-peril, general liability, and commercial automobile insurance. PNIC wrote business exclusively in California.

In October 2002, Highlands Insurance Group and five of its non-insurance subsidiaries commenced Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court in the District of Delaware.

On May 14, 2003, the Commissioner was appointed as Conservator of PNIC and on August 5, 2003, the Superior Court appointed the Commissioner as Liquidator of PNIC. Upon liquidation, covered claims were transferred to the appropriate insurance guaranty associations. PNIC's assets consist primarily of cash and reinsurance receivables. The "Claims Bar Date," or the final date to submit a claim against the Estate, was July 30, 2004.

Highlands Insurance Company ("HIC") in New Jersey, a subsidiary of Highlands Insurance Group, continues to handle routine administrative services for PNIC under an inter-company agreement. HIC was placed in conservation by the Texas Department of Insurance in November 2003. The CLO continues to work with the Texas Department of Insurance on data transfer and reinsurance collections.

The Estate continues to process and collect reinsurance and will plan to release an early access distribution to the California Insurance Guarantee Association in 2011.

Pacific National Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$17,307,300	$8,745,000
Recoverable from reinsurers	19,300,900	21,621,300
Total assets	36,608,200	30,366,300

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	6,172,300	8,222,900
Claims against policies, before distributions	119,976,100	118,855,800
Less distributions to policyholders	(23,416,400)	(33,416,400)
All other claims	246,400	246,400
Total liabilities	102,978,400	93,908,700
Net assets (deficiency)	($66,370,200)	($63,542,400)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$1,017,000	$456,200
Salvage and other recoveries	1,020,900	47,000
Total income	2,037,900	503,200

Expenses	2009	2010
Loss and claims expenses	1,857,300	(2,553,700)
Administrative expenses	223,800	229,200
Total expenses	2,081,100	(2,324,500)
Net income (loss)	($43,200)	$2,827,700

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$36,519,100
Recoveries, net of expenses	5,642,300
Distributions	(33,416,400)
Monetary assets available for distribution	$8,745,000

Sable Insurance Company

Conservation Order: May 10, 2001
Liquidation Order: July 17, 2001

2010 Report

Sable Insurance Company is a California-domiciled wholly-owned subsidiary of Sable Insurance Holding Company. Sable Insurance Company wrote workers' compensation and property and casualty insurance and was licensed to write business in California, Illinois, Indiana, and Missouri. The "Claims Bar Date," or the final date to submit a claim against the Estate, was June 30, 2002.

The Estate has completed the run-off of the reinsurance program and completed a $15 million interim distribution in 2010. The Estate is positioned to make a final distribution and close the Estate by year-end 2011.

Sable Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$15,800,700	$767,200
Recoverable from reinsurers	252,500	71,000
Total assets	16,053,200	838,200

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	15,500	3,000
Claims against policies, before distributions	50,131,000	50,131,000
Less distributions to policyholders	(6,661,400)	(21,982,700)
All other claims	191,000	175,800
Total liabilities	43,676,100	28,327,100
Net assets (deficiency)	($27,622,900)	($27,488,900)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$857,400	$9,300
Salvage and other recoveries	283,400	20,400
Total income	1,140,800	29,700

Expenses	2009	2010
Loss and claims expenses	(1,926,100)	(220,900)
Administrative expenses	291,200	116,500
Total expenses	(1,634,900)	(104,400)
Net income (loss)	$2,775,700	$134,100

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$17,472,300
Recoveries, net of expenses	5,277,600
Distributions	(21,982,700)
Monetary assets available for distribution	$767,200

**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**

2010 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, Court found that each of the Superior National Estates was insolvent and that it would be futile to proceed as Conservator; on that basis, 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.

The charge in liquidating the Superior National Estates was to marshal assets, pay claims and resolve the vast business affairs as efficiently as possible. In this regard, the Liquidator consolidated the Superior National Estates' operations into the Conservation and Liquidation Office (San Francisco) in September 2003.

U.S. Life Arbitration

In January 2010, the Ninth Circuit Court of Appeals affirmed the U.S. District Court's decision upholding the arbitration award of $443.5 million payable to the Superior National Estates by the reinsurer U.S. Life, plus daily interest of approximately $81,242 from June 2007 until paid. U.S. Life's petition for a rehearing en banc was denied in March 2010.

During June and July 2010, U.S. Life paid $342.8 million and released an additional $186 million from U.S. Life's special Schedule P deposit in satisfaction of the judgment. Subsequently, the Superior National Estates and U.S. Life entered into a settlement and commutation agreement for all of U.S. Life's existing and future obligations under the U.S. Life reinsurance treaty not covered by the arbitration award. On January 13, 2011, the Los Angeles Superior Court approved the agreement, and U.S. Life has since satisfied its payment obligation of $139.3 million.

