QUARTERLY STATEMENT

OF THE

MAJESTIC INSURANCE CO.- IN CONSERVATION

OF

SAN FRANCISCO

IN THE STATE OF

CALIFORNIA

TO THE

INSURANCE DEPARTMENT

OF THE STATE OF

CALIFORNIA

FOR THE QUARTER ENDED
SEPTEMBER 30, 2011

2011

PROPERTY AND CASUALTY

2011

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QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2011

OF THE CONDITION AND AFFAIRS OF THE

MAJESTIC INSURANCE CO.- IN CONSERVATION

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 42269 Employer's ID Number 95-3653107

Organized under the Laws of California, State of Domicile or Port of Entry California

Country of Domicile US

Incorporated/Organized March 17, 1980 Commenced Business March 22, 1980

Statutory Home Office 101 California St., 22nd Floor, San Francisco, California 94111
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 101 California St., 22nd Floor, San Francisco, California 94111
(Street and Number, City or Town, State and Zip Code)
(415)362-7000
(Area Code) (Telephone Number)

Mail Address 101 California St., 22nd Floor, San Francisco, California 94111
(Street and Number or P. O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records 101 California St., 22nd Floor, San Francisco, California 94111
(Street and Number, City or Town, State and Zip Code)
(415)362-7000
(Area Code) (Telephone Number)

Internet Website Address www.majesticinsurance.com

Statutory Statement Contact Joseph B. Holloway, Jr.
(Name)
(415)676-2126
(Area Code) (Telephone Number) (Extension)

hollowayj@caclo.org
(E-Mail Address)
(415)676-5002
(Fax Number)

OFFICERS
(Not Applicable)

OTHER OFFICERS
(Not Applicable)

DIRECTORS OR TRUSTEES
Not Applicable

State of California County of
SAN FRANCISCO
Subscribed and sworn to (or affirmed)
before me on this 17TH day of OCTOBER, 2011, by
DAVID E. WILSON
proved to me on the basis of satisfactory evidence
to be the person(s) who appeared before me.
Signature Rommel R. Adao

(Seal)

ROMMEL R. ADAO
Commission # 1788574
Notary Public - California
San Francisco County
My Comm. Expires Jan 31, 2012

State of California
County of San Francisco } SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

David E Wilson
David E. Wilson
Special Deputy Insurance Commissioner

Subscribed and sworn to before me this
day of 2011

a. Is this an original filing? Yes (X) No ( )

b. If no:
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

		Current Statement Date			4
		1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	December 31 Prior Year Net Admitted Assets
1	Bonds	13,581,623		13,581,623	257,749,646
2	Stocks:				
	2.1 Preferred stocks				
	2.2 Common stocks				
3	Mortgage loans on real estate:				
	3.1 First liens				
	3.2 Other than first liens				
4	Real estate:				
	4.1 Properties occupied by the company (less $ encumbrances)				
	4.2 Properties held for the production of income (less $ encumbrances)				
	4.3 Properties held for sale (less $ encumbrances)				
5	Cash ($ 1,688,032), cash equivalents ($) and short-term investments ($ 735,102)	2,423,134		2,423,134	15,186,658
6	Contract loans (including $ premium notes)				
7	Derivatives				
8	Other invested assets				
9	Receivables for securities				
10	Securities lending reinvested collateral assets				
11	Aggregate write-ins for invested assets				
12	Subtotals, cash and invested assets (Line 1 to Line 11)	16,004,757		16,004,757	272,936,304
13	Title plants less $ charged off (for Title insurers only)				
14	Investment income due and accrued	129,215		129,215	2,553,604
15	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection				2,628,198
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)				581,365
	15.3 Accrued retrospective premiums				2,013,354
16	Reinsurance:				
	16.1 Amounts recoverable from reinsurers				5,764,920
	16.2 Funds held by or deposited with reinsured companies				
	16.3 Other amounts receivable under reinsurance contracts				
17	Amounts receivable relating to uninsured plans				
18.1	Current federal and foreign income tax recoverable and interest thereon				
18.2	Net deferred tax asset	28,677,527	28,677,527		
19	Guaranty funds receivable or on deposit				
20	Electronic data processing equipment and software				
21	Furniture and equipment, including health care delivery assets ($)				
22	Net adjustment in assets and liabilities due to foreign exchange rates				
23	Receivables from parent, subsidiaries and affiliates				
24	Health care ($) and other amounts receivable				
25	Aggregate write-ins for other than invested assets	7,805,513	5,927,555	1,877,958	8,894,705
26	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	52,617,012	34,605,082	18,011,930	295,372,450
27	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28	Totals (Line 26 and Line 27)	52,617,012	34,605,082	18,011,930	295,372,450
	DETAILS OF WRITE-INS				
1101					
1102					
1103					
1198	Summary of remaining write-ins for Line 11 from overflow page				
1199	Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)				
2501	Miscellaneous Receivable	213,905	213,634	271	
2502	Advance Policy Surcharges Paid	7,591,608	5,713,921	1,877,687	7,196,685
2503	Assessment Receivable				1,698,020
2598	Summary of remaining write-ins for Line 25 from overflow page				
2599	Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	7,805,513	5,927,555	1,877,958	8,894,705

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31, Prior Year
1	Losses (current accident year $)		131,122,718
2	Reinsurance payable on paid losses and loss adjustment expenses		8,720
3	Loss adjustment expenses		25,335,911
4	Commissions payable, contingent commissions and other similar charges		1,197,950
5	Other expenses (excluding taxes, licenses and fees)	354,311	5,260,102
6	Taxes, licenses and fees (excluding federal and foreign income taxes)		2,169,055
7.1	Current federal and foreign income taxes (including $ on realized capital gains (losses))		
7.2	Net deferred tax liability		
8	Borrowed money $ and interest thereon $		
9	Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ and including warranty reserves of $)		7,419,953
10	Advance premium		139,838
11	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12	Ceded reinsurance premiums payable (net of ceding commissions)		5,784,901
13	Funds held by company under reinsurance treaties		55,954,843
14	Amounts withheld or retained by company for account of others	282,322	929,518
15	Remittances and items not allocated		
16	Provision for reinsurance		829,497
17	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	239,718	543,976
20	Derivatives		
21	Payable for securities		
22	Payable for securities lending		
23	Liability for amounts held under uninsured plans		
24	Capital notes $ and interest thereon $		
25	Aggregate write-ins for liabilities	2,295,652	733,864
26	Total liabilities excluding protected cell liabilities (Line 1 through Line 25)	3,172,003	237,430,846
27	Protected cell liabilities		
28	Total liabilities (Line 26 and Line 27)	3,172,003	237,430,846
29	Aggregate write-ins for special surplus funds		
30	Common capital stock	3,000,000	3,000,000
31	Preferred capital stock		
32	Aggregate write-ins for other than special surplus funds		
33	Surplus notes		
34	Gross paid in and contributed surplus	46,950,000	46,950,000
35	Unassigned funds (surplus)	(35,110,074)	7,991,604
36	Less treasury stock, at cost:		
	36.1 shares common (value included in Line 30 $)		
	36.2 shares preferred (value included in Line 31 $)		
37	Surplus as regards policyholders (Line 29 through Line 35, less Line 36)	14,839,926	57,941,604
38	Totals	18,011,929	295,372,450
	DETAILS OF WRITE-INS		
2501	Accrued Retro Premium Payable		354,726
2502	Payable Under AmTrust Agreement	2,295,652	379,138
2503	Escheatable Funds		
2598	Summary of remaining write-ins for Line 25 from overflow page		
2599	Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	2,295,652	733,864
2901			
2902			
2903			
2998	Summary of remaining write-ins for Line 29 from overflow page		
2999	Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)		
3201			
3202			
3203			
3298	Summary of remaining write-ins for Line 32 from overflow page		
3299	Totals (Line 3201 through Line 3203 plus Line 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1 Premiums earned:			
1.1 Direct (written $ 30,958,026)	31,369,443	75,567,358	94,938,456
1.2 Assumed (written $ 8,644,772)	4,046,336	1,337,909	2,685,717
1.3 Ceded (written $ 6,600,047)	7,512,008	42,929,797	50,609,885
1.4 Net (written $ 33,002,751)	27,903,771	33,975,470	47,014,298
DEDUCTIONS:			
2 Losses incurred (current accident year $)			
2.1 Direct	16,786,010	54,360,694	71,471,583
2.2 Assumed	2,281,188	1,004,698	1,753,209
2.3 Ceded	904,999	31,911,510	39,224,748
2.4 Net	18,162,199	23,453,882	34,000,044
3 Loss adjustment expenses incurred	6,699,481	11,237,675	13,978,990
4 Other underwriting expenses incurred	23,593,160	21,686,059	30,118,549
5 Aggregate write-ins for underwriting deductions	28,500,000		
6 Total underwriting deductions (Line 2 through Line 5)	76,954,840	56,377,616	78,097,583
7 Net income of protected cells			
8 Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(49,051,069)	(22,402,146)	(31,083,285)
INVESTMENT INCOME			
9 Net investment income earned	2,466,621	5,278,652	6,820,191
10 Net realized capital gains (losses) less capital gains tax of $ 2,166,391	4,023,298	1,227,403	3,260,111
11. Net investment gain (loss) (Line 9 plus Line 10)	6,489,919	6,506,055	10,080,302
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $ 1,573,343)	(1,573,343)	(1,374,235)	(1,527,783)
13 Finance and service charges not included in premiums			
14 Aggregate write-ins for miscellaneous income	804,107	10,724	15,321
15 Total other income (Line 12 through Line 14)	(769,236)	(1,363,511)	(1,512,462)
16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	(43,330,386)	(17,259,602)	(22,515,445)
17 Dividends to policyholders			
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(43,330,386)	(17,259,602)	(22,515,445)
19 Federal and foreign income taxes incurred	(2,166,391)	(660,911)	(1,755,444)
20 Net income (Line 18 minus Line 19) (to Line 22)	(41,163,995)	(16,598,691)	(20,760,001)
CAPITAL AND SURPLUS ACCOUNT			
21 Surplus as regards policyholders, December 31 prior year	57,941,604	75,674,441	75,674,441
22 Net income (from Line 20)	(41,163,995)	(16,598,691)	(20,760,001)
23 Net transfers (to) from Protected Cell accounts			
24 Change in net unrealized capital gains or (losses) less capital gains tax of $			
25 Change in net unrealized foreign exchange capital gain (loss)			
26 Change in net deferred income tax	4,669,671	4,897,181	6,402,052
27 Change in nonadmitted assets	(7,403,851)	(2,134,566)	(4,117,251)
28 Change in provision for reinsurance	829,497	1,159,711	934,363
29 Change in surplus notes			
30 Surplus (contributed to) withdrawn from protected cells			
31 Cumulative effect of changes in accounting principles			
32 Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34 Net remittances from or (to) Home Office			
35 Dividends to stockholders	(33,000)	(100,000)	(192,000)
36 Change in treasury stock			
37 Aggregate write-ins for gains and losses in surplus			
38 Change in surplus as regards policyholders (Line 22 through Line 37)	(43,101,678)	(12,776,365)	(17,732,837)
39 Surplus as regards policyholders, as of statement date (Line 21 plus Line 38)	14,839,926	62,898,076	57,941,604
DETAILS OF WRITE-INS			
0501 Additional Payments on Novated Loss Reserve	28,500,000		
0502.			
0503			
0598 Summary of remaining write-ins for Line 5 from overflow page			
0599 TOTALS (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)	28,500,000		
1401 Miscellaneous Income	804,107	10,724	15,321
1402			
1403.			
1498 Summary of remaining write-ins for Line 14 from overflow page			
1499 TOTALS (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	804,107	10,724	15,321
3701 Aggregate Write-ins for Gains and Losses in Surplus (gross of tax)			
3702 Excess Reserve over Statutory Reserve			
3703			
3798 Summary of remaining write-ins for Line 37 from overflow page			
3799 TOTALS (Line 3701 through Line 3703 plus Line 3798) (Line 37 above)			

