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*Attorneys for Applicant Dave Jones,
Insurance Commissioner of the State of California, in
his capacity as Liquidator of Frontier Pacific
Insurance Company*

F I L E D

Clerk of the Superior Court

APR 20 2012

By: M. SPIESMAN, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

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

Applicant,

v.

**FRONTIER PACIFIC INSURANCE
COMPANY, a California corporation,**

Respondent.

Case No. **GIC 774028**

**NOTICE OF APPLICATION AND
APPLICATION FOR ORDER
APPROVING LIQUIDATOR'S
PROPOSAL TO DISBURSE ASSETS TO
CERTAIN STATE INSURANCE
GUARANTY ASSOCIATIONS AND
POLICYHOLDERS**

Date: June 22, 2012
Time: 10:00 A.M..
Dept: 71
Judge: Hon. Ronald S. Prager
Trial Date: None Set
Action Filed: September 7, 2001

TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that Dave Jones, Insurance Commissioner of the State of California, in his capacity as Liquidator ("Liquidator") of Frontier Pacific Insurance Company, ("FPIC") hereby applies for an Order approving the Liquidator's application to disburse the assets

1 of FPIC to the California Insurance Guarantee Association ("CIGA") pursuant to Insurance Code
2 §1035.5 and to policyholders pursuant to Insurance Code § 1037 general powers of the
3 commissioner.

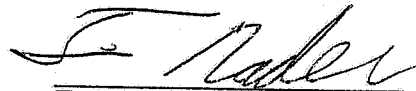
4 PLEASE TAKE FURTHER NOTICE that any objection or opposition to this Application
5 must be filed directly in Department 71 and served on all parties on or before June 11, 2012. If
6 no objection or opposition to this Application is received by the Court by that date, the Court may
7 rule on the Application without a hearing.

8 Dated: April 18, 2012

Respectfully Submitted,

9
10 KAMALA D. HARRIS
11 Attorney General of California
12 FELIX E. LEATHERWOOD
13 Supervising Deputy Attorney General
14 LESLIE BRANMAN SMITH
15 Deputy Attorney General

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TIM NADER
Deputy Attorney General
*Attorneys for Applicant Dave Jones,
Insurance Commissioner of the State of
California, in his capacity as Liquidator of
Frontier Pacific Insurance Company*

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1 **I. SUMMARY OF APPLICATION**

2 Pursuant to Insurance Code §§ 1035.5 and 1037, the Liquidator seeks court approval for his
3 proposal to disburse FPIC's assets to certain insurance guaranty associations and to individual
4 policyholders whose claims are not covered claims under Insurance Code § 1033(a)(2). The
5 Liquidator seeks court approval to disburse \$24,498,262.54 from the insolvent estate of FPIC.
6 The specific amounts to be disbursed to CIGA and policyholders are set forth in Section "IV"
7 below.

8 The Liquidator submits that he has complied with the requirements of Insurance Code
9 §1035.5 for disbursement of assets to the CIGA and has determined in furtherance of the
10 administration of the estate and the interest of the policyholders with non-covered claims to
11 disburse assets in partial satisfaction of said non-covered claims; accordingly, this Court should
12 approve the instant application.

13 **II. DISBURSEMENT OF ASSETS TO IGAS IS CONTROLLED BY INSURANCE**
14 **CODE § 1035.5**

15 Insurance Code §1035.5 controls the disbursement of an insolvent insurer's assets to the
16 California Insurance Guarantee Association ("CIGA") and/or to any other insurance guaranty
17 association ("IGA"). Insurance Code §1035.5 provides in its entirety:

18 Notwithstanding the provisions of Article 14 (commencing with §1010), with regard
19 only to those insurers subject to this article:

20 (a) Within 120 days of the issuance of an order directing the winding up and
21 liquidation of the business of an insolvent insurer under §1016, the commissioner
22 shall make application to the court for approval of a proposal to disburse the insurer's
23 assets, from time to time as such assets become available, to the California Insurance
24 Guarantee Association, or the California Life and Health Insurance Guarantee
25 Association, and to any entity or person performing a similar function in another
26 state.

27 (b) The proposal shall at least include the following provisions for:

28 (1) Reserving amounts for the payment of expenses of administration and the
payment of claims of secured creditors (to the extent of the value of the security held)
and claims falling within the priorities established in paragraphs (1) to (4), inclusive,
of subdivision (a) of §1033.

