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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

CENTRAL DISTRICT

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA, Petitioner, **v.** **WESTERN GENERAL INSURANCE COMPANY, a California corporation,** Respondent	**Case No. 21STCP01655** **DECLARATION OF SCOTT PEARCE IN SUPPORT OF MOTION FOR ORDER APPROVING LIQUIDATOR'S PAYMENT OF ADMINISTRATIVE AND PROFESSIONAL FEES AND EXPENSES FOR THE PERIOD OF JANUARY 1, 2024, TO DECEMBER 31, 2024** Date: November 14, 2025 Time: 9:30 a.m. Dept: 82 Judge: Hon. Stephen I. Goorvitch Action Filed: May 26, 2021

I, Scott Pearce, declare:

1. I am the Sr. Estate Trust Officer of the Conservation and Liquidation Office (CLO), which the Insurance Commissioner (Commissioner) is using to conduct the liquidation of Western General Insurance Company (Western General). In that capacity, I was appointed Liquidation Manager of Western General and I am familiar with the conservation and the continuing liquidation of Western General. I have personal knowledge of the facts recited herein, and if called and sworn, would competently so testify.

2. On August 5, 2021, this Court entered an order of liquidation finding Western General to be statutorily insolvent. Since that time, the Commissioner and the CLO have been engaged in liquidating and winding-up the remaining business and affairs of Western General.

3. Western General's fees and expenses concern the Commissioner's continuing efforts to marshal assets, investigate and collect the liabilities owed by third parties, and to otherwise deal with Western General's remaining affairs and obligations. The fees and expenses for the period of January 1, 2024 through December 31, 2024 (the Fourth Reporting Period), which total $2,737,217 fall into two broad categories: 1) $1,399,039 for the CLO allocated administrative operating and staffing fees; and 2) $1,338,178 for direct estate operating expenses paid by the CLO, for the express benefit of Western General. Attached hereto as Exhibit A is a spreadsheet summarizing these expenses.

4. During the Fourth Reporting Period, Western General resolved a long-standing dispute with Yosemite Re (formerly Fletcher Re and Maiden Re). After commencing an arbitration proceeding and completing extensive discovery the parties engaged in settlement negotiations. After weeks of negotiating terms, and as more fully reported in the Liquidator's Motion for Approval of Settlement filed with this Court on November 26, 2024, Western General and Yosemite Re resolved the arbitration by agreeing to split the amounts in dispute without agreeing to or conceding any of the claims asserted by the reinsurer. Upon receiving this Court's approval the settlement resulted in a payment of $517,641 to the liquidation estate which amounts represents 47.5% of the approximately $1 million in dispute plus some smaller portion of undisputed amounts due Western General. The settlement also resulted in Western General

writing off approximately $40,691 in balances due from Yosemite Re. The Western General estate has incurred significant expense in resolving this dispute. Those fees include representation by the California Attorney General's (AG) office, representation by two specialized reinsurance litigators, discovery costs, fees of a reinsurance consultant, CLO direct hours and fees related to the arbitration, including the fees of a party arbitrator and the fees and expenses of a neutral arbitrator (the umpire). In total, the estate incurred $308,183 in direct fees and costs, which are included in the second category discussed in the prior paragraph (direct estate operating expenses). This figure includes approximately $26,900 in fees and costs specific to settling the dispute. In addition, the estate incurred $163,614 in allocated costs which are included in the first category above (CLO Allocated Expenses) for approximately 737 hours spent by CLO staff performing work related to the dispute. This figure includes approximately $19,980 for approximately 90 hours CLO staff spent specifically on settling the dispute. These figures are further detailed below.

5. CLO allocated administrative and staffing fees are overhead costs that the CLO incurs for rent, salaries, email systems, computer and data systems, etc., which it allocates to each conservation or liquidation estate under its management and oversight on a pro rata basis. The CLO is comprised of insurance insolvency professionals who oversee the liquidation of troubled insurance companies, and who provide estate administrative services directly to each estate under CLO's management and oversight.

