



QUARTERLY STATEMENT  
AS OF JUNE 30, 2012

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 425 Market St., 23rd Floor, San Francisco, California 94105  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 425 Market St., 23rd Floor, San Francisco, California 94105 (415) 676-5000  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 425 Market St., 23rd Floor, San Francisco, California 94105  
(Street and Number or P.O. Box, City or Town, State and Zip Code)

Primary Location of Books and Records 425 Market St., 23rd Floor, San Francisco, California 94105  
(415) 676-5000  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.cacio.org

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

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(E-Mail Address) (Fax Number)

OFFICERS  
(Not Applicable)

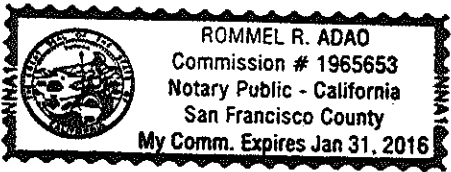
OTHER OFFICERS  
(Not Applicable)

State of California County of SAN FRANCISCO

Subscribed and sworn to (or affirmed)  
before me on this 15 day of AUGUST, 2012, 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)



DIRECTORS OR TRUSTEES  
Not Applicable

State of \_\_\_\_\_ }  
County of \_\_\_\_\_ } SS

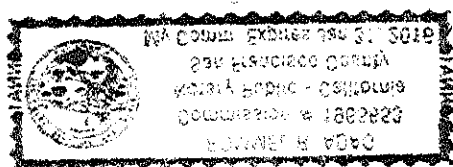
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any 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 \_\_\_\_\_ 2012

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 \_\_\_\_\_



(σφραγίδα)

Σφραγίδα

το δε της παρούσης (α) από εθνότητα παύσει να  
παραμένει το με το με παύσει οι επιχειρησιαί υπηρεσίες

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STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	
1. Bonds .....	9,703,952		9,703,952	10,299,968
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 (\$ ..... 1,553,886 ), cash equivalents (\$ ..... ) and short-term investments (\$ ..... 1,288,952 ) .....	2,842,838		2,842,838	3,800,844
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 .....	254,222		254,222	908,036
12. Subtotals, cash and invested assets (Line 1 to Line 11) .....	12,801,012		12,801,012	14,808,848
13. Title plants less \$ ..... charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	71,341		71,341	86,735
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....				
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 .....	35,632,076	35,632,076		
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 .....	7,705,625	5,826,448	1,879,177	1,877,686
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25) .....	56,210,054	41,458,524	14,751,530	16,773,269
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. Totals (Line 26 and Line 27) .....	56,210,054	41,458,524	14,751,530	16,773,269
DETAILS OF WRITE-INS				
1101. Deposits with California Conservation and Liquidation Office .....	254,222		254,222	908,036
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. Totals (Line 1001 through Line 1103 plus Line 1198) (Line 11 above) .....	254,222		254,222	908,036
2501. Miscellaneous Receivable .....	212,084	210,594	1,490	
2502. Advance Policy Surcharges Pd .....	7,483,541	5,615,854	1,877,687	1,877,686
2503. Assessment Receivable .....				
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) .....	7,705,625	5,826,448	1,879,177	1,877,686

STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ .....		
2. Reinsurance payable on paid losses and loss adjustment expenses .....		
3. Loss adjustment expenses .....		
4. Commissions payable, contingent commissions and other similar charges .....		
5. Other expenses (excluding taxes, licenses and fees) .....	638,532	2,223,597
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	131,325	131,326
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 \$ ..... and accrued accident and health experience rating refunds including \$ ..... for medical loss ratio rebate per the Public Health Service Act) .....		
10. Advance premium .....		
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....		
13. Funds held by company under reinsurance treaties .....		
14. Amounts withheld or retained by company for account of others .....		17,365
15. Remittances and items not allocated .....		
16. Provision for reinsurance .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....	79,805	79,805
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 .....	529,780	549,670
26. Total liabilities excluding protected cell liabilities (Line 1 through Line 25) .....	1,379,442	3,001,763
27. Protected cell liabilities .....		
28. Total liabilities (Line 26 and Line 27) .....	1,379,442	3,001,763
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) .....	(36,577,911)	(36,178,494)
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) .....	13,372,089	13,771,506
38. Totals (Page 2, Line 28, Column 3) .....	14,751,531	16,773,269
DETAILS OF WRITE-INS		
2501. Escheable funds .....	529,780	549,670
2502. ....		
2503. ....		
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) .....	529,780	549,670
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
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ .....		31,231,019	31,369,443
1.2 Assumed (written \$ .....		4,046,336	4,046,336
1.3 Ceded (written \$ .....		7,382,171	7,512,008
1.4 Net (written \$ .....		27,895,184	27,903,771
DEDUCTIONS:			
2. Losses incurred (current accident year \$ .....			
2.1 Direct .....		16,678,712	16,791,787
2.2 Assumed .....		2,298,721	2,281,188
2.3 Ceded .....		904,999	904,999
2.4 Net .....		18,072,434	18,167,976
3. Loss adjustment expenses incurred .....		7,180,145	6,697,909
4. Other underwriting expenses incurred .....	856,684	22,472,190	24,993,946
5. Aggregate write-ins for underwriting deductions .....		28,500,000	28,500,000
6. Total underwriting deductions (Line 2 through Line 5) .....	856,684	76,224,769	78,359,831
7. Net income of protected cells .....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) .....	(856,684)	(48,329,585)	(50,456,060)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned .....	159,236	2,476,866	2,319,876
10. Net realized capital gains (losses) less capital gains tax of \$ .....		3,933,578	3,809,710
11. Net investment gain (loss) (Line 9 plus Line 10) .....	159,236	6,410,444	6,129,586
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ .....			
amount charged off \$ .....		(1,656,091)	(2,525,208)
13. Finance and service charges not included in premiums .....			
14. Aggregate write-ins for miscellaneous income .....	298,030	237,752	1,029,394
15. Total other income (Line 12 through Line 14) .....	298,030	(1,418,339)	(1,495,814)
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) .....	(399,418)	(43,337,480)	(45,822,288)
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) .....	(399,418)	(43,337,480)	(45,822,288)
19. Federal and foreign income taxes incurred .....		(2,118,081)	(2,051,383)
20. Net income (Line 18 minus Line 19) (to Line 22) .....	(399,418)	(41,219,399)	(43,770,905)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year .....	13,771,507	57,941,604	57,941,604
22. Net income (from Line 20) .....	(399,418)	(41,219,399)	(43,770,905)
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 .....		4,765,526	16,425,141
27. Change in nonadmitted assets .....		(7,483,565)	(17,620,830)
28. Change in provision for reinsurance .....		829,497	829,497
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)	(33,000)
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) .....	(399,418)	(43,140,941)	(44,170,097)
39. Surplus as regards policyholders, as of statement date (Line 21 plus Line 38) .....	13,372,089	14,800,663	13,771,507
<b>DETAILS OF WRITE-INS</b>			
0501. Additional Payment on Novated Loss Reserves .....		28,500,000	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	28,500,000
1401. Miscellaneous Income .....	298,030	237,752	1,029,394
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) .....	298,030	237,752	1,029,394
3701. ....			
3702. ....			
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) .....			

STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

CASH FLOW

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance .....		21,608,234	21,616,821
2. Net investment income .....	192,212	4,906,757	5,435,613
3. Miscellaneous income .....	298,029	(1,418,339)	(1,495,814)
4. Total (Line 1 through Line 3) .....	490,241	25,096,652	25,556,620
5. Benefit and loss related payments .....		143,430,503	143,534,484
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Call Accounts .....			
7. Commissions, expenses paid and aggregate write-ins for deductions .....	2,461,640	84,686,196	91,791,209
8. Dividends paid to policyholders .....			
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....		2,712,244	
10. Total (Line 5 through Line 9) .....	2,461,640	230,828,943	235,325,703
11. Net cash from operations (Line 4 minus Line 10) .....	(1,971,399)	(205,732,291)	(209,769,083)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	752,111	264,124,934	264,775,570
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 .....		(9,567,288)	
12.8 Total investment proceeds (Line 12.1 through Line 12.7) .....	752,111	254,557,646	264,775,570
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	175,003	9,898,427	12,034,470
13.2 Stocks .....			
13.3 Mortgage loans .....			
13.4 Real estate .....			
13.5 Other invested assets .....			
13.6 Miscellaneous applications .....	1,325		1,893,217
13.7 Total investments acquired (Line 13.1 through Line 13.6) .....	176,328	9,898,427	13,927,687
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) .....	575,783	244,659,221	250,847,883
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 .....		33,000	33,000
16.6 Other cash provided (applied) .....	637,610	(49,969,106)	(52,631,610)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	637,610	(50,002,106)	(52,664,610)
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) .....	(758,006)	(11,075,176)	(11,585,810)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	3,600,844	15,186,654	15,186,654
19.2 End of period (Line 18 plus Line 19.1) .....	2,842,838	4,111,478	3,600,844

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

20.0001 .....			
20.0002 .....			
20.0003 .....			
20.0004 .....			
20.0005 .....			
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 Corporation. 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. 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

## NOTES TO FINANCIAL STATEMENTS

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### 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

Not applicable

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

## NOTES TO FINANCIAL STATEMENTS

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 \$35,632,076 as a Statutory Valuation Allowance and no admitted DTA was recognized as of June 30, 2012.

	As of June. 30, 2012			As of Dec. 31, 2011		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred tax assets:						
Discounting of unpaid losses and LAE	\$ -		\$ -	\$ -	\$ -	\$ -
Change in unearned premium reserve	-		-	-		-
Nonadmitted assets	2,188,924		2,188,924	2,265,381		2,265,381
Compensation, benefit and other accruals	223,583		223,583	12,339		12,339
Net operating loss ("NOL") carry-forward	33,219,569		33,219,569	33,077,008		33,077,008
Others	-		-	48,813		48,813
Investments	-	-	-	154,688	155	154,843
Gross deferred tax assets	35,632,076	-	35,632,076	35,558,229	155	35,558,384
Statutory valuation allowance ("VA")	35,632,076	-	35,632,076	35,506,817	155	35,506,972
Adjusted gross deferred tax assets	-	-	-	51,412	-	51,412
Nonadmitted	-		-	-		-
Admitted deferred tax assets	-	-	-	51,412	-	51,412
Deferred tax liabilities:						
Investments	-	-	-	-	-	-
IRC 481 adjustment	-		-	-		-
Accrued premium acquisition expense	-		-	-		-
Bond market discount	-		-	11,207		11,207
Fixed assets	-		-	40,205		40,205
Deferred tax liabilities:	-	-	-	51,412	-	51,412
Net deferred tax asset admitted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## B. Unrecognized DTLs

Not Applicable

## C. Current Tax and Change in Deferred Tax.

The net change in the deferred income taxes is related to the net cost of the conservation efforts for the period ended June 30, 2012.

	As of June. 30, 2012	As of Dec. 31, 2011
Federal income tax expense (benefit) on ordinary income	(142,561)	\$ (22,294,881)
Federal income taxes (benefit) on net capital gains		2,051,383
Federal income taxes (benefit) on Extraordinary Item		(3,036,121)
Current income tax incurred prior to NOL adjustment	(142,561)	(23,279,619)
Change to NOL tax carry forward benefit	142,561	23,279,619
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).

## NOTES TO FINANCIAL STATEMENTS

	As of June 30, 2012			As of Dec. 31, 2011			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Gross deferred tax assets before NOL & VA	\$ 2,412,507	\$ -	\$ 2,412,507	\$ 2,481,221	\$ 155	\$ 2,481,376	\$ (88,869)
NOL carry forward	33,219,569	-	33,219,569	33,077,008	-	33,077,008	142,561
Adjusted gross deferred tax assets before VA	35,632,076	-	35,632,076	35,558,229	155	35,558,384	73,692
Gross deferred tax liabilities	-	-	-	51,412	-	51,412	(51,412)
Net deferred tax assets (liabilities) before VA	\$ 35,632,076	\$ -	\$ 35,632,076	\$ 35,506,817	\$ 155	\$ 35,506,972	\$ 125,104
Tax on change in unrealized gains							
Tax on change on deferred tax on operations							(17,457)
Tax on change on NOL carryforward on operations							142,562
Gross deferred tax change on operations							\$ 125,105

## 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 June 30, 2012	As of Dec 31 2011	Effective Tax Rate
Provision computed at statutory rate	\$ (139,796)	\$ (15,319,817)	35.0%
Tax exempt income deduction	(3,228)	(27,662)	0.8%
Dividend deduction			
Non-deductible expenses	-	17,570	0.0%
Book over tax reserve	-	(6,071,274)	0.0%
Unearned premium (net of Sec 481 PAC adjustment)	-	(1,039,237)	0.0%
Cumulative effect of change in accounting method	-	(261,161)	0.0%
Impairment write down on lease	464	37,388	-0.1%
Other	1	(615,426)	0.0%
Total statutory income tax expense on operations before NOL	(142,559)	(23,279,619)	35.7%
Losses utilized by consolidated affiliates - indirect & rate difference			
NOL Tax Benefit carryforward	142,559	23,279,619	-35.7%
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 \$399,418 during the six month period ended June 30, 2012. The Company also has available NOL carry forwards from prior years of \$96,092,725.

