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**LOS ANGELES
SUPERIOR COURT**

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Fremont Indemnity Company*

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES – CENTRAL CIVIL WEST

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

Applicant,

v.

FREMONT INDEMNITY COMPANY,

Respondent.

CASE NO. BS083582

[Assigned for All Purposes to the
Honorable William Highberger]

**LIQUIDATOR'S SEVENTH ANNUAL
STATUS CONFERENCE REPORT
FOR YEAR ENDING DECEMBER 31,
2010**

Date: June 6, 2011
Time: 10:00 a.m.
Dept: 307 – Central Civil West
Judge: Hon. William Highberger

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1 Insurance Commissioner of the State of California, in his capacity as Liquidator
2 ("Liquidator") of Fremont Indemnity Company ("Fremont") hereby submits the following
3 Seventh Annual Status Conference Report for the period January 1, 2010 through December 31,
4 2010 ("2010 Annual Report").

5 I.

6 **INTRODUCTION**

7 The Liquidator through his Conservation and Liquidation Office (the "CLO") continues to
8 manage the numerous aspects of the liquidation of an insurance company with billions of dollars
9 of policyholder liability. This report provides a comprehensive update on the current status of the
10 Fremont liquidation estate.

11 Currently, all of the Liquidator's operations associated with Fremont's liquidation,
12 including accounting, cash and investments management, claims administration, human
13 resources, and reinsurance are overseen by the CLO staff. As of December 31, 2010, Fremont
14 had approximately \$370 million in balance sheet assets, including cash, investments, non-released
15 statutory deposits and reinsurance recoverables. Since filing the 2009 annual report in May 2010,
16 Fremont's balance sheet liabilities have increased by an estimated \$224 million. The increase in
17 liability is primarily based on new information reported to the Liquidator by the Insurance
18 Guaranty Associations ("IGAs") regarding increased payments made to Fremont policyholders
19 and increases in the case reserves for anticipated future loss payments and allocated loss
20 adjustment expenses. Fremont's Class 2 policyholder liabilities are now estimated at
21 approximately \$2.9 billion (\$862 million has been advanced against this figure, thus leaving a net
22 unpaid liability of about \$2.1 billion). Liabilities below Class 2 are approximately \$400 million,
23 but there is no likelihood that Fremont will be able to pay any of those liabilities.

24 During 2010, the Liquidator made significant progress in his efforts to marshal Fremont's
25 assets for the benefit of creditors. The Liquidator successfully pursued final approvals and
26 collection of settlements associated with the large litigation cases that have been ongoing and
27 reported on for many years. Collectively these settlements have resulted in the recovery of tens
28 of millions of dollars in excess of the costs incurred to pursue the cases. In addition to producing

1 tens of millions of hard dollars for the estate, these comprehensive settlements have greatly
2 reduced the legal expenses for the estate, and positioned the Liquidator to vastly reduce legal
3 expenditures for the duration of the liquidation process. The final bankruptcy court approval of
4 the settlements cleared the way for the Liquidator's related Liquidation and Tax Deconsolidation
5 Plan ("Plan"), which was approved by the Court in December 2009 and implemented in 2010.
6 The approval and implementation of the Plan and a related Closing Agreement with the IRS has
7 resulted in the immediate reversal of a \$2.528 million federal income tax liability reserve booked
8 in 2008, and the preservation of more than \$1 billion in tax loss carry forwards which will now
9 remain available to the liquidation estate to avoid substantially all federal income tax liability for
10 the duration of the liquidation. The estate will now file as a stand alone tax payer for the
11 remainder of the liquidation proceeding.

12 In addition, the Liquidator continued to efficiently collect reinsurance, administer claims,
13 and wind down administrative operations. The Liquidator continues to streamline the
14 administrative operations and reduce the workload of the estate in order to maximize recoveries
15 for claimants. For example, the company's reinsurance unit is now successfully operating from
16 the CLO's San Francisco office, allowing for the closure of the Los Angeles reinsurance office.
17 Finally, during 2010 the Fremont Estate opted not to release a seventh early access distribution
18 (scheduled to be approximately \$50 million) to the IGAs to better understand liabilities to
19 individual IGAs in light of continuing adverse loss development of the reserves.

20 This report will provide the court with the progress made on the Fremont estate in 2010.

21 II.

22 ADMINISTRATION OF LIQUIDATION ESTATE

23 The Liquidator handles the administrative functions in the following three categories:

24 (1) Policy Administration (the process of performing and enforcing general contractual rights
25 under an insurance policy); (2) Claims Administration (the administration and adjustment of
26 proofs of claim filed against Fremont); and (3) Company Administration (the remaining general
27 corporate functions that are required to complete the liquidation, including information
28 technology, human resources, reinsurance collections, and finance and accounting).