6. Each conservation or liquidation estate is charged a portion of the monthly allocated costs based on the amount of time that the CLO employees worked on estate matters. To track the hours and costs, the CLO maintains a timekeeping system in which each employee records time spent for work on each estate, and the estate trust manager reviews the records to ensure that the hours are accurate and billed to the correct estate.

7. During the Fourth Reporting Period, the CLO on behalf of Western General incurred 6,299.05 direct hours out of 25,193.49 total CLO hours or approximately 25% (percent) of the total direct hours of all insolvent insurer estates. Western General's portion of the CLO's allocated costs for the Fourth Reporting Period based on 6,299.05 hours was $1,399,039. The

CLO allocated hours and costs for the Western General estate were spread between the following five CLO departments:

Department	Total No. of Hours	Total Fees by Dept.
Estate Trust & Executive	997.23	$ 222,041.34
Claims	959.25	$ 211,894.31
IT & Admin.	2,501.50	$ 556,343.01
Finance & Accounting	990.07	$ 220,340.78
Reinsurance	851	$ 188,415.26
Total	**6,299.05**	**$1,399,034.70**

8. The Estate Trust and Executive Departments (together the "Estate Trust Department") continue to manage the overall daily administration and management of the Western General liquidation. The department continues to rely on one full time trust officer to coordinate the remaining activities of the other CLO departments, primarily claims and retirement plan administration as well as reinsurance processing, to advance the Western General liquidation towards completion. The Estate Trust Department also continues to help prepare the periodic procedural reporting of the estate.

9. During the Fourth Reporting Period, the Estate Trust Department worked to ensure resolution of any continuing issues associated with the transition of the liquidation operation from Los Angeles to the CLO's office in San Francisco and to decommission and close the estate's 401k retirement plan by working directly with third party vendors. The department continues to track and analyze the remaining claims run-off tail being administered through the participating IGAs. In addition, the Estate Trust Department was central to resolving Western General's dispute with Yosemite Re. In particular, the department reviewed, approved and managed the approach to the estate's defense/opposition and implemented the same through legal counsel. Additionally, one Estate Trust Officer participated in extensive production work, and attended various internal as well as meet and confer sessions ultimately culminating in multiple exchanges of settlement terms and final settlement. Estate Trust worked to help prepare the approval

pleadings with estate counsel as well as implement the terms of the final agreement. Estate Trust spent approximately 300 hours on this reinsurance dispute for a total expense of approximately $66,600 to the Western General estate. Of those hours, approximately 50 for a total expense of $11,100, were spent specifically on settlement. Estate Trust continues its weekly oversight and support of the on-going preparation of reinsurance billings/collections to the balance of reinsurers within the Estate's reinsurance program. In addition to the arbitration work, Estate Trust worked closely with reinsurance staff and consultants to negotiation and consummate the commutation of one of the estate's primary reinsurance contracts with Partner Re. As part of that transaction the estate collected a final profit commission from Partner Re as a result of favorable claim emergence covered by the treaty. All amounts due from Partner Re have been collected and the program has been formally closed.

10. The Estate Trust department will continue to assist with the annual 2024 review of the estate's Agreed Upon Procedures and financial statement review conducted by the Department of Finance (State of California). Finally, the department made a final distribution of the remaining account balances of the estate's 401k retirement program after months of work directing and assisting participants to move their accounts to new retirement programs. In December 2024, the estate together with John Hancock Retirement Services, transferred all remaining 401k participants to new plans and thereafter decommissioned the Western General 401k plan. Working into 2025, Estate Trust will continue its oversight and support of assessing and determining properly filed proofs of claims with a focus on Class 2 determinations and preparation for an early access distribution, continue to review and assist with the estate's periodic procedural, financial and tax reporting, will seek resolution to the remaining reinsurance program, and continue asset recovery (primarily reinsurance recoveries, excess trust balances and protected deposits).