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 amount of NOL available for offset against future taxable income.

	Net Operating Loss	Tax Benefit
NOL Carryforwards expiring on or before 12/31/2029	\$ (4,604,244)	1,485,210
NOL Carryforwards expiring on or before 12/31/2030	(24,575,866)	8,657,960
NOL Carryforwards expiring on or before 12/31/2030	(66,513,197)	23,279,622
NOL Carryforwards expiring on or before 12/31/2031	(399,418)	139,796
	\$ (96,092,725)	\$ 33,562,588

## 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

## NOTES TO FINANCIAL STATEMENTS

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.

#### 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 June 30, 2012	
Affiliate	Amount
Twin Bridges	(\$79,805)
CRMH	-
CRM USA	-
Net Due Affiliates	(79,805)

The amount due Twin Bridges represents interest accrued on the funds withheld under the reinsurance agreements through May 31, 2011.

#### 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 \$956,131 during the first six months of 2011. There were no similar payments in 2012.

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

## NOTES TO FINANCIAL STATEMENTS

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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

Not applicable.

- C. Multi-employer Plans

Not applicable

- D. Consolidated/Holding Company Plans

The Stock Ownership Plan no longer exists and the Company has not incurred any expense relative to such a plan.

- E. Post-employment Benefits and Compensated Absences

The Company paid \$638,803 as severance to terminated employees which represented one-half of the amount due to them under the Company's severance policy. The Conservator has approved claims by the employees for the remaining severance due of \$638,803. There are no other obligations to current or former employees for benefits after their employment but before their retirement.

### **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 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.

## NOTES TO FINANCIAL STATEMENTS

## 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

## 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	33,621,161	92,531
Statutory valuation reserve	(33,621,161)	(92,531)
Nonadmitted assets	(7,207,658)	-
Dividend to stockholder	(7,175,000)	-
Provision for reinsurance	-	-

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 June 30, 2012, the Company had recorded assessments paid to insurance departments in excess of billed policyholder surcharges of \$7,493,541. This excess assessment amount is presented as a write in asset with the caption "Advance Policy Surcharges" and \$5,615,854 was treated as a non-admitted asset.

## NOTES TO FINANCIAL STATEMENTS

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

Second Installment Payment of California DIR Assessments for 2011. By letter to the California Department of Industrial Relations 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.

First Installment Payment of California DIR Assessments for 2012. By letter to the California Department of Industrial Relations dated December 9, 2011, Majestic requested relief from payment of the first installment of the DIR assessments for 2012 due by January 1, 2012 in the amount of \$730,822.10.

Prepayment of California Gross Premiums Tax for 2011. 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 (WCL) Section 15.8, Special Disability Fund.

New York State Workers' Compensation Board Assessment for 2011 under WCL Section 25A. Majestic received a notice of assessment from the NY WCB due April 12, 2012 in the amount of \$1,290,056. This amount was assessed for the calendar year 2011 under WCL 15.8, Special Disability Fund. By letter to the NY WCB dated March 29, 2012, Majestic requested relief from this assessment in light of its conservation.

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 2<sup>nd</sup> 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 assessment 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. By letter to the New Jersey Department of Banking and Insurance dated December 9, 2011, Majestic requested relief from the 2011 insurance fraud assessment for 2011 in the amount of \$7,372.73. By letter to the New York Compensation Insurance Rating Board dated December 14, 2011, Majestic requested relief from an assessment for expenses of the Board for the fourth quarter of 2011. By letter to the New Jersey Department of Banking and Insurance dated January 31, 2012, Majestic requested relief from a special purpose assessment notice for FY 2011 in the amount of \$7,826.30. By letter to the California Department of Industrial Relations,

## NOTES TO FINANCIAL STATEMENTS

Division of Occupational Safety and Health dated April 24, 2012, Majestic requested relief from a 2012 Cal/OSHA assessment of \$2,000. By letter to the New Jersey Property-Liability Insurance Guaranty Association dated July 9, 2012, Majestic requested relief from the New Jersey Workers' Compensation Security Fund Assessment for 2012 in the amount of \$29,237.99.

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 below 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 Superior Court of the State of California, County of San Francisco (the "Conservation Court"), is enjoined. Alternative remedies for the assertion of any and all such claims are provided for under the Conservator's Rehabilitation Plan. The Rehabilitation Plan provides that the Conservator may request the Conservation Court to establish a claims bar date for filing proofs of claim against Majestic by non-policyholder creditors. The Rehabilitation Plan further provides that the Conservator shall administer, investigate, adjust and determine all such proofs of claim in a manner consistent with California Insurance Code Sections 1010 through 1062. In accordance with these provisions of the Rehabilitation Plan, the Conservation Court has established a claims bar date of January 31, 2012 for filing non-policyholder proofs of claim with the Conservator. Prior to the claims bar date, the Conservator received a total of 86 proofs of claim which set forth claims of non-policyholder creditors in the aggregate amount of \$205 million. The Conservator is reviewing all such proofs of claim for the purpose of determining such claims as provided in the Rehabilitation Plan.

The following claims and lawsuits were brought against Majestic prior or subsequent to entry of the Conservation Order. Prosecution of these matters has been enjoined by the Conservation Order as stated above.

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 \$472 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 March 24, 2011, after the court sustained Majestic's demurrer to the complaint with leave to amend, the plaintiffs dismissed the action against Majestic without prejudice to re-filing the action.

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

## NOTES TO FINANCIAL STATEMENTS

agency theory of liability. The complaint sought damages of not less than \$38 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 2004-2005 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.