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1 Premiums collected net of reinsurance	21,616,821	37,741,861	52,361,649
2 Net investment income	5,441,021	6,801,912	8,500,361
3 Miscellaneous income	(769,236)	(1,363,510)	(1,512,462)
4 Total (Line 1 through Line 3)	26,288,606	43,180,263	59,349,548
5 Benefit and loss related payments	143,528,717	32,590,659	46,068,278
6 Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7 Commissions, expenses paid and aggregate write-ins for deductions	90,646,625	49,959,085	55,737,567
8 Dividends paid to policyholders			
9 Federal and foreign income taxes paid (recovered) net of $ tax on capital gains (losses)		(2,346,642)	(4,959,712)
10 Total (Line 5 through Line9)	234,175,342	80,203,102	96,846,133
11 Net cash from operations (Line 4 minus Line 10)	(207,886,736)	(37,022,839)	(37,496,585)
Cash from Investments			
12 Proceeds from investments sold, matured or repaid:			
12.1 Bonds	259,269,043	149,083,734	275,865,781
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds		15,414,675	71,944
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	259,269,043	164,498,409	275,937,725
13. Cost of investments acquired (long-term only):			
13.1 Bonds	9,898,427		254,898,027
13.2 Stocks		138,960,864	
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets		18,477	47,527
13.6 Miscellaneous applications	1,216,229		
13.7 Total investments acquired (Line 13.1 through Line 13.6)	11,114,656	138,979,341	254,945,554
14 Net increase or (decrease) in contract loans and premium notes			
15 Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	248,154,387	25,519,068	20,992,171
Cash from Financing and Miscellaneous Sources			
16 Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders		100,000	192,000
16.6 Other cash provided (applied)	(53,031,171)	9,528,493	(16,081)
17 Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(53,031,171)	9,428,493	(208,081)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18 Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(12,763,520)	(2,075,278)	(16,712,495)
19 Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	15,186,654	31,899,149	31,899,149
19.2 End of period (Line 18 plus Line 19.1)	2,423,134	29,823,871	15,186,654

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 Funds Held under Reinsurance Contracts	(55,954,843)		
20.0002 Amounts withheld for others	(647,196)		
20.0003 Payable to Parent and Affiliates	(304,258)		
20.0004 Disposal of Furniture and Fixtures	1,433,187		
20.0005 Aggregate write in for other assets	2,441,939		
20.0006			
20.0007			
20.0008			
20.0009			
20.0010			

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

On April 21, 2011, an Order appointing Conservator and Restraining Orders ("Conservation Order") was entered by the Superior Court of the State of California with respect to Majestic Insurance Company, a California Còrporation. The California Department of Insurance (CDI) conducted an examination of Majestic for the period January 1, 2005 through December 31, 2010. CDI found Majestic's recorded loss and loss adjustment expense reserves to be deficient by approximately $40.9 million. Also, due to the increase in reserves, a premium deficiency reserve was required in the amount of $5.5 million. After these examination adjustments, Majestic's Risk-Based Capital (RBC) fell within the Mandatory Control Level RBC. The CDI Examination determined that Majestic was operating in a hazardous financial condition in accordance with California Insurance Code Section (CICS) 1011(d). These findings were incorporated into the Commissioner's application for the Conservation Order.

The Commissioner of Insurance was appointed as Conservator of Majestic and directed to conduct the business of Majestic. The Conservator is authorized, in his discretion, to operate the business of Majestic, or so much of the business as he deems appropriate, and to pay or defer payment of some or all proper claims, expenses, liabilities and obligations of Majestic, in whole or in part, accruing prior or subsequent to his appointment. The Conservator continued to operate Majestic's business in substantially the manner the company was operating prior to conservation, solely for the purpose of preserving Majestic's business assets and going-concern value in order to facilitate a Plan of Rehabilitation for Majestic (the "Plan").

Immediately after the entry of the Conservation Order, the Conservator filed a motion seeking court approval of the Plan. Court approval of the Plan was granted on June 2, 2011 and the transactions contemplated by the Plan closed on July 1, 2011. The Plan provided for the assumption of 100% of Majestic's workers' compensation claim liabilities by an A-rated insurance company affiliate of AmTrust North America, Inc. ("AmTrust") via a Loss Portfolio Transfer and Quota Share Reinsurance Agreement (the "Reinsurance Agreement"). Under the Reinsurance Agreement, AmTrust (through an insurance company affiliate, Technology Insurance Company) has assumed the majority of Majestic's assets and liabilities relating to its workers' compensation business. Majestic's in-force policies and expired policies with reported claims have been novated to Technology Insurance Company. The Reinsurance Agreement also provides that all reinsurance contracts providing coverage for the business written by Majestic shall inure to the benefit of AmTrust.

The accompanying financial statements reflect the financial effect of the Reinsurance Agreement, resulting with Majestic having no insurance related liabilities subsequent to May 30, 2011. There does remain a liability of approximately $738,000, at September 30, 2011 relating to the final settlement of accounts with Amtrust. The Conservator continues to investigate and seek supporting documentation for remaining general ledger balances. Such investigations may lead to material changes to the balance sheet as presented in this filing. The Conservator will disclose the results of his investigation in subsequent quarterly filings as this information becomes available and can be substantiated.

A. Accounting Practices

No change

B. Use of Estimates in the Preparation of the Financial Statements

No change

C. Accounting Policies

No change

Note 2 – Accounting Changes and Correction of Errors

A. Accounting Changes Other Than Codification and Correction of Errors

Not applicable

Note 3 – Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable

B. Statutory Mergers

Not applicable

C. Writedowns for Impairment of Investments in Affiliates

Not Applicable

Note 4 – Discontinued Operations

Not Applicable

Note 5 – Investments

A. Mortgage Loans

Not applicable

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

The Company uses the trade date for applying the retrospective adjustment method if it is applicable. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values.

E. Repurchase Agreements and/or Securities Lending Transactions

Not applicable

F. Write downs for Impairments of Real Estate, Real Estate sales, Retail Land Sales Operations and Real Estate with Participating Mortgage Loan Features

Not applicable

G. Low Income Housing Tax Credits

Not applicable

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets

Not applicable

B. Writedowns for Impairment of Joint Ventures, Partnerships and LLCs.

Not applicable

Note 7 – Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (180 days for mortgage loans).