11. In addition to the policy termination notices sent to all known policyholders and insureds, the Liquidation Order required the Commissioner to mail all known creditors advising them of their legal right to submit a POC to the CLO for potential recovery from Western General. The CLO Claims Department on behalf of Western General maintains a database

containing all POCs issued to potential creditors as well as any subsequent information or documents associated with the determination and administration of the properly received POCs. (*Ibid.*) As of December 31, 2024 the Liquidator has received 2,593 timely POCs. 2,405 are insurance policy related (Class 2), 185 are general creditor demands (Class 7) and three are shareholder claims (Class 9).

12. The CLO claims staff having completed their initial compliance review of all timely received POCs have prioritized the process of examining Class 2 POCs to ensure any coverage benefits already paid or to be paid by the participating guaranty associations are identified and the POC thereafter denied. The exception to the denial for benefits already rendered for this creditor group will only be policy-related POCs seeking liquidated damages in excess of the state guaranty fund's statutory cap (i.e. POC "over-cap" approval). An "over-cap claim" represents damages, incurred and claimed by an insured or policyholder above the $500,000 statutory limit on guaranty fund coverage per claim. Only properly documented damages in excess of the $500,000 IGA limit will be approved as "over-cap" claims, the balance of the POCs will be denied as the policy benefits are or will be provided by the participating IGA. Two full-time CLO claims staff plus a consultant are devoted to the Western General POC review and determination process.

13. The Claims Department has completed its compliance review, has identified priority claims, including classification of "over-cap" claims as well as Class 2 claims having been or to be paid by the IGAs. As a result of the POC review of all Class 2 (policyholder class) POCs, the Claims Department has approved 483 Class 2 claims totaling $49,301.31 and has rejected 1,232 Class 2 claims totaling $8,728,089.58. Additionally, the claims staff have approved one Class 7 claim for $1,444 and rejected one Class 7 claim with no claimed amount. As reported in the estate's last fee application, one equity class (Class 9) POC was determined in late 2023. All creditors with approved or denied POCs have been provided notice of the determination as well as their anticipated participation in the future distribution of estate assets. The estate has not established a distribution as of this report but anticipates a class two distribution in early 2026. As to the remaining open POCs, the Claims Department will essentially work sequentially down

through the priority of classes with the general creditor class being the most demanding and complex. The Claims Department will typically only consider priority classes of creditors where that class of creditor has a likely prospect to participate in a distribution of estate assets. Considering recent and projected reinsurance asset recoveries, it appears Western General may recover sufficient assets to pay a significant percentage of the Class 2 policyholder obligations as well as lower classes of creditors.

14. Working into 2025, the estate reported 875 remaining open POCs under or requiring review. The population of remaining POCs is as follows: 689 Class 2; 183 Class 7 and 3 Class 9. In June of 2024 the Claims Department mailed 833 “prove-up” letters (in both English and Spanish) to POC holders that sent no supporting documentation with their initial POC filing. Those claimants were required to submit documentation supporting their claim within 90 days and were advised that failure to do so would result in their claim being rejected. 772 claimants failed to respond to the prove-up mailing. Those 772 POCs were rejected. 20 claimants responded with supporting documentation. 37 claimants returned the form with no documentation and a follow-up letter was sent in October 2024 allowing an additional 60 days to respond. All have been or will be rejected for failure to provide documentation. Completing the final Class 2 determination will remain the priority for the claims staff. The balance of open Class 2 POCs with claimed amounts will be reviewed one by one, with each submission ultimately approved, rejected or additional information requested. Recently, and commensurate with the Class 2 determinations, the claims staff have commenced the review and determination of certain complex Class 7 general creditor claims to ensure proper classification of the damages asserted. Prior to seeking a distribution to the policyholder class, the estate will work to ensure all priority level claims (or portions of claims) are included in the proper creditor class based upon the credible evidence provided. We anticipate this review to take some time as additional information and or documentation will be requested from the subject creditors.