On or about April 17, 2012, West-Fair Electric Contractors, Inc., a former member of the Elite Contractors Trust of New York filed an adversary proceeding in the Chapter 11 bankruptcy of Majestic Capital, Ltd. and its subsidiaries. The named defendants include CRM and various affiliated persons and entities, including Majestic Insurance Company. The suit seeks declaratory and injunctive relief and damages in an amount to be determined based on West-Fair's joint and several liability for assessments made against the Elite Contractors Trust by the New York State Workers' Compensation Board in excess of \$82 million. The complaint alleges misconduct by the defendants in the management of the Elite Contractors Trust and alter ego claims. Majestic denies all liability in connection with this matter.

On April 27, 2011, a former employee of Majestic filed an action entitled Bunton v. Majestic Capitol Insurance, et al. seeking recovery of damages in unspecified amounts resulting from alleged gender and disability discrimination, harassment and retaliation. Majestic Insurance Company, sued erroneously as "Majestic Capitol Insurance Company", denies all liability in connection with this matter. By letter to the plaintiff dated May 2, 2012, legal counsel for Majestic's Conservator demanded that this action be dismissed in light of the injunction restraining prosecution of actions against Majestic.

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

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

#### A. Transfers of Receivables Reported as Sales

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

G. Subprime Mortgage Related Risk Exposure

Not applicable

**Note 21 – Events Subsequent**

## NOTES TO FINANCIAL STATEMENTS

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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**

Not applicable

### **Note 25 – Intercompany Pooling Arrangements**

Not applicable

### **Note 26 – Structural Settlements**

## NOTES TO FINANCIAL STATEMENTS

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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:

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

STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

**NOTES TO FINANCIAL STATEMENTS**

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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)
- 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)
- 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?

.....  
.....
- 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 (X) No ( ) N/A ( )
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes (X) No ( ) 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 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 FDIC	6 SEC
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

GENERAL INTERROGATORIES (continued)  
PART 1 - COMMON INTERROGATORIES

GENERAL

- 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 (X) No ( )
- 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 (X) No ( )
- 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? Yes ( ) No (X)  
(Exclude securities under securities lending agreements.)
- 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:
- |   | <sup>1</sup><br>Prior Year-End Book/<br>Adjusted Carrying Value | <sup>2</sup><br>Current Quarter Book/<br>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)  
PART 1 - COMMON INTERROGATORIES

INVESTMENT

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 1, III - General Examination Consideration, F - Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ( ) No (X)

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

<sup>1</sup> Name of Custodian(s)	<sup>2</sup> Custodian Address
COMERICA BANK .....	PO BOX 7500, 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:

<sup>1</sup> Name(s)	<sup>2</sup> Location(s)	<sup>3</sup> 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:

<sup>1</sup> Old Custodian	<sup>2</sup> New Custodian	<sup>3</sup> Date of Change	<sup>4</sup> 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:

<sup>1</sup> Central Registration Depository	<sup>2</sup> Name(s)	<sup>3</sup> Address
.....	.....	.....
.....	.....	.....
.....	.....	.....

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

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?  
If yes, attach an explanation.

Yes ( ) No ( ) N/A (X)
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?  
If yes, attach an explanation.

Yes ( ) No (X)
- 3.1

Have any of the reporting entity's primary reinsurance contracts been canceled?

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.

\$.....

SCHEDULE F - CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

1	2	3	4	5
NAIC Company Code	Federal ID Number	Name of Reinsurer	Domiciliary Jurisdiction	Is Insurer Authorized? (Yes or No)

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

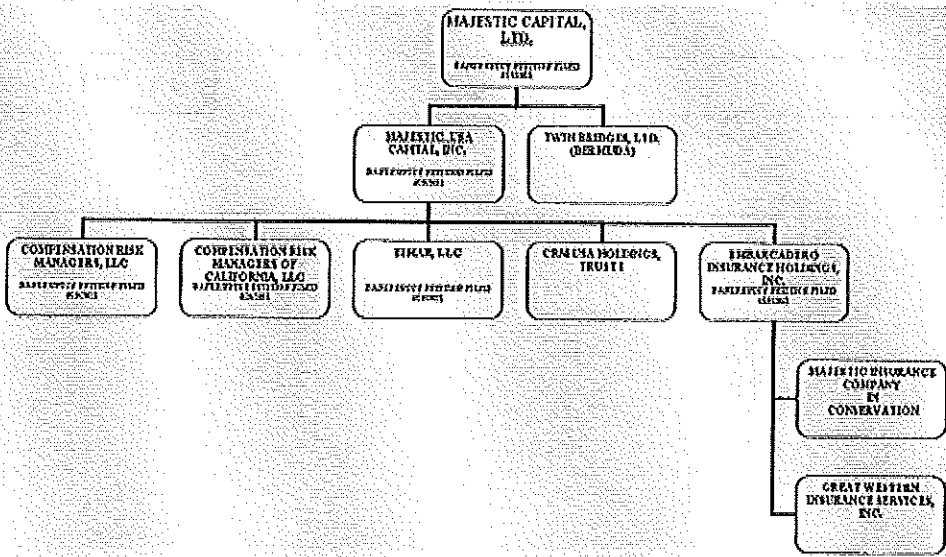
States, etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	N					
2. Alaska	AK	L					846,982
3. Arizona	AZ	L	754,782		529,177		4,196,265
4. Arkansas	AR	N					
5. California	CA	L	13,270,717		12,608,672		177,438,255
6. Colorado	CO	N					
7. Connecticut	CT	N					
8. Delaware	DE	N					
9. District of Columbia	DC	N					
10. Florida	FL	L	53,760		39,946		1,172,096
11. Georgia	GA	N					
12. Hawaii	HI	L			34,160		2,372,486
13. Idaho	ID	L					
14. Illinois	IL	N					
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	(18,234)		46,169		657,870
30. New Hampshire	NH	N					
31. New Jersey	NJ	L	2,075,223		2,105,473		23,628,632
32. New Mexico	NM	L					
33. New York	NY	L	2,630,394		3,654,744		55,373,449
34. North Carolina	NC	N					
35. North Dakota	ND	N					
36. Ohio	OH	N					
37. Oklahoma	OK	N					
38. Oregon	OR	L	5,660		29,826		2,492,004
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			38,211		2,117,026
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		18,772,302		19,086,378		270,295,065
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

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	Federal RSSD	CIK	Name of Securities Exchange If Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity (ies) /Person(s)	*

NONE

Asterisk	Explanation
----------	-------------

NONE

**PART 1 - LOSS EXPERIENCE**

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 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 .....				69.4
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 .....				
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 .....			28,547,836
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 .....			28,547,836
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

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Column 1 plus Column 2)	2012 Loss and LAE Payments on Claims Reported as of Prior Year-End	2012 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2012 Loss and LAE Payments (Column 4 plus Column 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Column 7 plus Column 8 plus Column 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings) / Deficiency (Column 4 plus Column 7 minus Column 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings) / Deficiency (Column 5 plus Column 8 plus Column 9 minus Column 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings) / Deficiency (Column 11 plus Column 12)
1. 2009 + Prior													
2. 2010													
3. Subtotals 2010 + prior													
4. 2011													
5. Subtotals 2011 + prior													
6. 2012	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals													
8. Prior Year-End Surplus As Regards Policy-holders											Column 11, Line 7 As % of Column 1, Line 7	Column 12, Line 7 As % of Column 2, Line 7	Column 13, Line 7 As % of Column 3, Line 7
											1. ....%	2. ....%	3. ....%
													Column 13, Line 7
													Line 8
													4. ....%

NONE

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 Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?