B. Amount Nonadmitted

Not applicable

Note 8 – Derivative Instruments

Not Applicable

Note 9 – Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs):

The Company recognizes deferred tax assets ((DTA's") and liabilities ("DTL's") for the future tax consequences related to differences between the financial statement carrying amounts of existing assets and liabilities and permitted tax basis amounts. The Amount of net DTA's that may be reported in the financial statements is subject to admissibility tests established by Statutory Accounting Principles (SAP) and relates to the Company's ability to realize the future benefit resulting from the net DTA. Amounts in excess of the statutory limitations are treated as non-admitted assets and charged directly to Policyholders' Surplus. Based upon the guidance provided by SAP, limitations on business strategy assumptions that may be realized in the future as stand alone tax payer and as a member of a consolidated group filing Federal Income Taxes under a Tax Sharing Agreement, the Company could not satisfactorily conclude that any amount of the DTA could be recovered in the time frames established by SAP and has therefore recognized the entire net DTA of $32,475,585as a Statutory Valuation Allowance and no admitted DTA was recognized as of September 30, 2011.

	As of Sept 30 2011			As of Dec 31, 2010		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred tax assets:						
Discounting of unpaid losses and LAE	$ -		$ -	$ 6,071,274	$ -	$ 6,071,274
Change in unearned premium reserve	-		-	2,078,386		2,078,386
Nonadmitted assets	155,744		155,744	1,635,664		1,635,664
Compensation benefit and other accruals	12,339		12,339	379,131		379,131
Net operating loss ("NOL") carry-forward	32,206,670		32,206,670	9,797,388		9,797,388
Others	48,813		48,813	301,575		301,575
Investments	154,688	155	154,843	-	-	-
Gross deferred tax assets	32,578,254	155	32,578,409	20,263,418	-	20,263,418
Statutory valuation allowance ("VA")	32,526,842	155	32,526,997	19,081,676	-	19,081,676
Adjusted gross deferred tax assets	51,412	-	51,412	1,181,742	-	1,181,742
Nonadmitted	-		-	-		-
Admitted deferred tax assets	51,412	-	51,412	1,181,742	-	1,181,742
Deferred tax liabilities			-			-
Investments		-	-		-	-
IRC 481 adjustment	-		-	87,054		87,054
Accrued premium acquisition expense	-		-	1,039,150		1,039,150
Bond market discount	11,207		11,207	27,682		27,682
Fixed assets	40,205		40,205	27,856		27,856
Deferred tax liabilities	51,412	-	51,412	1,181,742	-	1,181,742
Net deferred tax asset admitted	$ -	$ -	$ -	$ -	$ -	$ -

B. Unrecognized DTLs

Not Applicable

C. Current Tax and Change in Deferred Tax

The Company realized net taxable loss from underwriting operations and net investment income during the nine month period ended September 30, 2011, of $11,005,554, a charge to operations net of realized investment gains relating to the AmTrust transaction of $21,483,808 and an extra-ordinary charge of $8,674,632 relating to a lease default settlement. See Note 20-A. Current income taxes incurred consist of the following major components:

NOTES TO FINANCIAL STATEMENTS

	As of Sept 30 2011	As of Dec. 31, 2010
Federal income tax expense (benefit) on ordinary income	(21,539,552)	$ (10,006,224)
Federal income taxes (benefit) on net capital gains	2,166,391	1,755,444
Federal income taxes (benefit) on Extraordinary Item	(3,036,121)	
Prior year under (over) accrual		(61,399)
Current income tax incurred prior to NOL adjustment	(22,409,282)	(8,312,179)
Change to NOL tax carry forward benefit	22,409,282	8,312,179
Federal Income tax (benefit) expense (allowed by tax carryback)	$ -	$ -
Curent year income tax (benefit) expense before NOL	(22,409,282)	(8,250,780)
Prior year return over/under accrual	-	(61,399)
Change to NOL tax carry forward benefit	22,409,282	8,312,179
Federal Income tax (benefit) expense (allowed by tax carryback)	$ -	$ -

	As of Sept 30 2011	As of Dec. 31, 2010
Federal income tax expense (benefit) on ordinary income	$ (24,575,673)	$ (10,067,623)
Federal income taxes (benefit) on net capital gains	2,166,391	1,755,444
Current income tax incurred prior to NOL adjustment	(22,409,282)	(8,312,179)
Change to NOL tax carry forward benefit	22,409,282	8,312,179
Federal Income tax (benefit) expense (allowed by tax carryback)	$ -	$ -

The change in net deferred income taxes is comprised of the following: (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement).

	As of Sept 30 2011			As of Dec. 31 2010			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Gross deferred tax assets before NOL & VA	$ 371,584	$ 155	$ 371,739	$ 10,466,030	$ -	$ 10,466,030	$ (10,094,291)
NOL carry forward	32,206,670		32,206,670	9,797,388		9,797,388	22,409,282
Adjusted gross deferred tax assets before VA	32,578,254	155	32,578,409	20,263,418	-	20,263,418	12,314,991
Gross deferred tax liabilities	51,412	-	51,412	1,181,742	-	1,181,742	(1,130,330)
Net deferred tax assets (liabilities) before VA	$ 32,526,842	$ 155	$ 32,526,997	$ 19,081,676	$ -	$ 19,081,676	$ 13,445,321
Tax on change in unrealized gains							
Tax on change on deferred tax on operations							(8,963,961)
Tax on change on NOL carryforward on operations							22,409,283
Gross deferred tax change on operations							$ 13,445,322

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate.

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	As of Sep. 30, 2010	As of Dec 31 2010	Effective Tax Rate
Provision computed at statutory rate	$ (14,407,398)	$ (7,266,000)	35.0%
Tax exempt income deduction	(27,662)	(159,808)	0.1%
Dividend deduction			
Non-deductible expenses	12,878	131,190	0.0%
Book over tax reserve	(6,071,274)	(415,758)	14.7%
Unearned premium (net of Sec 481 PAC adjustment)	(1,039,237)	(420,907)	2.5%
Cumulative effect of change in accounting method	(261,161)	87,054	0.6%
Impairment write down on lease	-		0.0%
Other	(615,427)	(267,950)	1.5%
Total statutory income tax expense on operations before NOL	(22,409,281)	(8,312,179)	54.4%
Losses utilized by consolidated affiliates - indirect & rate difference			
NOL carryforward	22,409,281	8,312,179	-54.4%
Total statutory income tax expense on operations	-	-	0.0%

E. Operating Loss and Tax Credit Carry forwards and Protective Tax Deposits

The Company incurred a tax basis net operating loss ("NOL") of $64,026,520 during the nine month period ended September 30, 2011. The Company also has available NOL carry forwards from prior years of $29,180,110.

NOTES TO FINANCIAL STATEMENTS

Prior to 2009, the Internal Revenue Code limited the carry back of current year NOL to the three prior years. The Code was changed in 2009 and an entity may carry back net operating losses five years. This permitted the Company to recover taxes paid the IRS prior to acquisition of EIH by Majestic Capital Ltd ("Capital") formerly CRM Holdings Ltd and Majestic USA Capital, Inc. ("MUSAC") formerly CRM USA Holdings, Inc. A certain amount of taxes paid by the Company since the acquisition were off set by the net tax benefit the combined group received from the NOL's of certain affiliates and the tax sharing agreement between CRM USA and affiliated companies limited the amount NOL carry back afforded Majestic. Following is a summary of the NOL carry back benefits recorded as of September 30, 2011, and the amount of NOL available for offset against future taxable income.

Income/Loss Years	Prior Year Taxable Income	Affiliated losses Applied to Income	Net Operating Losses Carrybacks	Federal Income Tax Benefit
2005	$ 2,359,499	$ -	$ 2,359,499	$ 802,230
2006	5,167,216	-	5,167,216	1,773,803
2007	17,752,165	(9,341,589)	6,328,381	2,214,933
2008	6,328,381	(6,328,381)	0	
Total Federal Tax NOL Carryback Benefit	$ 31,607,261	$ (15,669,970)	$ 13,855,096	$ 4,790,966
Losses Carried to CRM Consolidated - Indirect	$ -	$ -	$ 293,494	$ 99,788
2009 Net Operating Losses			(1,852,834)	(6,375,964)
2010 Net Operating Losses			(24,575,866)	(8,657,960)
2011 Net Operating Losses			(64,026,520)	(22,409,285)
	NOL Carryforwards Available 12/31/2010		$ (93,206,630)	$ (32,552,455)

NOL Carryforwards expiring on or before 12/31/2029	$	(4,604,244)
NOL Carryforwards expiring on or before 12/31/2030		(24,575,866)
NOL Carryforwards expiring on or before 12/31/2030		(64,026,520)
	$	(93,206,630)

F. Consolidated Federal Income Tax Return

(1) The Company's federal income tax return is consolidated with the following entity:

Embarcadero Insurance Holdings, Inc and MUSAC.