15. In addition to the review and determination of the estate’s POCs, an additional priority for the CLO Claims staff in 2024 was the continued effort to collect Western General’s remaining subrogation and salvage recoveries. Most of the participating IGAs do not honor and

are exempted by law from third-party subrogation demands, as such the IGAs do not pursue subrogation recoveries. During the Fourth Reporting Period, the claims staff were continuing to manage 153 subrogation files. All remaining open cases are deemed impaired for collection and were consolidated under a single third-party collection vendor in 2024. Based upon the recent results of the collection agency efforts the estate has essentially established bad-debt allowances for the remaining open accounts at year-end 2024. Although delinquent amounts due are no longer reported as a receivable asset on the estate's balance sheet, efforts will continue through the collection vendor to recover any remaining balances still due. In addition to the final subrogation recovery efforts, the Claims Department has largely wrapped up efforts on vehicle salvage recoveries. At the conclusion of the Third Reporting Period there were no remaining open salvage files associated with any claims paid by Western General pre-liquidation. Western General collected approximately $21,907 in subrogation recoveries during the Fourth Reporting Period.

16. In addition to the Class 2 work described above, the claims staff have recently commenced work on determining the validity and priority of certain POCs seeking unearned premium by creditors that participated in a lender-based program where new car buyers allowed the lenders (lienholders) to force-place coverage provided by Western General (commonly known as GAP coverage). The claims staff are working together with coverage counsel through the POC prove-up process (discussed above) to analyze the lender program and determine if the claims are proper, what priority they fall into and whether the risk is covered under the insolvency proceeding and Western General policy terms.

17. The Claims Department continues to provide support and documentation to the participating IGAs, albeit on a much-reduced basis as the IGAs continue to make good progress in resolving the remaining open claims, as well as guiding individual claimants working through the liquidation process. Once all Class 2 and certain Class 7 POC determinations are made and the estate's estimate of available assets is better developed, the estate will be in position to determine if sufficient funding will be available for creditor classes below the policyholder class (Class 2). Thereafter the claims department together with the assistance of the Estate Trust

department will seek court approval of a plan to distribute Western General's available assets to approved Class 2 creditors.

18. Now that the IT department at the CLO has completed the transition or decommissioning of Western General's technology and data infrastructure such as email, phone, video communications and imaging systems from their Calabasas, CA location, the department now administers all necessary systems and databases from the offices of the CLO. As of year-end 2024 the IT department together with the use of a hosting consultant have situated all necessary servers and hardware to a secure co-location site or into the CLO infrastructure for the benefit of the Western General estate.

19. The IT department played a significant role in supporting the estate's obligations to produce documents associated with the Yosemite Re arbitration. The IT department incurred approximately 225 hours for a total cost of approximately $50,000 searching, preparing and producing years of correspondence, emails and documents associated with the treaty years in dispute.

20. Throughout the entire Fourth Reporting Period the IT staff continued to process the quarterly claims data and expense feeds from the various guaranty entities paying Western General's covered claims for use in preparing the estates reporting and financials as well as processing reinsurance. In a positive development and starting in the third-quarter, the estate no longer retains, organizes and manipulates the large amounts of electronic data for reporting and reinsurance billing outside of a central system. The largely manual approach and use of complex spreadsheets supported by stand-alone databases has been replaced by the CLO's central electronic repository (GOLD system) with Western General paid claim data and documentation. The comprehensive database within the GOLD system is being used to support the remaining claims handling run off, POC determinations, and eventually provide the necessary information to develop and complete a distribution of assets to creditors. Additionally, all Western General reinsurance reports necessary to prepare quarterly billings is now generated from the CLO system and will largely eliminate the need for any future handling of data for billings outside the GOLD system.