(2) Disbursement of the assets marshaled to date and subsequent disbursements of
assets as they become available.

1 (3) Equitable allocation of disbursements to each of the associations entitled thereto.

2 (4) The securing by the commissioner from each of the associations entitled to
3 disbursements pursuant to this section of an agreement to return to the commissioner
4 such assets previously disbursed as may be required to pay claims of secured
5 creditors and claims falling within the priorities established in paragraphs (1) to (5),
6 inclusive, of subdivision (a) of §1033 in accordance with the priorities. No bond shall
7 be required of any association.

8 (5) A full report to be made by the association to the commissioner accounting for all
9 assets so disbursed to the association, all disbursements made therefrom, any interest
10 earned by the association on the assets, and any other matter as the court may direct.

11 (c) The commissioner's proposal shall provide for disbursements to the
12 associations in amounts estimated at least equal to the claim payments made or to be
13 made by the associations for which such associations could assert a claim against the
14 commissioner, and shall further provide that if the assets available for disbursement
15 from time to time do not equal or exceed the amount of the claim payments made or
16 to be made by the associations, then disbursements shall be in the amount of available
17 assets. The reserves of the insolvent insurer on the date of the order of liquidation
18 shall be used for purposes of determining the pro rata allocation of funds among
19 eligible associations.

20 (d) The commissioner shall offset the amount disbursed to any entity or person
21 performing a function in any other state similar to that function performed by the
22 California Insurance Guaranty Association, or the California Life and Health
23 Insurance Guaranty Association, by the amount of any statutory deposit, premiums,
24 or any other asset of the insolvent insurer held in that state.

25 (e) Notice of such application shall be given to the associations in and to the
26 commissioners of insurance of each of the states. Any such notice shall be deemed to
27 have been given when deposited in the United States certified mails, first-class
28 postage prepaid, at least 30 days prior to submission of such application to the court.
Action on the application may be taken by the court provided the above required
notice has been given and provided further that the commissioner's proposal complies
with paragraphs (1) and (4) of subdivision (b).

20 **III. LIQUIDATOR HAS AUTHORITY TO DISTRIBUTE ASSETS TO** 21 **POLICYHOLDERS WITH NON-COVERED CLAIMS**

22 The Liquidator in administering the estate for the benefit of its policyholders and creditors
23 is specifically granted the general authority necessary to accomplish the purposes of the
24 liquidation proceeding. Insurance Code § 1037 provides in part:

25 The enumeration, in this article, of the duties, powers and authority of the
26 commissioner in proceedings under this article shall not be construed as a
27 limitation upon the commissioner, nor shall it exclude in any manner his or her
28 right to perform and to do such other acts not herein specifically enumerated, or
otherwise provided for, which, the commissioner may deem necessary or
expedient for the accomplishment or in aid of the purpose of such proceedings.

1 Up to this point there has been no distribution made by the FPIC estate to CIGA, surety
2 bond claimants or non-California policyholders with claims that are for refund of unearned
3 premiums or any other policy claims that are not covered by their respective IGAs performing a
4 similar function as that of the CIGA. These claims are also class 2 claims.

5 Insurance Code § 1033 provides in part:

6 (a) Claims allowed in a proceeding under this article shall be given preference
7 in the following order:

8 Expense of administration.

9 All claims of the California Insurance Guarantee Association or the California
10 Life and Health Insurance Guarantee Association, and associations or entities
11 performing a similar function in other states, together with claims for refund of
12 unearned premium **and all claims under insurance and annuity policies or
13 contracts, including funding agreements, of an insolvent insurer that are not
14 covered claims.** (Emphasis added.)

15 All policyholder claims not covered by any IGA are treated as class 2 claims. As class 2
16 claims, the claimants within this class are entitled to share pro rata in distribution to the class, and
17 the Liquidator may not discriminate against claimants within the same class. (*Commercial
18 National Bank vs. Superior Court (Garamendi)* (1993) 14 Cal.App.4th 393, 398.)