NO

EXPLANATION:

BARCODE:

Document Identifier 490:



2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?

NO

EXPLANATION:

BARCODE:

Document Identifier 455:



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. 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:



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 minus Line 8) .....		
10. Deduct total nonadmitted amounts .....		
11. Statement value at end of current period (Line 9 minus Line 10) .....		

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) .....		

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) .....		

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 .....	10,299,973	257,749,647
2. Cost of bonds and stocks acquired .....	175,003	10,898,841
3. Accrual of discount .....	50	11,172
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....		7,754,280
6. Deduct consideration for bonds and stocks disposed of .....	752,111	263,561,082
7. Deduct amortization of premium .....	17,632	659,668
8. Total foreign exchange change in book/adjusted carrying value .....		
9. Deduct current year's other than temporary impairment recognized .....	1,325	1,893,217
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) .....	9,703,958	10,299,973
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	9,703,958	10,299,973

STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

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	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a) .....	10,480,921	609,738	90,972	(8,782)	10,480,921	10,992,905		11,912,439
2. Class 2 (a) .....	388,575		385,000	(1,575)	388,575			388,937
3. Class 3 (a) .....								
4. Class 4 (a) .....								
5. Class 5 (a) .....								
6. Class 6 (a) .....								
7. Total Bonds .....	10,867,496	609,738	475,972	(8,357)	10,867,496	10,992,905		12,301,376
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 .....	10,867,496	609,738	475,972	(8,357)	10,867,496	10,992,905		12,301,376

(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

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999 Totals .....	1,288,952	XXX	1,288,952	6	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book / adjusted carrying value, December 31 of prior year .....	2,001,408	6,503,849
2. Cost of short-term investments acquired .....	781,330	47,729,687
3. Accrual of discount .....		
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....		
6. Deduct consideration received on disposals .....	1,493,786	52,232,128
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) .....	1,288,952	2,001,408
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	1,288,952	2,001,408

SCHEDULE DB - PART A - VERIFICATION

Options, Caps, Floors, Collars, Swaps and Forwards

1. Book/Adjusted Carrying Value, December 31, prior year (Line 9, prior year)	.....
2. Cost Paid/(Consideration Received) on additions	.....
3. Unrealized Valuation increase/(decrease)	.....
4. Total gain (loss) on termination recognized	.....
5. Considerations received/(paid) on terminations	.....
6. Amortization	.....
7. Adjustment to the Book/Adjusted Carrying Value	.....
8. Total foreign exchange change in Book/Adjusted Carrying Value	.....
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 plus Line 7 plus Line 8)	.....
10. Deduct nonadmitted assets	.....
11. Statement value at end of current period (Line 9 minus Line 10)	.....

NONE

SCHEDULE DB - PART B - VERIFICATION

Futures Contracts

1. Book/Adjusted carrying value, December 31 of prior year	.....
2. Net cash deposits (Section 1, Broker Name/Net Cash Deposits Footnote)	.....
3.1 Change in variation margin on open contracts	.....
3.2 Add:	
Change in adjustment to basis of hedged item	
3.21 Section 1, Column 17, current year to date minus	.....
3.22 Section 1, Column 17, prior year	.....
Change in amount recognized	
3.23 Section 1, Column 16, current year to c	.....
3.24 Section 1, Column 16, prior year	.....
3.3 Subtotal (Line 3.1 minus Line 3.2)	.....
4.1 Variation margin on terminated contracts durin	.....
4.2 Less:	
4.21 Amount used to adjust basis of hedged item	.....
4.22 Amount recognized	.....
4.3 Subtotal (Line 4.1 minus Line 4.2)	.....
5. Dispositions gains (losses) on contracts terminated in prior year:	
5.1 Recognized	.....
5.2 Used to adjust basis of hedged items	.....
6. Book/Adjusted carrying value at end of current period (Line 1 plus Line 2 plus Line 3.3 minus Line 4.3 minus Line 5.1 minus Line 5.2)	.....
7. Deduct total nonadmitted amounts	.....
8. Statement value at end of current period (Line 6 minus Line 7)	.....

NONE

SCHEDULE DB - PART C - SECTION 1

Replication (Synthetic Asset) Transactions Open as of Current Statement Date

Replication (Synthetic Asset) Transactions								Components of the Replication (Synthetic Asset) Transactions							
1	2	3	4	5	6	7	8	Derivative Instrument(s) Open			Cash Instrument(s) Held				
Number	Description	NAIC Designation or Other Description	Notional Amount	Book/Adjusted Carrying Value	Fair Value	Effective Date	Maturity Date	9	10	11	12	13	14	15	16
								Description	Book/Adjusted Carrying Value	Fair Value	CUSIP	Description	NAIC Designation or Other Description	Book/Adjusted Carrying Value	Fair Value

NONE

SCHEDULE DB - PART C - SECTION 2

Replication (Synthetic Asset) Transactions Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year To Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replication (Synthetic Asset) Transactions Statement Value	Number of Positions	Total Replication (Synthetic Asset) Transactions Statement Value	Number of Positions	Total Replication (Synthetic Asset) Transactions Statement Value	Number of Positions	Total Replication (Synthetic Asset) Transactions Statement Value	Number of Positions	Total Replication (Synthetic Asset) Transactions Statement Value
1. Beginning Inventory .....										
2. Add: Opened or Acquired Transactions .....										
3. Add: Increases in Replication (Synthetic Asset) Transactions Statement Value .....	XXX						XXX		XXX	
4. Less: Closed or Disposed of Transactions .....										
5. Less: Positions Disposed of for Failing Effectiveness Criteria .....										
6. Less: Decreases in Replication (Synthetic Asset) Transactions Statement Value .....	XXX						XXX		XXX	
7. Ending Inventory .....										