21. As part of the ongoing work associated with the estate a number of remote users had to be established and continue to be supported, and certain local Western General servers were relocated to a co-location site in north Los Angeles in an effort to maintain certain data for a period of time at a reduced cost. In addition to the routine monthly systems maintenance and user support, the IT Department will continue to support Western General's distribution work, reinsurance billings and POC process by collecting, organizing, and reporting the loss and loss adjustment expense data associated with the participating IGA's and loading the data into the GOLD System. This quarterly process of loading paid data will likely go on for a couple more years.

22. During the Fourth Reporting Period, the CLO Accounting department continued their management of the general ledger and the estate's treasury function at the CLO. The department had already completed the transition of the estate's accounts payable and accounts receivable work into the CLO by late 2022. Further, the department has completed the input of the original Western General general-ledger loading balances into the CLO accounting system for the benefit of Western General. The CLO Accounting department directed their independent auditors to review the 2024 ledgers as part of the comprehensive annual estate review work performed for the CLO. The department staff continue to make periodic adjustments based upon new or updated information. The CLO Accounting department has absorbed the responsibility for preparation of all accounting entries, schedules, and work papers for Western General as well as the reconciliation of all cash receipts and disbursements of the estate going forward. The department produces the monthly financial reports for the Western General estate. The CLO accounting staff with the assistance of Estate Trust, Reinsurance and a retained consultant managed the 2024 independent review of Western General's statement of assets and liabilities. The CLO accounting department in San Francisco has taken responsibility for all financial aspects of the liquidation estate going forward to conclusion.

23. For the Fourth Reporting Period the Commissioner and the CLO Reinsurance department continued to use a part-time consultant to assist with the estate's reinsurance programs. During this time the CLO reinsurance staff have taken the lead in managing the

preparation, review, and collection of Western General's reinsurance billings. Albeit on a reduced basis, the estate continues to use a consultant to help analyze and prepare quarterly billings in support of the CLO reinsurance staff through 2024. During 2024 the estate saw completion of certain Gold system development work that allows for more automated loss and expense data processing and reporting. Working into 2025 the CLO reinsurance staff is managing the billing and collection process. The department with the continued help of a legacy consultant will work to address any inquiries and issues raised by the reinsurers. With the exception of periodic consulting help on an as needed basis, the entire reinsurance processing function is managed from within the CLO.

24. During the Fourth Reporting Period, the Western General estate has prepared quarterly reinsurance billings through September 30, 2024 to its primary reinsurers. As of the writing of this report the estate has billed loss activity through March 31, 2025. Western General used the services of legal and reinsurance consultants for advice and interpretation of reinsurance treaty terms and conditions associated with disputed balances due the liquidation estate.

25. As outlined in prior court filings, the estate's two primary reinsurers covered approximately 80% of all claims paid by Western General (Partner Re for years 2019 & 2020 and Yosemite Re for years 2016 through 2018). After extensive work (performed following each quarter of the year) to convert and prepare paid loss and loss adjustment data provided by the participating IGAs (reported billing and collections data is from inception in 2021 through December 31, 2024). The Western General estate has billed $$28,858,463 (including an $17.2 million profit commission due from Partner Re and a $429,078 profit commission from Bluefire Re) and has collected $27,420,732 in recoveries at year-end 2024. The department with the help of one consultant work monthly to follow up on all unpaid balances and any additional contractual demands such as the profit commission recoveries mentioned above. At year-end 2024 Western General had approximately $784,088 in unpaid balances with reinsurers. The CLO reinsurance staff has commenced preparing the 2025 loss billings and will continue to diligently seek collections on all balances due the estate.

26. The Reinsurance Department was integral to resolving Western General's dispute with Yosemite Re. In particular, the department staff provided contract review and interpretation, reviewed and edited work product associated with the arbitration proceeding, assisted in vetting legal and umpire resources and participated in internal settlement discussions. The Reinsurance Department spent approximately 212 hours on this reinsurance dispute for a total expense of approximately $47,064 to the Western General estate. This figure includes approximately 40 hours for a cost of $8,880, spent specifically on settlement.