(2) The Company participates in a Tax Allocation Agreement with MUSAC. and its subsidiaries. (collectively "MUSAC"). Pursuant to this agreement the Company and MUSAC will report and pay federal, state and local income taxes on a consolidated basis. Each subsidiary will pay to MUSAC their pro rata share of the consolidated tax liability based upon the subsidiary's contribution to taxable income. The Company's obligation to pay any obligation under the Tax Allocation Agreement is subject to the provision of the Plan, and may be deferred in the discretion of the Conservator in order to ensure equity among and proper treatment of the Company's creditors. The Company and any of its affiliates may recoup federal taxes paid in prior years in the event of future net losses, or net losses carried forward to future net income subject to federal income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationships

The Company is a wholly owned subsidiary of Embarcadero Insurance Holdings, Inc. (EIH); a California domiciled insurance company. On November 13, 2006, EIH was 100% purchased through a Stock Purchase Agreement by CRM Holdings, Ltd. ("CRMH") and its wholly owned subsidiary, CRM USA Holdings, Inc. The transaction was approved by the California Department of Insurance on November 3, 2006 and completed on November 14, 2006. Subsequent to the consummation of the acquisition, EIH became a wholly-owned subsidiary of CRM USA Holding, Inc. On May 6, 2010, CRM Holdings, Ltd. changed its name to Majestic Capital Ltd. ("Capital"). At the same time CRM USA Holdings, Inc. a wholly owned subsidiary, changed its name to Majestic USA Capital, Inc ("MUSAC").

As described in Note 1, the Company is under the control of and its business is being conducted by the California Insurance Commissioner, acting in his capacity as statutory conservator under the Conservation Order.

On April 29, 2011, Capital and its subsidiaries exclusive of Majestic, filed petitions for relief (collectively, the "Filing") under Chapter 11 of the United States Bankruptcy Code. This Filing had no effect on the Plan or the agreement between Majestic and AmTrust.

B. Detail of Transactions Greater than ½% of Admitted Assets

All assets, liabilities and future benefits relating to reinsurance contracts with affiliates have been transferred to Amtrust/ Technology Insurance Company as of June 1, 2011. See Note 1.

NOTES TO FINANCIAL STATEMENTS

C. Change in Terms of Intercompany Arrangements

No change subsequent to last report date.

D. Amounts Due to or From Related Parties

Amounts due (To) From Affiliates Sep. 30,2011	
Affiliate	Amount
Twin Bridges	($239,262)
CRMH	
CRM USA	(91)
Net Due Affiliates	(239,353)

The amount due Twin Bridges represents interest accrued on the funds withheld under the reinsurance agreements through May 31, 2011 The Company owes CRM USA $91 under the "Administrative Services Agreement" (See Note 10-F below).

E. Guarantees or Contingencies for Related Parties

Not applicable

F. Management, Service Contracts, Cost Sharing Agreements

On November 6, 2007, the Company entered into an Administrative Services Agreement with MUSAC, effective January 1, 2008, pursuant to which MUSAC will perform or arrange various administrative services for the Company, including but not limited to, information systems, claims adjusting, loss control, and accounting and financial and executive management services. The Company incurred expenses of $956,131during the first nine months of 2011 compared to $2,450,600 for the respective period in 2010 under this agreement.

These agreements, as well as all other executory contracts to which the Company is a party, are subject to assumption or rejection at the discretion of the Conservator pursuant to the Conservation Order.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by its Parent.

H. Amount Deducted for Investment in Upstream Company

Not applicable

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

Not Applicable

J. Writedown for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies

Not Applicable

K. Foreign subsidiary Valued Using CARVM

Not Applicable

L. Downstream Holding Company Valued Using Look-Through Method

Not Applicable

Note 11 – Debt

A. Capital Notes

Not applicable

B. All Other Debt

Not applicable

Note 12 – Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. Defined Benefit Plans

Not applicable

B. Defined Contribution Plans

Substantially all of the Company's employees are eligible to participate in a defined contribution retirement plan through the plans sponsor, MUSAC. Employees may contribute up to certain limits prescribed by the Internal Revenue Service. A portion of these contributions is matched by the Company up to 6% of the employee's salary as of 12/31/2009. Effective 1/1/2010, the Company match was reduced to 4% of the employee's salary. Effective 4/19/2010, the Company match was further reduced to 2% of the employee's salary. The Company match is funded every two weeks and allocated to the Company based on employee contributions. Employees become vested with respect to the Company's contribution ratably over three years. The Company's share of this savings plan expense was $100,717 and $232,235 for the first nine months of 2011 and 2010, respectively. The Company has no legal obligation for benefits under this plan.

C. Multi-employer Plans

Not applicable

D. Consolidated/Holding Company Plans

Under a restricted stock plan approved by MUSAC's Board of Directors and its stockholders in March 2007, key employees of the Company are awarded shares of Capital's common stock, par value $0.01per share with restricted ownership rights. The stocks granted to the employees will vest over three years after the grant date. The fair value of restricted stock awards is measured based on the closing price of Majestic's common stock on the grant date and is recognized as compensation expense over the vesting period of the awards.

As of September 30, 2011, due to the absence of a market for Capital's common stock, the Company has not recorded any liabilities related to this plan.

E. Post-employment Benefits and Compensated Absences

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

Note 13 – Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

A. Outstanding Shares

The Company has 50,000 shares of $75 par value common stock authorized and 40,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding.

B. Dividend Rate of Preferred Stock

Not applicable

C. Dividend Restrictions & D. Amount of Ordinary Dividends that May Be Paid

Dividends on common stock are paid as declared by the Board of Directors of the Company. Under the California Insurance Code, in a given year the Company may pay ordinary dividends without the prior approval of the Insurance Commissioner up to an amount which is the greater of its statutory net income for the preceding year or 10% of its policyholders' surplus at the at the end of the preceding year, less dividends made within the preceding twelve months.

As the Company is in conservation, there will be no dividends paid until such time as deemed appropriate by the California DOI.

E. Restrictions on Profits

Within the limitations of (C) above, there were no additional restrictions placed on the portion of the Company's profits that may be paid as ordinary dividends to stockholders but all dividend payments would be subject to the will of the Conservator of the Majestic Insurance Company in Liquidation estate.

F. Restrictions on Surplus

Within the limitations of (C) above, there were no additional restrictions placed on the portion of the Company's surplus including for whom surplus is being held.

G. Mutual Surplus Advances

Not applicable

NOTES TO FINANCIAL STATEMENTS

H. Company Stock Held for Special Purposes

Not applicable

I. Changes in Special Surplus Funds

Not applicable

J. Changes in Unassigned Funds

The following table presents the changes in components of unassigned surplus other than results incurred from underwriting or investment activities subsequent to the adoption of the Codification of the Statutory Accounting Principles excluding any increase or decrease directly related to the adoption of the Codification as of January 1, 2001.

Description	Cumulative Increase	Current Year
Aggregate write-ins for gain or loss	(5,289,315)	-
Change in deferred taxes	32,526,832	18,164,918
Statutory valuation reserve	(32,526,832)	(18,164,918)
Nonadmitted assets	(5,927,556)	84,413
Dividend to stockholder	(7,175,000)	(33,000)
Provision for reinsurance	(829,498)	(829,498)

The non-admitted assets include the non-admitted deferred tax assets (see Note 9) and exclude non-admitted invested assets, if there is any.

K. Surplus Notes

Not applicable

L. and M. Quasi Reorganizations

Not applicable

Note 14 – Contingencies

A. Contingent Commitments

None

B. Guaranty Fund and Other Assessments

The Company is subject to various assessments by the states and/or federal agencies (funds) in which it writes business. These assessments are for the general welfare and protection of workers compensation policyholders. The assessments may be based on the workers compensation premiums written by the Company in a calendar year or the outstanding loss reserves as of a year end date and assessment rates established by the various state or federal agencies. The Company is permitted by the insurance departments to pass certain assessments through to the policyholders. These assessments are billed to the policyholder with premiums as they become due. The accrual for all assessments occurs at the time the premiums are written or losses incurred. Because assessments are generally paid before the policy surcharges are collected, the payment of the assessment may result in a receivable from policyholders that will be taken on future policy surcharges to be collected. As of September 30, 2011, the Company had recorded assessments paid to insurance departments in excess of billed policyholder surcharges of $7,591,608. This excess assessment amount is presented as a write in asset with the caption "Advance Policy Surcharges" and $5,713,921 was treated as a non-admitted asset.

The following amounts assessed against Majestic by governmental authorities were unpaid as of September 30, 2011 due to the conservation of Majestic.

<u>Second Installment Payment of California DIR Assessments for 2011</u>. By letter to the California Department of Insurance dated April 6, 2011, Majestic requested relief from payment of the second installment of the DIR assessments for 2011 due April 1, 2011 in the amount of $1,772,965. This request was made on the ground that Majestic would cease writing business due to the impending conservation proceeding involving Majestic and that its liability for 2011 would be offset by an overpayments for 2010 and 2011. The DIR advised Majestic that this request was granted.

<u>Prepayment of California Gross Premiums Tax for 2011</u>. By letter to the California Department of Insurance dated May 16, 2011, Majestic requested relief from a quarterly prepayment of gross premiums tax which was due June 1, 2011 in the amount of $405,728. The request was made under Revenue & Taxation code Section 12260, which allows such relief where the insurer establishes that it has ceased to transact insurance in this

state. By letter dated May 19, 2011, the Department granted this request. By letter dated August 25, 2011 Majestic made a similar request for relief from the quarterly prepayment of gross premium tax due September 1, 2011 in the amount of $405,728. The Department granted this request by letter dated September 2, 2011.