19 It has been over ten years since the commissioner instituted proceedings against
20 FPIC and no distribution has been made either to the IGAs or non-IGA policyholder
21 claimants. The Liquidator in exercising his discretion has determined that in the
22 furtherance of the administration of the estate and to reduce future administrative expenses,
23 these non-IGA policyholder claimants should receive a pro rata distribution seven
24 percentage points less than what will be distributed to CIGA or to any other insurance
25 guaranty associations that perform similar functions.

26 The lower distribution rate to individual non-IGA policyholder claimants is
27 necessary because the IGA receiving a distribution has agreed to return to the Liquidator
28 any amount received in excess of the ultimate pro rata percentage that will be distributed to
all class 2 claimants pursuant to Insurance Code § 1033. The individual non-IGA
policyholders who will receive distributions as proposed by the Liquidator; however, they

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1 are under no legal obligation to repay the Liquidator in the event that they have received a
2 greater pro rata percentage than permitted by law.

3 **IV. PROPOSED DISTRIBUTIONS**

4 Pursuant to the requirements of Insurance Code § 1035.5 and the general powers granted
5 under Insurance Code § 1037, the Liquidator proposes to make the following specific
6 disbursements of FPIC assets to the following IGAs and policyholders.

7 As of December 31, 2011, the Liquidator of FPIC has total cash assets of approximately
8 \$31,284,600. This amount consists of \$30,944,200 in the CLO Investment Pool and \$340,400 in
9 a restricted cash account. (See Declaration of Edward Hahn ("Hahn Decl."), Exhibit "B" entitled
10 "Frontier Pacific Insurance Company, Statement of Assets and Liabilities" and Exhibit "C"
11 entitled "Frontier Pacific Insurance Company, Cash Available for Distribution.")

12 The Liquidator proposes to distribute and pay 62.5% of IGAs' projected ultimate liability
13 which is comprised of paid losses, loss adjustment expenses, and case reserves, less applicable
14 statutory deposits. CIGA will be paid by wire transfer a total payment \$11,465,923.00 and
15 FPIC's New York statutory deposit of \$2,303,382.00 will be released and made available to the
16 New York Liquidation Bureau.

17 The Liquidator further proposes to distribute on a 55.5% pro rata basis \$10,728,957.54 to
18 the policyholders with non covered approved claims for unearned premium, for non covered
19 excess and surplus line claims, and for non covered surety bond claims. However, in order to
20 minimize administrative expenses, no distribution will be made to any claimant that would
21 receive less than \$5.00 until the Liquidator submits his application for a final distribution. In
22 abundance of caution, the percentage proposed to be paid out to the policyholders is 7% less than
23 that proposed for the IGAs to insure that the Liquidator does not ultimately distribute a greater
24 percentage to the policyholders than the IGAs, because there is no mechanism to recoup any
25 potential excess distribution paid to the policyholders. (See Hahn Decl.; Lodgment entitled
26 "Frontier Pacific Insurance Company, Interim Distribution to Non-IGA Policyholders.")

27 The policyholders who have a claim and will receive a distribution upon entry of the
28 court's order will be notified by mail upon filing of this application that the Liquidator has filed

1 his Application for Order Approving Liquidator's Proposal to Disburse Assets to Certain State
2 Insurance Guaranty Association and Policyholders which will be available on line for review at
3 the California Conservation and Liquidation Office's website, www.caclo.org, and if they wish to
4 receive a copy of the application and proposed order to contact the Conservation and Liquidation
5 Office.

6 Pursuant to Insurance Code §1035.5(b)(1), the Liquidator has retained \$3,000,000 from
7 the total cash assets of FPIC for the payment of projected future administrative expenses and the
8 payment of claims of secured creditors and claims falling within the priorities established in
9 Insurance Code §1033(a)(1) to (4). (See Hahn Decl., ¶ 5 and Exhibit "C.")

10 Pursuant to Insurance Code § 1035.5(b)(4), the Liquidator secured an agreement from
11 CIGA to return to the Liquidator the distributed assets as may be required to pay claims of
12 secured creditors and claims falling within the priorities established in Insurance Code §1033(a),
13 paragraphs (1) to (5), inclusive. (Nader Decl.; Exhibit "A")

14 Other than the two IGAs listed above, the Liquidator has no information concerning any
15 payments made by other IGAs on behalf of FPIC that would demonstrate an exigency requiring
16 the Liquidator to make an early distribution or reserve assets to make an early distribution to
17 other IGAs. (Hahn Decl., ¶ 7.)