27. The Reinsurance Department also spent a significant amount of time managing the relationship with Suncoast General Insurance (Suncoast). As further described in prior status reports, Western General acted as "Front Company" for Suncoast, whereby Western General issued policies and generally ceded 100 percent of the risk to reinsurers. The Reinsurance Department continues to work with Suncoast to collect amounts due from reinsurers. After reporting extensive delays in preparing and releasing long overdue billings to the reinsurers, Suncoast has finally received payment for most of the amounts past due. The liquidation estate had a total billed balance due of approximately $1,276,000 in 2024 and has collected $894,294 leaving as balance due at year-end 2024 of $382,399. Given the reduction in reported IGA reserves remaining, the amount of billings going forward will be smaller, nevertheless the estate will continue to process IGA data for the Suncoast program as well as follow up on overdue balances.

28. Although on a much-reduced basis, going forward Western General will continue to monitor collections and process quarterly claims data feeds from the IGAs to prepare the reinsurance billings.

29. In addition to the CLO's Allocated Expenses described above Western General also incurred direct operating costs that were paid directly out of estate assets or directly by the CLO. These direct expenses, which were paid primarily to third-party product and service vendors, a landlord, consultants, contractors, attorneys, and for any final costs transferring and closing the Western General home office, were necessary to the successful administration of the Western

General estate through the Fourth Reporting Period or December 31, 2024. For the Fourth Reporting Period, these fees and expenses totaled $1,338,178.

30. Historically, and prior to its liquidation, Western General used the contracted services and staff provided by its affiliate agency All Motorist Insurance Agency (AMIA). Prior to liquidation of Western General, the Commissioner in his capacity as court-appointed Conservator of Western General negotiated the transfer of all essential staff, contracts, assets and systems from AMIA to Western General. Under this arrangement Western General only paid for the actual costs of the essential services and personnel in lieu of the comprehensive claims handling and service fees (including a cost margin) traditionally charged by AMIA.

31. The Western General estate reported having retained 9 full-time employees for the first two months (November and December 2022) of the estate's Third Reporting Period (November 2022 through December 31, 2023). By January 2024, the Commissioner continued to retain six of the full-time employees under short-term consultancy agreements. Most all the consultants continuing to be retained were extended to allow for the completion of certain projects and transition of ongoing activities not concluded by the time of the Calabasas office closure. All six of the consultants supported the liquidation estate remotely. All of the staff retained had institutional knowledge and provided beneficial continuity and efficiency to the management and/or closure of certain essential areas of work. Working into 2025, all but two of the six consultants have been released and no longer work for the estate. One of the two remaining consultants is a key resource in the ongoing review of the estate's proofs of claim and uncovered claim liability. The second consultant is working to finalize all remaining open activities and requirements of the HR area with a focus on final regulatory disclosures associated with the estate's 401k program that was decommissioned in December 2024. In addition to the two retained consultants, Western General continues to rely upon one accounting consultant (on a much reduced basis and who also provides reinsurance expertise) and a local network consultant. As work is resolved the associated local Western General consultant(s) are released.

32. In addition to the 8 employees and their transition to consultancy status as well as the accounting & IT consultants discussed above, Western General continued to rely upon additional

consulting and independent professionals to provide audit, taxation, reinsurance, human resource, and technology/data management services. The continuing services support and maintain the estate's legacy loss and reserve database, conducted a review of the estate's financial statements, prepared federal and state tax returns, and associated filings in accordance with Western General's continued participation in the Western General Holdings, Inc.'s tax sharing agreement and consolidated tax group. Western General continues to use the services of its historical tax consultants.

33. As part of the estate's legal team associated with the Yosemite Re arbitration, Western General relied upon a third-party consultant to assist in the estate's defense of the arbitration proceeding. The consultant worked to help address extensive production demands, assisted in the preparation of the estate's statement of position with support and participated in securing resolution of the dispute through a negotiated settlement. The estate incurred approximately $94,325 in consultancy charges associated with this arbitration and ultimate settlement. With respect to settlement, the portion of the fees totals approximately $19,000.