Prepayment of New Jersey Premium Tax for 2011. By letter to the New Jersey Department of Treasury, Division of Taxation dated May 17, 2011, Majestic requested relief from a prepayment of premium tax due June 1, 2011 in the amount of $41,207.89. On May 26, 2011, the Division of Taxation issued a Revised Billing Notice stating that no amount was due on June 1, 2011.

New York State Workers' Compensation Board Assessment for 2010. Majestic received a notice of assessment from the New York State Workers' Compensation Board (NY WCB) due April 11, 2011 in the amount of $2,579,374. This amount was assessed for the calendar year 2010 under New York Workers' Compensation Law Section 15.8, Special Disability Fund. This assessment was based on 2009 premium but should be reconciled to 2011 premium which will be lower than 2009, resulting in an anticipated refund.

New York State Workers' Compensation Board Request for Excess Funds. In February 2010, Majestic received a written request from the WCB for payment of $704,037 representing the amount of policyholder surcharges collected by Majestic Insurance to offset the WCB's assessments for 2007, which amount may increase significantly depending on the effect of payment guidelines recently issued by the WCB. This request was based upon the WCB's interpretation of Chapter 56-B, New York Laws of 2009, which provides that an insurance carrier which paid an amount assessed by the WCB for any year that was less than the surcharges collected from policyholders in that year must pay the excess funds held as of January 1, 2009 to the WCB. Majestic has requested reconsideration of the additional payment amount sought by the WCB.

New York Special Funds Conservation Committee Assessment. By letter from the New York Compensation Insurance Rating Board dated June 22, 2011, Majestic was notified that its share of the assessment covering expenses of the Special Fund Conservation Committee for 2011 was $67,562.10, of which an installment of $33,781.05 was due for the second six months of 2011. By letter to the SFCC dated July 11, 2011, Majestic requested relief from payment of that installment. The matter is pending.

Workers' Compensation Insurance Rating Bureau of California Assessment. On April 1, 2011, the Workers' Compensation Insurance Rating Bureau of California issued an invoice to Majestic for its 2nd Quarter, 2011 Assessment in the amount of $96,445. By letter dated to the WCIRB April 29, 2011, Majestic requested relief from payment of that assessment in light of the conservation proceeding involving Majestic. The matter is pending.

New Jersey Workers' Compensation Security Fund Assessment. On July 1, 2011, the New Jersey Property-Liability Insurance Guaranty Association ("NJ IGA") sent notice to Majestic of an assessmsnt of $95,728.86 for the Workers' Compensation Security Fund. By letter to the NJ IGA dated August 11, 2011, staff counsel
for the Conservator of Majestic requested relief from payment this assessment.
Other Assessments. By letter to the Arizona Department of Insurance dated August 12, 2011, majestic requested relief from assessments for the Department's fraud unit and administration of voluntary residual market plans in the total amount of $900. By letter to their Illinois Department of Insurance dated August 12, 2011, majestic requested relief from the Department's financial regulation fee billing in the amount of $750.

The Company does not believe it has any assessments which have not been properly accounted for and recorded.

C. Gain Contingencies

Not applicable

D. All Other Contingencies

Pursuant to the Conservation Order, continued prosecution of the lawsuits described in this Note 14, and the filing of any other claims, lawsuits or actions against the Company outside of the conservation proceedings pending in the San Francisco Superior Court related to the Company ("Conservation Court") is enjoined. Alternative remedies for the assertion of any and all such claims are provided for under the Conservator's Rehabilitation Plan.

On November 2, 2009, an action entitled Healthcare Industry Trust of New York, et al. v. Compensation Risk Managers, LLC, et al., was filed in the New York Supreme Court, Albany County. The complaint names 40 or more defendants, including Majestic Insurance Company, and seeks damages in excess of $220 million resulting from the closure of the Healthcare Industry Trust of New York, a group self-insurer formerly managed by Majestic's affiliate, Compensation Risk Managers, LLC ("CRM"). The only allegation of misconduct by Majestic is that it charged excessive premiums for excess worker's compensation insurance, causing unjust enrichment of Majestic in an unknown amount. The complaint also alleges that Majestic is the alter ego of CRM and related defendants, so that Majestic should be held liable for their obligations. Majestic denies all liability in connection with this matter.

On or about December 9, 2009, an action entitled The New York State Workers' Compensation Board, etc. v. Compensation Risk Managers, LLC, et al., was filed in the New York Supreme Court, Albany County. The complaint names fifteen defendants, including Majestic Insurance Company, and seeks damages of $456 million plus interest, attorney's fees and punitive damages resulting from the closure of several group self-insurance trusts formerly managed by CRM. This is supported by unspecific allegations that Majestic and other defendants made misrepresentations, committed deceptive business practices in violation of Section 349 of the New York General Business law, and engaged in false advertising in violation of Section 350 of the General Business Law. There are no specific allegations of misconduct on the part of Majestic. Majestic denies all liability in connection with this matter.

On October 28, 2010, an action entitled California Plastering, Inc., et al. v. Pridemark-Everest Insurance Services, Inc. was filed in the Orange County, California Superior Court. The plaintiffs are eleven former member employers of the Contractors Access Program of California ("CAP"), a workers' compensation group self-insurer formerly administered by Compensation Risk Managers of California, LLC ("CRM CA"). The complaint names nine defendants, including Majestic Insurance Company, and seeks damages in excess of $30 million, restitution and other relief as the result of the defendants' alleged mismanagement and wrongful conduct with respect to CAP. Majestic is alleged to have aided and abetted the misconduct of the other defendants and committed unfair business practices. Majestic denies all liability in connection with this matter.

On December 20, 2010, Bickmore Risk Services, as the conservator of CAP, filed an action entitled Contractors Access Program of California v. Majestic Capital, Ltd., et al. alleging mismanagement of CAP by CRM and related entities. The complaint named several defendants including various CRM entities and Majestic Insurance Company. The allegations involving Majestic included a contention that the excess insurance policies written by Majestic for CAP were not priced at competitive rates and an alter ego and/or agency theory of liability. The complaint sought damages of not less than $34 million. Majestic denies all liability in connection with this matter.

On January 27, 2011, four employer members of CAP filed an action entitled Mark Tanner Construction, Inc., et al. v. Majestic Capital, Ltd., et al. seeking recovery of damages in excess of $25 million allegedly caused by misconduct of the defendants in the management of CAP. The defendants include Majestic Insurance Company. Majestic denies all liability in connection with this matter.

Majestic filed an action entitled Majestic Insurance Company v. J.R. Pierce Plumbing seeking recovery of unpaid premiums of approximately $63,000 from Pierce, a former policyholder. On March 4, 2011, Pierce filed a cross-complaint against Majestic for breach of contract, breach of the covenant of good faith and fair dealing and unfair or deceptive business practices. The cross-complaint alleges that Majestic set unnecessarily high reserves for claims under the insurance policies issued to Pierce and other policyholders, improperly delayed acting on claims and engaged in other practices which increased the cost of the insurance. Pierce seeks damages according to proof, punitive damages, attorneys' fees, injunctive relief and restitution or disgorgement on behalf of all persons injured by Majestic's allegedly unlawful practices. Majestic denies all liability in connection with this matter.

By letter dated June 6, 2011, an attorney representing SMC Holdings, Inc. (SMC), a former policyholder of Majestic, advised that SMC disputed Majestic's billing for retrospective premium due under its 200402005 policy covering SMC and demanded a refund of approximately $1.4 million in prior retrospective premiums as the result of Majestic's alleged mishandling of a single workers' compensation claim. Majestic disputes the allegations made by SMC's attorney and denies all liability in connection with this matter.

Lawsuits arise against the Company in the normal course of business and are commented upon in this report if considered material or may be detrimental to the policyholders. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

Note 15 – Leases

A. Lessee Leasing Arrangements

No current long term lease obligations.

B. Lessor Leasing Arrangements

Not applicable

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk

A. Financial Instruments with Off-Balance Sheet Risk

Not applicable

B. Financial Instruments with Concentrations of Credit Risk

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

Not applicable

B. Transfers and Servicing of Financial Assets

Not applicable

C. Wash Sales

Not applicable

Note 18 – Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare of Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

Note 19 – Direct Premiums Written / Produced by Managing General Agents / Third Party Administrators

The company had no premiums written through managing general agents or third party administrators.

Note 20 – Other Items

A. Extraordinary Items

Relative to the imminent bankruptcy filing of Majestic Capital, LTD and Majestic USA Capital, Inc. as set forth in a press release dated March 21, 2011, the lessor on various operating leases engaged in by the Company determined that the lease agreements were in material uncured default. The lessor subsequently declared the subject leases in default and the entire indebtedness under all lease schedules became immediately due and payable and sought to recover the Casualty Loss Value of the property.