NONE

SCHEDULE DB - VERIFICATION

Verification of Book/Adjusted Carrying Value, Fair Value-and Potential Exposure of all Open Derivative Contracts

	Book/Adjusted Carrying Value Check
1. Part A, Section 1, Column 14 .....	
2. Part B, Section 1, Column 14 .....	
3. Total (Line 1 plus Line 2) .....	
4. Part D, Column 5 .....	
5. Part D, Column 6 .....	
6. Total (Line 3 minus Line 4 minus Line 5) .....	

NONE

	Fair Value Check
7. Part A, Section 1, Column 16 .....	
8. Part B, Section 1, Column 13 .....	
9. Total (Line 7 plus Line 8) .....	
10. Part D, Column 8 .....	
11. Part D, Column 9 .....	
12. Total (Line 9 minus Line 10 minus Line 11) .....	

	Potential Exposure Check
13. Part A, Section 1, Column 21 .....	
14. Part B, Section 1, Column 19 .....	
15. Part D, Column 11 .....	
16. Total (Line 13 plus Line 14 minus Line 15) .....	

SCHEDULE E - VERIFICATION  
(Cash Equivalents)

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Cost of cash equivalents acquired .....		7,699,504
3. Accrual of discount .....		203
4. Unrealized valuation increase (decrease) .....		
5. Total gain (loss) on disposals .....		32
6. Deduct consideration received on disposals .....		7,699,739
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) .....		
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....		

SCHEDULE A - PART 2

Showing All Real Estate ACQUIRED AND ADDITIONS MADE During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost at Time of Acquisition	7 Amount of Encumbrances	8 Book / Adjusted Carrying Value Less Encumbrances	9 Additional Investment Made After Acquisition
	2 City	3 State						

NONE

SCHEDULE A - PART 3

Showing All Real Estate DISPOSED During the Quarter, Including Payments During the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Expended for Additions, Permanent Improvements and Changes in Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances Prior Year	Change in Book/Adjusted Carrying Value Less Encumbrances					14 Book/Adjusted Carrying Value Less Encumbrances on Disposal	15 Amounts Received During Year	16 Foreign Exchange Gain (Loss) on Disposal	17 Realized Gain (Loss) on Disposal	18 Total Gain (Loss) on Disposal	19 Gross Income Earned Less Interest Incurred on Encumbrances	20 Taxes, Repairs and Expenses Incurred
	2 City	3 State						9 Current Year's Depreciation	10 Current Year's Other Than Temporary Impairment Remuneration	11 Current Year's Change in Encumbrances	12 Total Change in B./A., C.V. (11, 9, 10)	13 Total Foreign Exchange Change in R./A., C.V.							

NONE

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED AND ADDITIONS MADE during the Current Quarter

1	Location		4	5	6	7	8	9
Loan Number	2	3	Loan Type	Date Acquired	Rate of Interest	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Value of Land and Buildings
	City	State						

NONE

FD-2

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

1	Location		4	5	6	7	Change in Book Value/Recorded Investment						14	15	16	17	18
Loan Number	2	3	Loan Type	Date Acquired	Disposal Date	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	8	9	10	11	12	13	Book Value/Recorded Investment Excluding Accrued Interest on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal
	City	State					Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Capitalized Deferred Interest and Other	Total Change in Book Value (8+9-10+11)	Total Foreign Exchange Change in Book Value					

NONE

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13
CUSIP Identification	Name or Description	3 City	4 State	Name of Vendor or General Partner	NAIC Designation	Date Originally Acquired	Type and Strategy	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Amount of Encumbrances	Commitment for Additional Investment	Percentage of Ownership

NONE

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

1	2	Location		5	6	7	8	Change in Book/Adjusted Carrying Value						15	16	17	18	19	20
CUSIP Identification	Name or Description	3 City	4 State	Name of Purchaser or Nature of Deposit	Date Originally Acquired	Disposal Date	Book/Adjusted Carrying Value Less Encumbrances Prior Year	9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9+10-11+12)	14 Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
912828-SR-2	UNITED STATES TREASURY NOTES		05/03/2012	BANK OF AMERICA	49,983	49,983	50,000.00	1	1
0599999	Subtotal - Bonds - U.S. Governments				49,983	49,983	50,000.00	1	
8399997	Subtotal - Bonds - Part 3				49,983	49,983	50,000.00	1	
8399999	Subtotal - Bonds				49,983	49,983	50,000.00	1	
9999999	TOTALS				49,983	49,983		1	

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

STATEMENT AS OF JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

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 Identifi- cation	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 (Amort- ization) / 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	Stated Contractual Maturity Date	NAIC Designa- tion or Market Indi- cator (a)
Bonds - U. S. Governments																					
912827-7L-0	UNITED STATES TREASURY NOTES		04/11/2012	PRIOR PERIOD INCOME															293	02/15/2012	1
0599999	- Subtotal - Bonds - U. S. Governments																		293		
Bonds - U. S. Political Subdivisions of States																					
963871-L-4	WILLIAMSON CNTY TN		04/01/2012	PREREFUNDED		50,000	50,000.00	53,648	50,113		(113)		(113)		50,000				1,250	04/01/2012	1FE
2499999	- Subtotal - Bonds - U. S. Political Subdivisions of States					50,000	50,000.00	53,648	50,113		(113)		(113)		50,000				1,250		
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 LOAN MTG CORP #G11357		06/01/2012	PAYDOWN		4,183	4,183.00	4,495	4,225		(42)		(42)		4,183				95	12/01/2016	1
3128MM-KB-8	FEDERAL HOME LOAN MTG CORP #G18269		06/01/2012	PAYDOWN		8,255	8,255.00	8,578	8,287		(32)		(32)		8,255				148	03/01/2023	1
31294K-LB-6	FEDERAL HOME LOAN MTG CORP #E01251		06/01/2012	PAYDOWN		4,702	4,702.00	5,053	4,750		(47)		(47)		4,702				105	04/01/2017	1
31400E-W2-2	FEDERAL NATIONAL MTG ASSOC #085685		06/01/2012	PAYDOWN		6,144	6,144.00	6,534	6,207		(62)		(62)		6,144				126	07/01/2017	1
388475-BU-0	GRAND STRAND SC WTR & SWR AUTH		06/01/2012	MATURITY		385,000	385,000.00	424,986	388,937		(3,937)		(3,937)		385,000				12,272	06/01/2012	2FE
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					408,285	408,285.00	449,646	412,406		(4,121)		(4,121)		408,285				12,747		
8399997	- Subtotal - Bonds - Part 4					458,285	458,285.00	503,294	462,518		(4,234)		(4,234)		458,285				14,269		
8399999	- Subtotal - Bonds					458,285	458,285.00	503,294	462,518		(4,234)		(4,234)		458,285				14,269		
9999999	- TOTALS					458,285		503,294	462,518		(4,234)		(4,234)		458,285				14,269		