34. The amounts paid to the firms and individuals described in the preceding two paragraphs totaled $593,847.

35. As reported in Western General's last fee filing, the estate has completed the process of scaling down and decommissioning both the legacy general ledger and policy administration systems. While operating systems and interfaces were shutdown certain historical databases will continue to be maintained to assist in the POC/claims and reinsurance areas. As mentioned above and on a much-reduced basis, the estate retains one local IT consultant to assist in the monitoring and any necessary local maintenance of the estate's co-location site in southern California. Otherwise, essentially all accounting and general administration of the liquidation estate will rely on the CLO accounting and claim systems to complete the balance of the liquidation process. Future software, systems and licensure costs will be allocated to the estate based upon need and usage. Western General paid $215,820 in software and licensing fees.

36. The Liquidator continues to incur and pay ongoing general office and business support expenses. The estate incurred $32,250 in telephone, internet, office equipment/supplies,

postage for periodic correspondence and other notices, banking/treasury related fees, travel and fees paid to store and retrieve files. All expenses and support services are now paid directly by the CLO for the direct benefit of the Western General estate.

37. The estate will consider all remaining legacy federal and state tax liability through the proof of claim process. The Liquidator was able to meet the 2024 1099 submission deadline. As the date of this declaration, the estate's tax preparer is in the process of preparing the 2024 tax return to be included in the Western General Holding Company consolidated tax return. The estate continues to hold sufficient net operating losses to apply to any gains and tax liability.

38. During the Fourth Reporting Period, the Commissioner required legal assistance in addressing and resolving the collection dispute with Yosemite Re, pursue subrogation collections and submitting periodic reporting to the court. Non-litigation legal services were provided to the Commissioner by attorneys employed by the California Department of Insurance's Corporate Affairs Bureau. The California Attorney General's Office represents the Commissioner in this proceeding and provides litigation services as needed, including the drafting of liquidation related pleadings and representation before this court. As discussed above, the Western General estate retained the services of a party arbitrator, and two private reinsurance litigators with the consent of the AG's office. The estate continued to use all three lawyers throughout most all of 2024 to conduct the full arbitration, and ultimately to secure a mutually acceptable settlement agreement. The vast majority of legal fees paid during the Fourth Reporting Period were to private reinsurance counsel and the estate's party arbitrator. The total amount paid to private counsel, a party arbitrator, and the umpire totaled $213,858. Of this amount, approximately $8,000 in fees for private counsel were spent specifically on settlement. Separately, the estate also incurred approximately $20,000 in charges from the California AG's office for assistance and procedural filings. Finally, in anticipation of future legal expenses associated with concluding the entire reinsurance program as well as anticipated legal fees associated with the resolution of any disputed proofs of claim, the estate has established a reserve for legal and related expenses going forward in the amount of approximately $300,000.

39. The legal fees and expenses incurred by Western General during the Fourth Reporting Period and paid directly by the CLO totaled $496,554 (including the reserve for future costs).

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

Executed on September 30, 2025, in Calabasas, California.

Scott Pearce

EXHIBIT A

Paid Expenses
Jan. 1, 2024
to Dec. 31, 2024

CLO Fees & Expenses:				
Allocated Staffing Fees			$	1,399,039
Direct Estate Expenses:				
Legal	$	496,554		
Consultants & Contractors		593,847		
Postage		443		
Office Supplies		2,167		
Misc Licenses, Fees and Taxes		100		
Repair & Maint.-IT		215,820		
Storage Rent		5,587		
Record Retrieval		18,636		
Telephone		3,257		
Travel & Company Meetings		1,605		
Delivery		86		
Payroll Processing		75		
Total Direct Paid by WG Estate			$	1,338,178
Total Expenses Paid			$	2,737,217