18 WHEREFORE, the Liquidator prays that the Court issue an Order as follows:

19 1. Finding that proper notice of this application was provided to all associations in and
20 all Commissioners of Insurance of each of the states pursuant to Insurance Code §1035.5(e);

21 2. Authorizing the Liquidator of Frontier Pacific Insurance Company to distribute and
22 pay a total of \$24,498,262.54 from the assets of Frontier Pacific Insurance Company to the
23 California Insurance Guarantee Association and policyholders as set forth in this application; and

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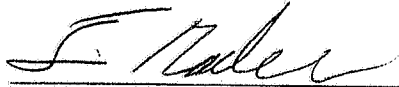
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1 3. Authorizing the Liquidator to take any and all action necessary to accomplish the
2 purposes of this Order.

3 Dated: April 18, 2012

Respectfully Submitted,

4 KAMALA D. HARRIS
5 Attorney General of California
6 FELIX E. LEATHERWOOD
7 Supervising Deputy Attorney General
8 LESLIE BRANMAN SMITH
9 Deputy Attorney General



10 TIM NADER
11 Deputy Attorney General
12 *Attorneys for Applicant Dave Jones,*
13 *Insurance Commissioner of the State of*
14 *California, in his capacity as Liquidator of*
15 *Frontier Pacific Insurance Company*

1 **DECLARATION OF TIM NADER**

2 I, Tim Nader, declare as follows:

3 1. I am an attorney duly licensed and admitted to practice law before all the Courts of
4 the State of California, and I am a Deputy Attorney General and one of the attorneys assigned to
5 represent the Insurance Commissioner of the State of California (the "Commissioner") in this
6 proceeding. The facts and circumstances set forth in this Declaration are true to the best of my
7 knowledge and belief.

8 2. Attached and incorporated herein as Exhibit "A" is a true and correct copy of the
9 Agreement for Early Access Distribution of Funds, dated March 21, 2012.

10 I declare under penalty of perjury under the laws of the State of California that the
11 foregoing is true and correct.

12 Executed this 18th day of April, 2012, at San Diego, California.

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Tim Nader

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Please See Attached DECLARATION OF EDWARD HAHN

1 **DECLARATION OF EDWARD HAHN**

2
3 I, Edward Hahn, hereby declare under penalty of perjury of the laws of the State of
4 California as follows:

5 1. I am over eighteen years, and I am competent to be a witness. I have personal
6 knowledge of the events to which I attest, and if called upon to do so, I could and would
7 competently testify thereto.

8 2. I acquired my personal knowledge in my role as the Vice President of Estate Finance
9 Group in the California Insurance Commissioner's Conservation & Liquidation Office ("CLO"). I
10 am one of the persons who prepare the regular accounting statements for the CLO as to Frontier
11 Pacific Insurance Company in Liquidation.

12 3. I have a Master's degree in Business Administration from the University of California
13 at Berkeley and have over ten years' of experience in dealing with accounting matters for
14 insurance companies in liquidation. I am familiar with the records to which I attest, which are
15 business records of the CLO.

16 4. In determining the proposed amount to be distributed by each of the estates and
17 pursuant to Insurance Code §1035.5(b) the Liquidator has retained sufficient assets to provide for
18 the payment of expenses administration, the payment of claims of secured creditors (to the extent
19 of the value of the security held), and claims within the priorities established in paragraphs (1) to
20 (4), inclusive, of subdivision (a) of Section 1033.

21 5. Pursuant to Insurance Code § 1035.5(b) the Liquidator has retained liquid
22 investment assets on behalf of the Frontier Pacific Insurance Company ("FPIC") as follows:
23 \$350,764 of collateral liabilities; \$3,299,200 for accrued expenses and potential Federal income
24 tax liabilities as of December 31, 2011; and \$6,482 for unclaimed property to be escheated. After
25 taking into account these amounts including the proposed distribution, FPIC has an additional
26 \$3,000,000 in excess liquid investment assets available and more than adequate to cover any
27 future administrative expenditures or additional distributions.