E05

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

SCHEDULE DB - PART A - SECTION 1

Showing all Options , Caps, Floors, Collars , Swaps and Forwards Open as of Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Description	Description of Items Hedged or Used for Income Generation	Schedule/Exhibit Identifier	Type(s) of Risk(s)	Exchange or Counterparty	Trade Date	Date of Maturity or Expiration	Number of Contracts	Notional Amount	Strike Price, Rate or Index Received (Paid)	Prior Year Initial Cost of Premium (Received) Paid	Current Year Initial Cost of Premium (Received) Paid	Current Year Income	Book/Adjusted Carrying Value	Code	Fair Value	Unrealized Valuation Increase/ (Decrease)	Total Foreign Exchange Change in B./A.C.V.	Current Year's (Amortization) / Accretion	Adjustment to Carrying Value of Hedged Item	Potential Exposure	Credit Quality of Reference Entity	Hedge Effectiveness at Inception and at Quarter-end (a)

NONE

E06

(a)

Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period
------	--

NONE

SCHEDULE DB - PART B - SECTION 1

Future Contracts Open as of the Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	Changes in Variation Margin				19	20
														15	16	17	18		
Ticker Symbol	Number of Contracts	Notional Amount	Description	Description of Hedged Item(s)	Schedule/ Exhibit Identifier	Type(s) of Risk(s)	Date of Maturity or Expiration	Exchange	Trade Date	Transaction Price	Reporting Date Price	Fair Value	Book/ Adjusted Carrying Price	Cumulative	Gain (Loss) Recognized in Current Year	Gain (Loss) Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure	Hedge Effectiveness at Inception and at Quarter-end (a)

NONE

Broker Name	Net Cash Deposits
-------------	-------------------

NONE

(a)	
Code	Financial or Economic Impact of the Hedge at the End of the Reporting Period

NONE

SCHEDULE DB - Part D

Counterparty Exposure for Derivative Instruments Open as of Current Statement Date

1	2	3	4	Book/Adjusted Carrying Value			Fair Value			11	12
				5	6	7	8	9	10		
Description Counterparty or Exchange Traded	Master Agreement (Y or N)	Credit Support Annex (Y or N)	Fair Value of Acceptable Collateral	Contracts With Book/ Adjusted Carrying Value > 0	Contracts With Book/ Adjusted Carrying Value < 0	Exposure net of Collateral	Contracts With Fair Value > 0	Contracts With Fair Value < 0	Exposure Net of Collateral	Potential Exposure	Off-Balance Sheet Exposure

NONE

SCHEDULE DL - PART 1  
SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1	2	3	4	5	6	7
CUSIP Identification	Description	Code	NAIC Designation/Market Indicator	Fair Value	Book/Adjusted Carrying Value	Maturity Dates

NONE

General Interrogatories:  
1. Total activity for the year to date Fair Value \$ ..... Book/Adjusted Carrying Value \$ .....  
2. Average Balance for the year to date Fair Value \$ ..... Book/Adjusted Carrying Value \$ .....  
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation  
NAIC 1 \$ ..... ; NAIC 2 \$ ..... ; NAIC 3 \$ ..... ; NAIC 4 \$ ..... ; NAIC 5 \$ ..... ; NAIC 6 \$ .....



SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1		2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository									*
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									
INTEREST RECEIVED DURING QTR ON DISP									
HSBC Bank	San Francisco, CA					865,120	85,858	85,201	
Wells Fargo Bank	San Francisco, CA					1,194,628	1,191,711	1,445,266	
State Street Bank	Kansas City, MO					19,157	19,157	23,420	
0199999 - TOTAL - Open Depositories						2,078,905	1,296,726	1,553,887	
0399999 - TOTAL Cash on Deposit						2,078,905	1,296,726	1,553,887	
0599999 - TOTALS						2,078,905	1,296,726	1,553,887	

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due and Accrued	Amount Received During Year

NONE



SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO.- IN CONSERVATION

MEDICARE PART D COVERAGE SUPPLEMENT  
(Net of Reinsurance)

NAIC Group Code: 0000      NAIC Company Code: 42269

	1	2	3	4	5
	Individual Coverage		Group Coverage		Total Cash
	Insured	Uninsured	Insured	Uninsured	
1. Premiums Collected .....	<div>NONE</div>				XXX
2. Earned Premiums .....					XXX
3. Claims Paid .....					XXX
4. Claims Incurred .....					XXX
5. Reinsurance Coverage and Low Income (					
Claims Paid Net of Reimbursements App					
6. Aggregate Policy Reserves - Change ...					XXX
7. Expenses Paid .....					XXX
8. Expenses Incurred .....					XXX
9. Underwriting Gain or Loss .....					XXX
10. Cash Flow Result .....	XXX	XXX	XXX	XXX	XXX

(a) Uninsured Receivable/Payable with CMS at End of Quarter:   \$ ..... due from CMS or   \$ ..... due to CMS



SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

SUPPLEMENT "A" TO SCHEDULE T  
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN  
ALLOCATED BY STATES AND TERRITORIES

The type of health care providers reported on this page is:

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate Other Alien OT								
59. Totals								
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Summary of remaining write-ins for Line 58 from overflow page								
5899. Totals (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)								



PROPERTY AND CASUALTY SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012  
OF THE U.S. BRANCH OF THE MAJESTIC INSURANCE CO.- IN CONSERVATION

TRUSTEED SURPLUS STATEMENT

AFFIDAVIT OF U.S. MANAGERS, GENERAL AGENTS OR ATTORNEYS

\_\_\_\_\_ being duly sworn, says that he/she is the \_\_\_\_\_ of  
the MAJESTIC INSURANCE CO.-IN CONSERVATION \_\_\_\_\_, a corporation organized under the laws of \_\_\_\_\_,  
entered to transact business in the United States through the State of \_\_\_\_\_, that this trustee surplus statement together  
with its related schedules appended hereto is a true statement of the trustee surplus of said corporation, that the several items of assets, as hereinafter enumerated,  
are the absolute property of said corporation, free and clear from any liens or claims thereon, except as hereinafter stated, and that each and all of the hereinafter  
mentioned assets are held in the United States by Insurance Departments and Officers of the various States of the United States and Trustees as hereinafter indicated,  
and that the assets, liabilities and deductions therefrom reported in this statement are in accordance with the instructions accompanying this statement.