On April 1, 2011, the lessor drew down the letters of credits that were issued as collateral under the lease terms on the event of default. The aggregate value of the letters of credit was $8,000,000 and allegedly represented the Casualty Loss Value of the property as determined by addendum to the lease. The Company at that time considered the draw as termination of the lease and recognized the $8 million as impaired assets as of June 30, 2011 and recorded an extraordinary charge to net income as of that date. However, the Conservator is investigating the legality of the actions of the lessor, and the recognition of impairment and the recording of an extraordinary charge is without prejudice to the Conservator's available remedies against the lessor.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

No significant Items

D. Uncollectible Premiums Receivable

No significant change.

E. Business Interruption Insurance Recoveries

Not applicable.

F. State Transferable Tax Credits

Not applicable

NOTES TO FINANCIAL STATEMENTS

G. Subprime Mortgage Related Risk Exposure

Not applicable

Note 21 – Events Subsequent

No significant Items

Note 22 – Reinsurance

A. Unsecured Reinsurance Recoverables

No significant change

B. Reinsurance Recoverables in Dispute

No significant change

C. Reinsurance Assumed and Ceded and Protected Cells

As of June 1, 2011, all reinsurance agreements and the associated rights and obligations have been assigned to AmTrust under the reinsurance/novation agreement referred to in note 1.

1. Commission on Unearned Premiums

2. Additional or Return Commission Accruals

No change

3. Risks Attributed To Protected Cells.

Not applicable.

D. Uncollectible Reinsurance

The Company did not incur any uncollectible reinsurance costs in the nine months ending Sept. 30, 2010.

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

Note 23 – Retrospectively Rated Contracts and Contracts Subject to Re-determination

A. Method Used to Estimate

Not Applicable

B. Method Used to Record

Not Applicable

C. Amount and Percent of Net Retrospective Premiums

No significant change

D. Calculation of Nonadmitted Accrued Retrospective Premiums

No significant change

Note 24 – Changes in Incurred Losses and Loss Adjustment Expenses

NOTES TO FINANCIAL STATEMENTS

The Company recorded net incurred loss and loss adjusting expense of $25,565,717 in the first five months of 2011. All outstanding reserves as of May 31, 2011 were transferred to AmTrust, as discussed above. The Company discontinued writing workers' compensation insurance subsequent to May 31, 2011. The Current year loss from underwriting operations includes, $28,500,000 of additional INBR required to be funded under the AmTrust agreement. This additional payment to AmTrust related to unrecorded prior year reserve deficiencies.

Note 25 – Intercompany Pooling Arrangements

Not applicable

Note 26 – Structural Settlements

A. Reserves Released due to Purchase of Annuities

The company has no contingent liability under any structured settlement agreements.

B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

No significant change

Note 27 – Health Care Receivables

Not applicable

Note 28 – Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

Not applicable

Note 30 – High Deductibles

Not applicable

Note 31 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

A. Tabular Discounts

The Company does not discount unpaid losses or loss adjustment expenses.

B. Non-Tabular Discounts

Not applicable

C. Changes in Discount Assumptions

Not applicable

Note 32 – Asbestos and Environmental Reserves

A. Asbestos Reserves

There are no material amounts of losses applicable to Asbestos claims.

B. Ending Reserves for Asbestos Claims for Bulk and IBNR Losses and LAE Included in A above:

Not applicable

C. Ending Reserves for Asbestos Claims for Loss Adjustment Expenses Included in A above (Case, Bulk and IBNR):

Not applicable

D. Environmental

The Company does not underwrite environmental coverage.

E. Ending Reserves for Environmental Claims for Bulk and IBNR Losses and LAE Included in D above:

NOTES TO FINANCIAL STATEMENTS

Not applicable

F. Ending Reserves for Environmental Claims for Loss Adjustment Expenses Included in D above (Case, Bulk and IBNR)

Not applicable

Note 33 – Subscriber Savings Accounts

Not applicable

Note 34 – Multiple Peril Crop

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes ( ) No (X)

1.2 If yes, has the report been filed with the domiciliary state? Yes ( ) No ( )

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes ( ) No (X)

2.2 If yes, date of change

3 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ( ) No (X)

If yes, complete the Schedule Y - Part 1 - organizational chart

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ( ) No (X)

4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes ( ) No ( ) N/A (X)

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made 12/31/2010

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released 12/31/2010

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/08/2011

6.4 By what department or departments?

CALIFORNIA DEPARTMENT OF INSURANCE

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes ( ) No (X) N/A ( )

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes ( ) No (X) N/A ( )

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes ( ) No (X)

7.2 If yes, give full information

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ( ) No (X)

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ( ) No (X)

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES (continued)

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes (X) No ( )
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes ( ) No (X)

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ( ) No (X)

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ( ) No (X)

10.2 If yes, indicate the amounts receivable from parent included in the Page 2 amount: $

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ( ) No (X)

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $

13. Amount of real estate and mortgages held in short-term investments: $

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ( ) No (X)

14.2 If yes, please complete the following:

	1 Prior Year-End Book/ Adjusted Carrying Value	2 Current Quarter Book/ Adjusted Carrying Value
14.21 Bonds	$	$
14.22 Preferred Stock	$	$
14.23 Common Stock	$	$
14.24 Short-Term Investments	$	$
14.25 Mortgage Loans on Real Estate	$	$
14.26 All Other	$	$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Line 14.21 to Line 14.26)	$	$
14.28 Total Investment in Parent included in Line 14.21 to Line 14.26 above	$	$

15.1 Has the reporting entity entered into any hedging transactions reported on schedule DB? Yes ( ) No (X)

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ( ) No ( )

If no, attach a description with this statement

GENERAL INTERROGATORIES (continued)

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ( )

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
COMERICA BANK	PO BOX 75000, DETROIT, MI 48275-4195
STATE STREET BANK	801 PENNSYLVANIA AVE, KANSAS CITY, MO 64105

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes ( ) No (X)

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
105900	GEN RE-NEW ENGLAND ASSET	75 BATTERSON PARK RD., FARMINGTON, CT 06032

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes (X) No ( )

17.2 If no, list exceptions:

GENERAL INTERROGATORIES (continued)

PART 2

PROPERTY AND CASUALTY INTERROGATORIES

1	If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?	Yes ( ) No ( ) N/A (X)
	If yes, attach an explanation	
2	Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?	Yes ( ) No (X)
	If yes, attach an explanation	
3.1	Have any of the reporting entity's primary reinsurance contracts been cancelled?	Yes ( ) No (X)
3.2	If yes, give full and complete information thereto	
4.1	Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero?	Yes ( ) No (X)
4.2	If yes, complete the Discount Schedule	
5	Operating Percentages:	
	5.1 A&H loss percent	%
	5.2 A&H cost containment percent	%
	5.3 A&H expense percent excluding cost containment expenses	%
6.1	Do you act as a custodian for health savings accounts?	Yes ( ) No (X)
6.2	If yes, please provide the amount of custodial funds held as of the reporting date	$
6.3	Do you act as an administrator for health savings accounts?	Yes ( ) No (X)
6.4	If yes, please provide the balance of the funds administered as of the reporting date	$

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Schedule F - Ceded Reinsurance

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
States, etc	Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1 Alabama AL	N						
2 Alaska AK	L		2,598		3,997		756,842
3 Arizona AZ	L	1,180,672	2,253,302	771,533	1,328,412		3,745,576
4 Arkansas AR	N						
5 California CA	L	23,209,297	54,963,848	20,533,478	37,670,174		188,595,670
6 Colorado CO	N						
7 Connecticut CT	N						
8 Delaware DE	N						
9 District of Columbia DC	N						
10 Florida FL	L	59,137	329,512	51,112	209,597		1,498,668
11 Georgia GA	N						
12 Hawaii HI	L			48,910	418,371		2,525,441
13 Idaho ID	L						
14 Illinois IL	L						
15 Indiana IN	N						
16 Iowa IA	N						
17 Kansas KS	N						
18 Kentucky KY	N						
19 Louisiana LA	N						
20 Maine ME	N						
21 Maryland MD	N						
22 Massachusetts MA	N						
23 Michigan MI	N						
24 Minnesota MN	N						
25 Mississippi MS	N						
26 Missouri MO	N						
27 Montana MT	L						
28 Nebraska NE	N						
29 Nevada NV	L	13,985	333,844	46,169	146,464		1,089,653
30. New Hampshire NH	N						
31 New Jersey NJ	L	2,932,799	7,543,018	3,797,066	7,421,344		22,822,183
32 New Mexico NM	L						
33 New York NY	L	3,551,709	7,385,233	5,573,711	8,696,301		54,576,412
34 North Carolina NC	N						
35 North Dakota ND	N						
36 Ohio OH	N						
37 Oklahoma OK	N						
38 Oregon OR	L	10,426	15,344	39,613	88,579		1,839,696
39 Pennsylvania PA	N						
40 Rhode Island RI	N						
41 South Carolina SC	N						
42 South Dakota SD	N						
43 Tennessee TN	N						
44 Texas TX	L						
45 Utah UT	L						
46 Vermont VT	N						
47 Virginia VA	L						
48 Washington WA	L			124,285	663,655		2,266,170
49 West Virginia WV	N						
50 Wisconsin WI	N						
51 Wyoming WY	N						
52 American Samoa AS	N						
53 Guam GU	N						
54. Puerto Rico PR	N						
55 U S Virgin Islands VI	N						
56 Northern Mariana Islands MP	N						
57 Canada CN	N						
58 Aggregate Other Alien OT	XXX						
59 Totals	(a) 17	30,958,025	72,826,699	30,985,877	56,646,894		279,718,313
DETAILS OF WRITE-INS							
5801	XXX						
5802	XXX						
5803	XXX						
5898 Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899 TOTALS (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)	XXX						