28 6. Attached and incorporated herein as Exhibit "B" is a true and correct copy of a

1 spreadsheet entitled "Frontier Pacific Insurance Company, Statement of Assets & Liabilities."
2 This spreadsheet accurately details total cash and other assets in possession and estimated
3 liabilities of the Liquidator as of December 31, 2011.

4 7. Attached and incorporated herein as Exhibit "C" is a true and correct copy of a
5 spreadsheet entitled "Frontier Pacific Insurance Company, Cash Available for Distribution." This
6 spreadsheet accurately details the aggregate losses and loss adjustment expenses paid by certain
7 insurance guaranty associations ("IGAs") on behalf of the FPIC estate and the calculation for the
8 proposed amount of the early access distribution to each state IGA and non-IGA policyholder
9 claimants. Other than the two IGAs set forth on these spreadsheets, I am not aware of any
10 payments made by any other IGAs on behalf of Frontier Pacific Insurance Company and,
11 accordingly, I am not aware of any exigency which would require the Liquidator of these
12 companies to make an early distribution or reserve assets to make an early distribution to any
13 other IGAs.

14 8. Incorporated herein by reference is the true and correct copy of the spreadsheet entitled
15 "Frontier Pacific Insurance Company, Interim Distribution to non-IGA Policyholders" lodged
16 with court in conjunction with Frontier Pacific Insurance Company's application listing the
17 proposed interim distribution to non-IGA policyholder claimants. In order to minimize
18 administrative expenses, no distribution will be made to any claimant that would receive less than
19 \$5.00 until the Liquidator submits his application for a final distribution.

20
21 I declare under penalty of perjury under the laws of the State of California that the
22 foregoing is true and correct.

23 Executed this 11th day of April, 2012, at San Francisco, California.


24
25 
26 _____
27 Edward Hahn
28

EXHIBIT A

AGREEMENT FOR EARLY ACCESS DISTRIBUTION OF FUNDS

This Agreement is entered into on March 21, 2012 between the California Insurance Guarantee Association and the California Insurance Commissioner ("Commissioner"), and Frontier Pacific Insurance Company in Liquidation (FPIC), acting by and through the Commissioner in his capacity as statutory liquidator of FPIC (Liquidator).

Recitals

1. FPIC is insolvent. On September 7, 2001, pursuant to an order of the San Diego Superior Court, State of California, the Commissioner conserved FPIC. On November 30, 2001, the same court determined FPIC to be insolvent, and appointed the Commissioner as liquidator, ordering the liquidator to liquidate and wind up the business of FPIC and to exercise all powers necessary for the purpose of carrying out the order;
2. The FPIC estate has sufficient assets in cash and securities to distribute funds to Insurance Guarantee Associations ("IGA's");
3. The Commissioner proposes, pursuant to California Insurance Code §1035.5, after reserving amounts necessary for payment of expenses of administration and the payment of claims of secured creditors (to the extent of the value of security held) and claims falling within the priorities established in subdivisions (1) and (2) of California Insurance Code §1033, to distribute available assets of FPIC on an equitable allocation to those IGA's eligible to participate in the distribution;
4. Such distributions will be equitably allocated between the IGA's in a ratio consisting of each IGA's reported payments for covered claims and loss adjustment expenses and the total reported covered claims and loss adjustment expenses paid by all IGA's ; provided that any such allocated distributions will be reduced by the entire amount of any statutory/special deposits available to any IGA from such deposits posted by FPIC in the IGA's state, regardless of whether such deposit has been actually received by such IGA ;

5. FPIC maintained statutory deposits ("Deposits") with the insurance commissioner or other applicable regulator in each state in which FPIC operated. The Deposits secured or partially secured FPIC's liabilities to workers' compensation claimants in those states and the proceeds of the Deposits have been or may be made available for distribution by the commissioner or other applicable regulator to the IGA for its use in paying covered claims. Neither FPIC nor the Liquidator has come into possession of any portion of the Deposits. The amount of the deposit in the IGA's state will be included in the calculation of the IGA's early access distribution under this Agreement.

Agreement

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the parties agree as follows:

1. The Commissioner may, from time to time, and upon approval by the FPIC liquidation court, distribute assets of FPIC to the California Insurance Guarantee Association on an equitable basis, after the Commissioner has first reserved assets sufficient for the following:
 - (a) payment of the expenses of administration;
 - (b) payment of claims of secured creditors to the extent of the value of the security held; and
 - (c) payment of claims falling within the priorities established in paragraphs (1) – (2), inclusive, of Insurance Code §1033, subd. (a).