2011 Outlook

Under the most optimistic estimates, SNICL will not have sufficient assets to fully pay the policyholder claims. Consequently, once asset recoveries and liabilities are determined, the Estate will seek court approval not to consider any potential claims below the policyholder class. The "Claims Bar Date," or the final date to submit a claim against the Estates, was May 25, 2001.

The Estate is working to determine all non-guaranty association policyholders' liabilities by the second quarter of 2011, and complete an interim distribution to Class 2 claimants shortly thereafter. The Estate's ultimate goal is to resolve its reinsurance program, complete final asset recoveries and position the Estate for closure.

California Compensation Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$48,874,700	$194,243,900
Recoverable from reinsurers	345,272,400	165,825,700
Other assets	63,400	2,700
Total assets	394,210,500	360,072,300

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	21,821,800	21,810,700
Claims against policies, before distributions	1,900,929,600	2,005,314,100
Less distributions to policyholders	(472,100,600)	(646,484,100)
All other claims	119,760,100	119,321,000
Total liabilities	1,570,410,900	1,499,961,700
Net assets (deficiency)	($1,176,200,400)	($1,139,889,400)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$2,740,100	$3,945,900
Litigation recoveries	-	111,463,700
Salvage and other recoveries	6,091,100	3,734,900
Total income	8,831,200	119,144,500

Expenses	2009	2010
Loss and claims expenses	156,482,500	81,262,500
Administrative expenses	1,743,900	1,571,100
Total expenses	158,226,400	82,833,600
Net income (loss)	($149,395,200)	$36,310,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$165,879,200
Recoveries, net of expenses	674,848,800
Distributions	(646,484,100)
Monetary assets available for distribution	$194,243,900

Combined Benefits Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$2,646,300	$8,190,800
Recoverable from reinsurers	11,039,600	6,437,100
Total assets	13,685,900	14,627,900

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	205,400	203,700
Claims against policies, before distributions	33,606,500	34,172,600
Less distributions to policyholders	(18,208,600)	(21,480,400)
All other claims	3,673,400	6,895,300
Total liabilities	19,276,700	19,791,200
Net assets (deficiency)	($5,590,800)	($5,163,300)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$158,900	$126,300
Litigation recoveries	-	3,119,700
Salvage and other recoveries	154,700	188,700
Total income	313,600	3,434,700

Expenses	2009	2010
Loss and claims expenses	8,377,400	2,937,700
Administrative expenses	132,400	69,600
Total expenses	8,509,800	3,007,300
Net income (loss)	($8,196,200)	$427,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$11,115,400
Recoveries, net of expenses	18,555,800
Distributions	(21,480,400)
Monetary assets available for distribution	$8,190,800

Superior National Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$19,863,400	$34,561,000
Recoverable from reinsurers	175,917,700	99,122,600
Other assets	21,100	20,000
Total assets	195,802,200	133,703,600

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	4,991,300	4,979,000
Claims against policies, before distributions	828,057,400	860,151,000
Less distributions to policyholders	(187,172,400)	(341,703,100)
All other claims	28,751,700	28,775,900
Total liabilities	674,628,000	552,202,800
Net assets (deficiency)	($478,825,800)	($418,499,200)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$1,083,000	$1,832,500
Litigation recoveries	-	57,992,000
Salvage and other recoveries	3,300,500	3,356,900
Total income	4,383,500	63,181,400

Expenses	2009	2010
Loss and claims expenses	89,656,200	2,267,800
Administrative expenses	647,800	586,900
Total expenses	90,304,000	2,854,700
Net income (loss)	($85,920,500)	$60,326,700

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$68,622,300
Recoveries, net of expenses	307,641,800
Distributions	(341,703,100)
Monetary assets available for distribution	$34,561,000

Superior Pacific Casualty Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$8,216,000	$2,328,700
Recoverable from reinsurers	25,011,900	34,416,100
Total assets	33,227,900	36,744,800

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	76,900	72,400
Claims against policies, before distributions	198,889,300	223,386,200
Less distributions to policyholders	(30,586,800)	(38,094,300)
All other claims	60,548,800	62,526,000
Total liabilities	228,928,200	247,890,300
Net assets (deficiency)	($195,700,300)	($211,145,500)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$482,500	$280,200
Litigation recoveries	-	22,400
Salvage and other recoveries	1,730,300	708,400
Total income	2,212,800	1,011,000