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_ A.D., 2012

AFFIDAVIT OF TRUSTEE - SCHEDULE B

\_\_\_\_\_ being sworn, say that it is the Trustee of the MAJESTIC INSURANCE CO.-IN CONSERVATION \_\_\_\_\_,  
a corporation organized under the laws of \_\_\_\_\_, entered to transact business in the  
United States through the State of \_\_\_\_\_, located at \_\_\_\_\_,  
that the assets listed in Schedule B of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other  
claims than those of policyholders and creditor:

NONE

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_ A.D., 2012

AFFIDAVIT OF TRUSTEE - SCHEDULE C

\_\_\_\_\_ being sworn, say that it is the Trustee of the MAJESTIC INSURANCE CO.-IN CONSERVATION \_\_\_\_\_,  
a corporation organized under the laws of \_\_\_\_\_, entered to transact business in the  
United States through the State of \_\_\_\_\_, located at \_\_\_\_\_,  
that the assets listed in Schedule C of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other  
claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_ A.D., 2012

AFFIDAVIT OF TRUSTEE - SCHEDULE D

\_\_\_\_\_ being sworn, say that it is the Trustee of the MAJESTIC INSURANCE CO.-IN CONSERVATION \_\_\_\_\_,  
a corporation organized under the laws of \_\_\_\_\_, entered to transact business in the  
United States through the State of \_\_\_\_\_, located at \_\_\_\_\_,  
that the assets listed in Schedule D of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other  
claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_ A.D., 2012

PROPERTY AND CASUALTY SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012  
OF THE U.S. BRANCH OF THE MAJESTIC INSURANCE CO.- IN CONSERVATION

TRUSTEED SURPLUS STATEMENT  
ASSETS

SCHEDULE A - DEPOSITS WITH STATE OFFICERS (EXCLUDING SPECIAL DEPOSITS)

1	2	3	4	5
Line Number	Description	Admitted Asset Value	Par Value	Fair Value

NONE

SCHEDULE B - DEPOSITS WITH UNITED STATES TRUSTEE

2.01	Cash			
2.02	Bonds			
2.03	Preferred Stock			
2.04	Common Stock			
2.05	Mortgage Loans on Real Estate			
2.06	Real Estate			
2.07	Short-Term Investment			
2.08	Other Invested Assets			
2.09	Miscellaneous Assets not included in any of the above categories			
2.98	Accrued Investment Income		XXX	XXX
2.99	Totals			

SCHEDULE C - DEPOSITS WITH UNITED STATES TRUSTEE

3.01	Cash			
3.02	Bonds			
3.03	Preferred Stock			
3.04	Common Stock			
3.05	Mortgage Loans on Real Estate			
3.06	Real Estate			
3.07	Short-Term Investment			
3.08	Other Invested Assets			
3.09	Miscellaneous Assets not included in any of the above categories			
3.98	Accrued Investment Income		XXX	XXX
3.99	Totals			

SCHEDULE D - DEPOSITS WITH UNITED STATES TRUSTEE

4.01	Cash			
4.02	Bonds			
4.03	Preferred Stock			
4.04	Common Stock			
4.05	Mortgage Loans on Real Estate			
4.06	Real Estate			
4.07	Short-Term Investments			
4.08	Other Invested Assets			
4.09	Miscellaneous Assets not included in any of the above categories			
4.98	Accrued Investment Income		XXX	XXX
4.99	Totals			

PROPERTY AND CASUALTY SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012  
OF THE U.S. BRANCH OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

TRUSTEED SURPLUS STATEMENT  
LIABILITIES AND TRUSTEED SURPLUS

	1 Current Quarter
1. Total liabilities.....	
ADDITIONS TO LIABILITIES:	
2. Ceded reinsurance balances payable.....	
3. Agents' credit balances.....	
4. Aggregate write-ins for other additions to liabilities.....	
5. Total additions (Line 2 plus Line 3 plus Line 4).....	
6. Total (Line 1 plus Line 5).....	
DEDUCTIONS FROM LIABILITIES:	
7. Reinsurance recoverable on paid losses and loss adjustment expenses:	
7.1 Authorized companies.....	
7.2 Unauthorized companies.....	
8. Special state deposits, not exceeding net liabilities carried in this statement on business in each respective state:	
8.1 Special state deposits (submit schedule).....	
8.2 Accrued interest on special state deposits.....	
9. Agents' balances or uncollected premiums not more than ninety day	
10. Unpaid reinsurance premiums receivable, not exceeding losses and	
10.1 Authorized companies.....	
10.2 Unauthorized companies.....	
11. Aggregate write-ins for other deductions from liabilities.....	
12. Total deductions (Line 7 through Line 11).....	
13. Total adjusted liabilities (Line 6 minus Line 12).....	
14. Trusteed surplus.....	
15. Total.....	
DETAILS OF WRITE-INS	
0401.....	
0402.....	
0403.....	
0498. Summary of remaining write-ins for Line 4 from overflow page.....	
0499. Totals (Line 0401 through Line 0403 plus Line 0498) (Line 4 above).....	
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).....	

NONE



SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2012 OF THE MAJESTIC INSURANCE CO. - IN CONSERVATION

DIRECTOR AND OFFICER INSURANCE COVERAGE SUPPLEMENT

Year To Date For The Period Ended June 30

NAIC Group Code: 0000 NAIC Company Code: 42269

If the reporting entity writes any director and officer (D&O) business, please print

1. Monoline Policies

NONE

Premium	ct ed Premium	3 Direct Losses Incurred
\$.....	\$.....	\$.....

2. Commercial Multiple Peril (CMP) Packaged Policies

- 2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy?

Yes ( ) No ( )
- 2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated?

Yes ( ) No ( )
- 2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies.

2.31 Amount quantified:

\$.....

2.32 Amount estimated using reasonable assumptions:

\$.....
- 2.4 If the answer to 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies.

\$.....