Such distributions will be made equitably between all guarantee associations.

2. Any such distributions to an IGA will be offset by the entire amount of any statutory/special deposits available to any IGA from such deposits posted by FPIC in the IGA's state. The Commissioner will not object to the release of any statutory/special deposit posted by FPIC in the IGA's state for payment of workers' compensation claims, provided that such IGA expressly agrees promptly to refund to the Liquidator any surplus portion of the deposit that exceeds the amount necessary to pay compensable workers' compensation claims under the FPIC policies and allocated claims expenses necessary to pay those claims.

3. The IGA agrees to make a full report to the Commissioner, accounting for all assets

received by it, all disbursements made, all interest earned on the assets and any other matter that the court may direct.

4. The IGA will return to the Commissioner, upon demand, all or part of the assets received pursuant to this Agreement or pursuant to applicable law, as may be required by the Liquidator to pay the pro rata portion of all allowed claims of secured creditors and claims falling within the priorities established in California Insurance Code section 1033(a) (1) – (2), in accordance with those priorities, as the code section exists or may exist in the future. This obligation will include an obligation to return any assets that are in excess of the total distribution that the IGA would be entitled to from the FPIC estate pursuant to Insurance Code section 1033(a) at the time of a proposed distribution by the Commissioner. For clarity and the avoidance of doubt, in the event that the IGA's receipt of distributions under this Agreement or its receipt of FPIC's Statutory Deposit results in the IGA having received funds that exceed the amount of the pro rata distribution to which the IGA is entitled under a court approved interim or final distribution approved by the Court, the IGA shall refund to the Liquidator such amount as is necessary to ensure that the IGA has received no more than its equitably allocated share of the court-approved distribution. In the event that the IGA must make an assessment in accordance with its enabling statute in order to make a refund to the Commissioner pursuant to this paragraph, then the IGA will have 120 days from the date such refund is requested to make such refund to the Commissioner.

5. The IGA will comply with all requirements set forth in California Insurance Code §1035.5.

6. If any legal action is necessary to enforce this agreement, the IGA agrees that such action will be commenced in the San Diego County Superior Court of the State of California, in the liquidation proceeding of FPIC, by way of an Order to Show Cause and The IGA agrees, for this purpose only, to subject itself to the jurisdiction of the San Diego County

Superior Court of the State of California by way of an Order to Show Cause procedure.

Dated: March 21, 2012

DAVE JONES
Insurance Commissioner of the State of California,
Liquidator of Frontier Pacific Insurance Company

By David E. Wilson
DAVID WILSON
Special Deputy Insurance Commissioner

Dated: March 12, 2012

California Insurance Guarantee Association

By Wayne Wilson
WAYNE WILSON
Executive Director

Exhibit B

Insurance Commissioner of the State of California
Conservation & Liquidation Office
Frontier Pacific Ins Co

STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 2011

	(Opening Balance)	Dec 31	Change
	Sep 7 2011	2011	
ASSETS			
Cash and cash equivalents, unrestricted	\$15,681,100	\$30,944,200	\$15,263,100
Restricted cash	-	340,400	340,400
Other securities held	7,799,600	-	(7,799,600)
Accrued investment income	-	137,200	137,200
Statutory deposits held by other states	-	2,303,400	2,303,400
Recoverable from reinsurers	61,882,100	18,318,300	(43,563,800)
Salvage and subrogation recoverable	-	5,000	5,000
Premiums receivable	769,800	-	(769,800)
Receivable from affiliates	2,088,100	1,287,200	(800,900)
Deposits and other assets	18,088,000	71,000	(18,017,000)
Total Available Assets	<u>106,308,700</u>	<u>53,406,700</u>	<u>(52,902,000)</u>
LIABILITIES			
Secured claims	\$626,200	\$357,300	(\$268,900)
Accrued administrative expenses	23,700	2,296,000	2,272,300
Claims against policies, including guaranty associations	77,328,000	44,077,000	(33,251,000)
California and Federal claims having preference	-	165,100	165,100
All other claims	10,088,100	13,376,100	3,288,000
Total Estimated Liabilities	<u>88,066,000</u>	<u>60,271,500</u>	<u>(27,794,500)</u>
 NET ASSETS (DEFICIENCY)	 <u><u>\$18,242,700</u></u>	 <u><u>(\$6,864,800)</u></u>	 <u><u>(\$25,107,500)</u></u>