Expenses	2009	2010
Loss and claims expenses	19,712,100	16,150,200
Administrative expenses	389,000	306,000
Total expenses	20,101,100	16,456,200
Net income (loss)	($17,888,300)	($15,445,200)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$58,666,300
Recoveries, net of expenses	(18,243,300)
Distributions	(38,094,300)
Monetary assets available for distribution	$2,328,700

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$3,347,400	$7,216,100
Recoverable from reinsurers	47,747,000	27,595,300
Other assets	1,800	900
Total assets	51,096,200	34,812,300

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	1,582,100	1,580,300
Claims against policies, before distributions	137,233,200	137,520,100
Less distributions to policyholders	(49,443,000)	(83,849,900)
All other claims	11,070,500	13,741,900
Total liabilities	100,442,800	68,992,400
Net assets (deficiency)	($49,346,600)	($34,180,100)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$170,600	$564,400
Litigation recoveries	-	13,277,700
Salvage and other recoveries	(762,400)	421,400
Total income	(591,800)	14,263,500

Expenses	2009	2010
Loss and claims expenses	6,477,800	(1,008,100)
Administrative expenses	142,500	105,000
Total expenses	6,620,300	(903,100)
Net income (loss)	($7,212,100)	$15,166,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,420,700
Recoveries, net of expenses	84,645,300
Distributions	(83,849,900)
Monetary assets available for distribution	$7,216,100

Western Employers Insurance Company

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

2010 Report

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 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, determine final estate liability and position the Estate for closure by 2013. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure.

On February 2, 2010, the San Francisco Superior Court set a deadline of August 31, 2010 by which all holders of claims, other than workers' compensation claims, which include contingent or undetermined claims, must submit detailed claim updates which set forth the facts regarding the further developments of those claims. The Commissioner has sent a notice to all claimants of record advising of the August 31, 2010 deadline.

Presently, all claims that have been submitted are being reviewed. The Estate will consider seeking a court order to establish a tail-cutting motion at which time all workers compensation claims must be liquidated (finalized) to be considered. The Estate is subject to continued long-term loss development, potential tax exposure, and provided sufficient assets are available, the Estate will petition the Court for an interim distribution to approved claimants.

Western Employers Ins Co

ASSETS AND LIABILITIES
As of December 31, 2009 and 2010

Assets	12/31/2009	12/31/2010
Cash and investments	$124,221,000	$125,967,700
Recoverable from reinsurers	18,911,200	15,700,600
Total assets	143,132,200	141,668,300

Liabilities	12/31/2009	12/31/2010
Secured claims and accrued expenses	21,700	1,500
Claims against policies, before distributions	183,305,300	210,565,000
Less distributions to policyholders	(62,913,900)	(67,070,000)
All other claims	6,329,100	6,352,500
Total liabilities	126,742,200	149,849,000
Net assets (deficiency)	$16,390,000	($8,180,700)

INCOME AND EXPENSES
For Year Ended December 31, 2009 and 2010

Income	2009	2010
Investment income	$6,863,000	$3,688,600
Salvage and other recoveries	586,700	83,500
Total income	7,449,700	3,772,100

Expenses	2009	2010
Loss and claims expenses	8,103,000	27,680,900
Administrative expenses	825,100	657,700
Total expenses	8,928,100	28,338,600
Net income (loss)	($1,478,400)	($24,566,500)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$74,867,900
Recoveries, net of expenses	118,169,800
Distributions	(67,070,000)
Monetary assets available for distribution	$125,967,700

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

(a) The names of the persons proceeded against under this article. 19

(b) Whether such persons have resumed business or have been liquidated or have been mutualized. 19

(c) Such other facts on the operations of the Conservation & Liquidation Office as will acquaint the Governor, the policyholders, creditors, shareholders and the public with his or her proceedings under this article, including, but not limited to:

(1) An itemization of the number of staff, total salaries of staff, a description of the compensation methodology, and an organizational flowchart. 4,10,11

(2) Annual operating goals and results. 5-9

(3) A summary of all Conservation and Liquidation Office costs, including an itemization of internal and external costs, and a description of the methodology used to allocate those costs among insurer estates. 8,11

(4) A list of all current insolvencies not closed within ten years of a court ordered liquidation, and a narrative explaining why each insolvency remains open. .. 13-14

(5) An accounting of total claims by estate. 15

(6) A list of current year and cumulative distributions by class of creditor for each estate. 18

(7) For each proceeding, the net value of the estate at the time of conservation or liquidation and the net value at the end of the preceding calendar year. 20-63

(d) Other facts on the operations of the individual estates as will acquaint the Governor, Legislature, policyholders, creditors, shareholders, and the public with his or her proceedings under this article, including, but not limited to:

(1) The annual operating goals and results. 20-63

(2) The status of the conservation and liquidation process. 20-63

(3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year. 20-63