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer;
(E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state

(a) Insert the number of "L" responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

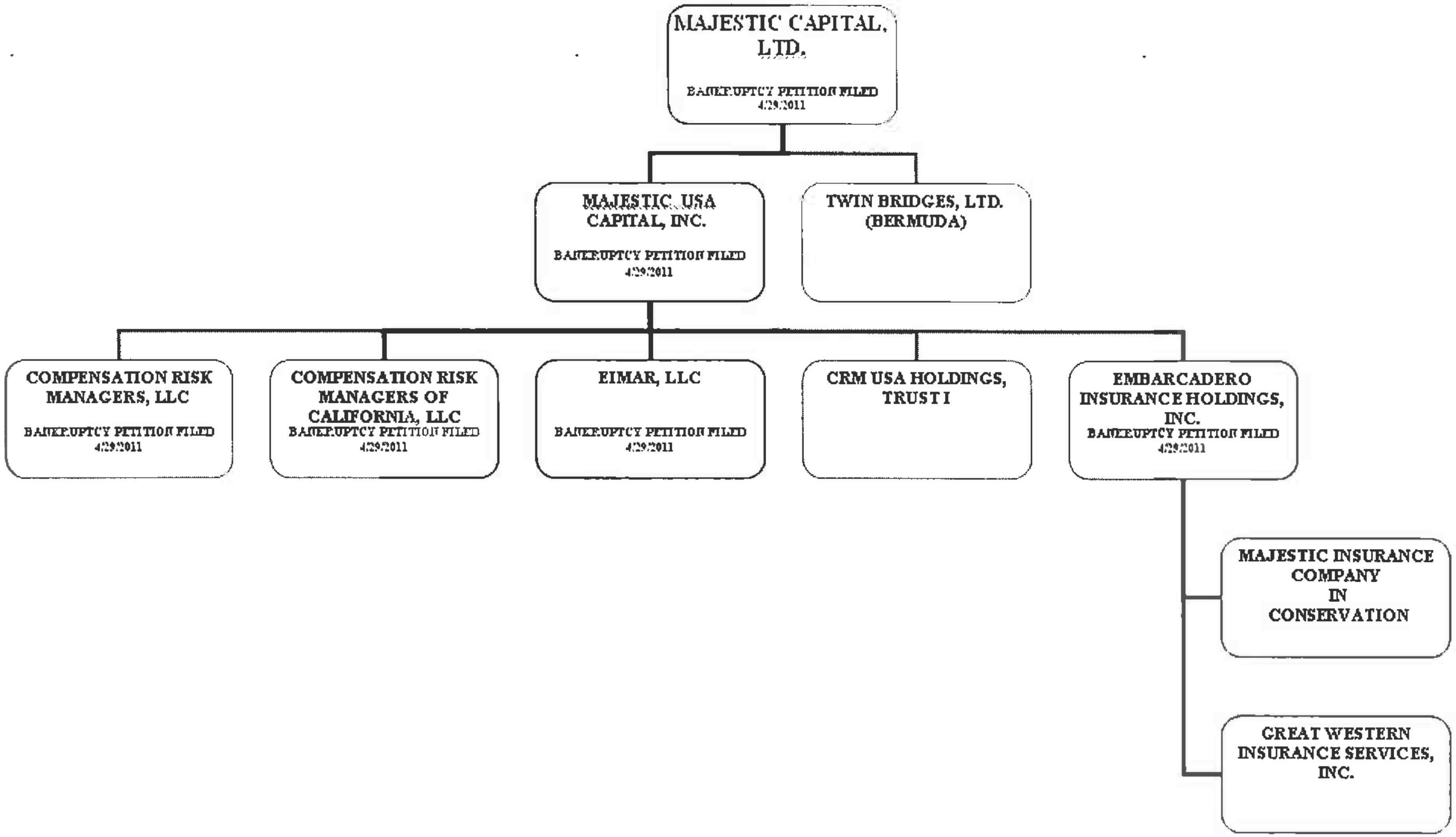
All entity members of a Holding Company Group that have acquired and/or disposed of any domestic entity (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL LISTING

1 NAIC Group Code	2 Group Name	3 NAIC Company Code	4 State of Domicile	5 FEI Number	6 Name of Company
0000	MAJESTIC INSURANCE COMPANY	42269	CA	95-3653107	MAJESTIC INSURANCE COMPANY

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date 1 Direct Premiums Earned	Current Year to Date 2 Direct Losses Incurred	Current Year to Date 3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1 Fire				
2 Allied lines				
3 Farmowners multiple peril				
4 Homeowners multiple peril				
5 Commercial multiple peril				
6 Mortgage guaranty				
8 Ocean marine				
9 Inland marine				
10 Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12 Earthquake				
13 Group accident and health				
14 Credit accident and health				
15 Other accident and health				
16 Workers' compensation	31,231,019	16,786,010	53.7	71.9
17.1 Other liability-occurrence				
17.2 Other liability-claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21 Auto physical damage				
22 Aircraft (all perils)				
23 Fidelity				
24 Surety				
26 Burglary and theft				
27 Boiler and machinery				
28 Credit				
29 International				
30 Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32 Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33 Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34 Aggregate write-ins for other lines of business				
35 TOTALS	31,231,019	16,786,010	53.7	
DETAILS OF WRITE-INS				
3401				
3402				
3403				
3498 Summary of remaining write-ins for Line 34 from overflow page				
3499 Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34)				

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year to Date
1 Fire			
2 Allied lines			
3 Farmowners multiple peril			
4 Homeowners multiple peril			
5 Commercial multiple peril			
6 Mortgage guaranty			
8 Ocean marine			
9 Inland marine			
10 Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12 Earthquake			
13 Group accident and health			
14 Credit accident and health			
15 Other accident and health			
16 Workers' compensation		30,958,026	72,826,699
17.1 Other liability-occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability			
19.3, 19.4 Commercial auto liability			
21 Auto physical damage			
22 Aircraft (all perils)			
23 Fidelity			
24 Surety			
26 Burglary and theft			
27 Boiler and machinery			
28 Credit			
29 International			
30 Warranty			
31 Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32 Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33 Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34 Aggregate write-ins for other lines of business			
35 TOTALS		30,958,026	72,826,699
DETAILS OF WRITE-INS			
3401			
3402			
3403			
3498 Summary of remaining write-ins for Line 34 from overflow page			
3499 Totals (Line 3401 through Line 3403 plus Line 3498) (Line 34)			

PART 3 (000 Omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Column 1 plus Column 2	4 2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2011 Loss and LAE Payments (Column 4 plus Column 5	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Column 7 plus Column 8 plus Column 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings) / Deficiency (Column 4 plus Column 7 minus Column 1)	12 Prior-Year-End IBNR Loss and LAE Reserves Developed (Savings) / Deficiency (Column 5 plus Column 8 plus Column 9 minus Column 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings) / Deficiency (Column 11 plus Column 12
1	2008 + Prior	59,151	27,632	86,783	59,151	27,632	86,783							
2	2009	21,941	12,934	34,875	21,941	12,473	34,414						(461)	(461)
3	Subtotals 2009 + prior	81,092	40,566	121,658	81,092	40,105	121,197						(461)	(461)
4.	2010	15,449	19,354	34,803	15,449	18,854	34,303						(500)	(500)
5.	Subtotals 2010 + prior	96,541	59,920	156,461	96,541	58,959	155,500						(961)	(961)
6.	2011	XXX	XXX	XXX	XXX	25,822	25,822	XXX				XXX	XXX	XXX
7	Totals	96,541	59,920	156,461	96,541	84,781	181,322						(961)	(961)
8	Prior Year-End Surplus As Regards Policy-holders	57,942										Column 11, Line 7 As % of Column 1, Line 7 1 %	Column 12 Line 7 As % of Column 2, Line 7 2 (1.6)%	Column 13, Line 7 As % of Column 3, Line 7 3. (0.6)% Column 13, Line 7 / Line 8 4 (1.7)%

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Responses
1. Will the Trusted Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO

EXPLANATION:

BARCODE:

Document Identifier 490: 4 2 2 6 9 2 0 1 1 4 9 0 0 0 0 0 3

2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO

EXPLANATION:

BARCODE:

Document Identifier 455: 4 2 2 6 9 2 0 1 1 4 5 5 0 0 0 0 3

3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO

EXPLANATION:

BARCODE:

Document Identifier 365: 4 2 2 6 9 2 0 1 1 3 6 5 0 0 0 0 3

4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

EXPLANATION:

BARCODE:

Document Identifier 505: 4 2 2 6 9 2 0 1 1 5 0 5 0 0 0 0 3

SCHEDULE A - VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1 Book/adjusted carrying value December		
2 Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after ac		
3 Current year change in encumbrances		
4 Total gain (loss) on disposals		
5 Deduct amounts received on disposals		
6 Total foreign exchange change in book/ac		
7 Deduct current year's other than temporar		
8 Deduct current year's depreciation		
9 Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 minus Line 5 plus Line 6 minus Line 7 plus Line 8)		
10 Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding		
2. Cost of acquired:		
2.1. Actual cost at time of acquisition		
2.2. Additional investment made after a		
3 Capitalized deferred interest and other		
4. Accrual of discount		
5 Unrealized valuation increase (decrease)		
6 Total gain (loss) on disposals		
7 Deduct amounts received on disposals		
8. Deduct amortization of premium and mort		
9 Total foreign exchange change in book value/recorded investment excluding accrued interest		
10 Deduct current year's other than temporary impairment recognized		
11 Book value/recorded investment excluding accrued interest at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 plus Line 5 plus Line 6 minus Line 7 minus Line 8 plus Line 9 minus Line 10)		
12 Total Valuation Allowance		
13 Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15 Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December		
2. Cost of acquired:		
2.1. Actual cost at time of acquisition		
2.2. Additional investment made after a		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6 Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9 Total foreign exchange change in book/adjusted carrying value		
10 Deduct current year's other than temporary impairment recognized		
11 Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 plus Line 5 plus Line 6 minus Line 7 minus Line 8 plus Line 9 minus Line 10)		
12 Deduct total nonadmitted amounts		
13 Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1 Book/adjusted carrying value of bonds and stocks, December 31 of prior year	257,749,647	275,423,672
2 Cost of bonds and stocks acquired	9,898,427	186,803,506
3. Accrual of discount	10,778	49,464
4 Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	5,725,095	5,015,553
6. Deduct consideration for bonds and stocks disposed of	259,269,043	207,766,320
7. Deduct amortization of premium	533,281	1,776,228
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3 plus Line 4 plus Line 5 minus Line 6 minus Line 7 plus Line 8 minus Line 9)	13,581,623	257,749,647
11 Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	13,581,623	257,749,647

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1 Class 1 (a)	13,559,574	735,102	1,195,769	347,641	237,416,929	13,559,574	13,446,548	262,298,999
2 Class 2 (a)	870,177				1,794,721	870,177	870,177	2,047,848
3 Class 3 (a)								
4 Class 4 (a)								
5 Class 5 (a)								
6 Class 6 (a)								
7. Total Bonds	14,429,751	735,102	1,195,769	347,641	239,211,650	14,429,751	14,316,725	264,346,847
PREFERRED STOCK								
8 Class 1								
9 Class 2								
10. Class 3								
11 Class 4								
12 Class 5								
13 Class 6								
14 Total Preferred Stock								
15 Total Bonds and Preferred Stock	14,429,751	735,102	1,195,769	347,641	239,211,650	14,429,751	14,316,725	264,346,847

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:
NAIC 1 $; NAIC 2 $; NAIC 3 $; NAIC 4 $; NAIC 5 $; NAIC 6 $

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999 Totals	735,102	XXX	735,102	35	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book / adjusted carrying value, December 31 of prior year	6,503,849	23,453,840
2. Cost of short-term investments acquired	53,589,093	65,351,267
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	59,357,840	82,301,258
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Line 1 + Line 2 + Line 3 + Line 4 + Line 5 - Line 6 - Line 7 + Line 8 - Line 9)	735,102	6,503,849
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	735,102	6,503,849

Page SI04

Schedule DB, Part A, Verification

NONE

Schedule DB, Part B, Verification

NONE

Page SI05

Schedule DB, Pt. C, Section 1, Replicated (Synthetic Assets) Open

NONE

Page SI06

Sch DB, Pt C, Sn 2, Replication (Syn Assets) Transactions Open

NONE

Page SI07

Schedule DB, Verification

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	93,352	93,207
2. Cost of cash equivalents acquired	7,699,504	92,093,516
3. Accrual of discount	203	5,856
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	32	2
6. Deduct consideration received on disposals	7,793,091	92,099,229
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Line 1 + Line 2 + Line 3 + Line 4 + Line 5 - Line 6 - Line 7 + Line 8 - Line 9)		93,352
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		93,352

Page E01

Sch. A, Pt. 2, Real Estate Acquired

NONE

Sch. A, Pt. 3, Real Estate Disposed

NONE

Page E02

Schedule B, Part 2, Mortgage Loans Acquired

NONE

Schedule B, Part 3, Mortgage Loans Disposed

NONE

Page E03

Sch. BA, Pt. 2, Other Long-Term Invested Assets Acquired

NONE

Sch. BA, Pt. 3, Other Long-Term Invested Assets Disposed

NONE

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Schedule D, Part 3, Long-Term Bonds and Stocks Acquired

NONE

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change In Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U S Governments																					
912827-7B-2	United States Treasury		08/15/2011	Maturity		500,000	500,000.00	502,168	500,362		(362)		(362)		500,000				25,000	08/15/2011	1
3134A4-HF-4	Federal Home Loan Mortgage Corp		09/15/2011	Maturity		190,000	190,000.00	199,934	191,021		(1,021)		(1,021)		190,000				10,450	09/15/2011	1
0599999 - Subtotal - Bonds - U S Governments						690,000	690,000.00	702,102	691,383		(1,383)		(1,383)		690,000				35,450		
Bonds - U S Special Revenue and Special Assessment and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
31283K-QJ-0	Federal Home Ln Mtg Corp Pool G11357		09/30/2011	Paydown		4,360	4,360.00	4,684	4,368		(8)		(8)		4,360				118	11/01/2016	1FE
3128MM-KB-8	Federal Home Ln Mtg Corp Pool G18289		09/30/2011	Paydown		8,282	8,282.00	8,606	8,284		(2)		(2)		8,282				138	04/01/2023	1FE
31294K-L8-6	Federal Home Ln Mtg Corp Pool E01251		09/30/2011	Paydown		4,807	4,807.00	5,165	4,815		(8)		(8)		4,807				116	03/01/2017	1FE
31400E-W2-2	Federal Home Ln Mtg Corp Pool 685665		09/30/2011	Paydown		6,984	6,984.00	7,412	6,994		(10)		(10)		6,984				125	07/01/2017	1FE
977123-KN-7	Wisconsin St TransN Rev		07/01/2011	Maturity		300,000	300,000.00	342,525	302,919		(2,919)		(2,919)		300,000				8,250	07/01/2011	1FE
3199999 - Subtotal - Bonds - U.S. Special Revenue and Special Assessment and All Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						324,433	324,433.00	368,392	327,380		(2,947)		(2,947)		324,433				8,747		
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
13973X-AC-7	Capital Auto Rec Asset Tr 08 C AAA		08/15/2011	Maturity		85,968	85,968.00	88,708	86,809		(841)		(841)		85,968				2,009	09/15/2011	1FE
13973X-AC-7	Capital Auto Rec Asset Tr 08 C AAA		07/15/2011	PAYDOWN		95,368	95,367.99	98,408	96,301		(933)		(933)		95,368				3,040	09/15/2011	1FE
3899999 - Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)						181,335	181,335.99	187,116	183,110		(1,774)		(1,774)		181,336				5,049		
8399997 - Subtotal - Bonds - Part 4						1,195,768	1,195,768.99	1,257,610	1,201,873		(6,104)		(6,104)		1,195,769				49,246		
8399999 - Subtotal - Bonds						1,195,768	1,195,768.99	1,257,610	1,201,873		(6,104)		(6,104)		1,195,769				49,246		
9999999 - TOTALS						1,195,768		1,257,610	1,201,873		(6,104)		(6,104)		1,195,769				49,246		

(a) For all common stock bearing the NAIC market indicator 'U' provide the number of such issues

Page E06
Schedule DB, Part A, Section 1

NONE

Financial or Economic Impact of the Hedge

NONE

Page E07
Schedule DB, Part B, Section 1

NONE

Schedule DB, Part B, Section 1, Broker Name

NONE

Schedule DB, Part B, Financial or Economic Impact of the Hedge

NONE

Page E08
Schedule DB, Part D

NONE

Page E09
Schedule DL, Part 1

NONE

Page E10
Schedule DL, Part 2

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1 Depository		2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Name	Location and Supplemental Information	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6 First Month	7 Second Month	8 Third Month	*
Open Depositories									
STATE STREET BANK	KANSAS CITY, MO					19,157	19,157	35,382	
WELLS FARGO BANK	SAN FRANCISCO, CA					1,146,791	349,445	1,406,895	
BANK OF HAWAII	HONOLULU, HI					75,006	75,575	75,575	
CITIBANK	SAN FRANCISCO, CA					2,580	502,354	2,354	
HSBC BANK	SAN FRANCISCO, CA					41,513	40,730	40,056	
BANK OF ALASKA	ANCHORAGE, AK						25,018	25,018	
BANK OF ALBUQUERQUE	ALBUQUERQUE, NEW MEXICO							102,750	
US BANK	PORTLAND, OR						334,409		
0199999 - TOTAL - Open Depositories						1,285,047	1,346,688	1,688,030	
0399999 - TOTAL Cash on Deposit						1,285,047	1,346,688	1,688,030	
0599999 - TOTALS						1,285,047	1,346,688	1,688,030	

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Schedule E, Part 2, Cash Equivalents

NONE