STATEMENT OF CHANGES TO NET ASSETS
September 7, 2011 to December 31, 2011

Income		
Reinsurance recoveries	\$18,020,900	
Litigation Recoveries	4,724,700	
Salvage/subrogation recoveries	1,978,900	
Fees and Miscellaneous income	969,800	
Net investment income	<u>6,298,600</u>	
		\$31,992,900
less: Operating Expenses		
Legal and consulting	\$10,981,900	
General and administrative	3,555,100	
Allocated overhead expenses	<u>7,338,400</u>	
		(21,875,400)
less: Losses and Other Expenses		
Incurred losses and claims expense	\$32,934,000	
Federal income taxes	<u>2,291,000</u>	
		(35,225,000)
 CHANGES TO NET ASSETS		 <u><u>(\$25,107,500)</u></u>

Exhibit C

Frontier Pacific Ins Co
Cash Available for Distribution
As of 12/31/2011

Cash:
Investment pool balance \$ 30,944,200

Less:
Unclaimed funds payable (6,482)
Other class 1 liability (350,818)
Accrued expense and federal tax liability (2,296,000)
Future admin expenses @ \$1mil/yr 2012-2014 (3,000,000)

Cash available 25,290,900

Cash available after Class 1 liability 25,290,900

Add back:
Prior distributions paid -
Statutory deposits available 2,303,382
Total amount available for class 2 distribution \$ 27,594,282

Class 2 liability		62.5%	55.5%
CIGA	\$ 18,345,476	11,465,923.00	
NYLB	3,684,245	2,303,382.00	
Non-IGA Class 2 paid	19,349,164		10,738,786.27
Non-IGA de minimis claims			(9,905.29)
Rounding difference			76.56
	<u>41,378,886</u>	<u>13,769,305.00</u>	<u>10,728,957.54</u>

Proposed Distribution \$ 24,498,262.54

AMENDED DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner of the State of CA v. Frontier Pacific Ins. Co.**

No.: **GIC 774028**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On April 25, 2012, I served the attached

**NOTICE OF APPLICATION AND APPLICATION FOR ORDER APPROVING
LIQUIDATOR'S PROPOSAL TO DISBURSE ASSETS TO CERTAIN STATE
INSURANCE GUARANTY ASSOCIATIONS AND POLICYHOLDERS**

by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 110 West A Street, Suite 1100, P.O. Box 85266, San Diego, CA 92186-5266, addressed as follows:

Al Escobar, Chief Executive Officer
Frontier Insurance Company
195 Lake Louise Marie
Rock Hill, NY 12775-2100

Willard Roberts Estate Trust Officer
Conservation & Liquidation Office
P.O. Box 26894
San Francisco, CA 94126-0894

Joseph Termine
Special Deputy Superintendent
State of New York Insurance Dept.
Liquidation Bureau
123 William Street
New York, NY 10038

Christopher L. Dueringer, Esq.
Bryan Cave LLP
120 Broadway, Suite 300
Santa Monica, CA 90401-2305

New York Property and Casualty
Insurance Guarantee Fund
1 Commerce Plaza, 20th Floor
New York, NY 12257

Andrew Pearson, Esq.
Marks, Golia & Finch, LLP
3900 Harney Street, First Floor
San Diego, CA 92110-2825

AMENDED DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner of the State of CA v. Frontier Pacific Ins. Co.**

No.: **GIC 774028**

South Carolina Property and Casualty
Insurance Guaranty Association
One Greystone Building, Suite 101
240 Stoneridge Drive
Columbia, CA 29201
Attn: Edward Moon, Claims Supervisor

Wayne Wilson
Executive Director
California Insurance Guarantee Assn.
P.O. Box 29066
Glendale, CA 91209

Jeffery D. Goetz
Bradshaw, Fowler, Proctor and Fairgrave, PC
801 Grand Ave., Suite 3700
Des Moines, IA 50309

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on April 25, 2012, at San Diego, California.

K. Marugg
Declarant



Signature