1 **A. Policy Administration**

2 **1. Premium Accounting & Direct Collection**

3 While all direct premium collections have been resolved, the Claims Department monitors
4 the activities of two collection agencies employed on contingency basis to collect any open
5 balances. Of the \$8 million balance on the books originally, \$3.4 million has been collected and
6 the open balance with the two agencies is \$4.6 million. There are no additional legal fees outside
7 the contingency. The remaining amounts are unlikely to be collected in significant amounts given
8 the duration of collection efforts to this point.

9 **B. Claims Administration**

10 **1. Proof of Claims Handling**

11 The Claims Department resolved and closed 517 POCs during 2010. As of December 31,
12 2010, there are 259 POCs remaining to be processed and closed. 80% of these claims relate to
13 reinsurance with the other claims primarily related to IGAs and non-covered claims (see § B.3
14 below).

15 **2. IGA Claims and Distribution**

16 In addition to providing continued support of the IGAs' claims functions, the Liquidator's
17 primary function is to distribute early access funds to the IGAs pursuant to Insurance Code
18 section 1035.5.

19 Although the estate opted not to release a seventh early access distribution in 2010, certain
20 claims department staff played a key role in evaluating the "claw-back" risk associated with the
21 ultimate pay-out of the estate. The evaluation of limiting payment to certain IGAs will continue
22 in 2011 as the Liquidator works to avoid or mitigate inequitable payment to common class
23 claimants.

24 Including the release of \$365 million in statutory deposits, to date the IGAs have received
25 actual distributions totaling approximately \$862 million, which funds have been used by the IGAs
26 to pay Fremont's covered Class 2 policyholder claims pursuant to their respective IGA statutes.
27 A summary of the historical distributions and statutory deposits released to the IGAs is attached
28 hereto as Exhibit A.

As noted above, Fremont's liabilities increased by an estimated \$224 million since 2009 primarily due to increases in estimated reserves for open claims and payments made to policyholders by the IGAs. The estate did not release an early access distribution in 2010 due to the claw back exposure mentioned above. As a result, the Liquidator will re-evaluate the prospect of releasing another early access distribution in 2011.

3. Non-IGA Covered Claims and POC Handling

Certain types of Class 2 policyholder liabilities are not protected or not fully covered by the IGAs, but are nonetheless entitled to ultimately share ratably with all other Class 2 claims. These non-IGA covered liabilities include workers' compensation claims payable under the United States Longshore & Harbor Workers Act ("USL&H Claims") and claims that are not covered or only partially covered by the IGAs based on exemptions and coverage limitations found in the IGAs' controlling statutes.

a. United States Longshore & Harbor ("USL&H") Workers' Claims

Open claims involving USL&H policies that were not covered by the IGAs were returned to the policyholder for handling and those claims would then be handled by the policyholder's third party administrators ("TPA"). As of December 31, 2010, the Liquidator is monitoring and has established reserves on 7 open Aggregate POCs that involve USL&H policyholders with open claims that are not covered by any of the various IGAs. All other POCs involving USL&H policyholders have been resolved and closed. The Claims Department continues to obtain periodic monitoring reports from the USL&H policyholders with open POCs since approved losses and expenses are a Class 2 liability of the estate.

b. IGA "Net Worth" And "Overcap" Claims

As of December 31, 2010, the Liquidator is monitoring and has established reserves on 9 open Aggregate POCs that involve Class 2 policy holders that have potentially non-covered claims due to IGA caps on the amount of payments on a claim (Overcap claims) or net worth exclusions which preclude certain high net worth policyholders from eligibility to have their claims paid by the IGAs (Net Worth Exception claims). All other Net Worth Exception policyholders POCs have been resolved and closed. The Claims Department continues to obtain

1 periodic monitoring reports from the Class 2 Net Worth Exception policyholders with open
2 POCs.

3 **4. Subrogation**

4 The Liquidator continues to use the services of Cambridge Integrated Systems (CIS)
5 which bills and collects subrogation balances. In January, 2010, there were 9 subrogation files
6 pending with CIS and an additional 17 handled by the CLO with a total incurred value of
7 approximately \$1,089,737. Based on the legal uncertainties regarding recovery, the Fremont
8 estate carries an asset on its books of approximately \$360,000. As with premium collections, the
9 subrogation files are handled by CIS on a contingency basis. While the estate encounter an
10 occasional legal charge, such as for filing fees, such charges are a minimal cost.

11 **C. Company Administration**

12 **1. Finance – Accounting & Investment Management**

13 **a. Summary**

14 The CLO Accounting Department is responsible for all financial aspects of Fremont. This
15 department maintains the general ledgers inherited from Fremont. The staff evaluates and
16 interprets historical ledgers and records of Fremont and its subsidiaries and has converted them to
17 a liquidation basis of accounting. The department also adjusts and corrects errors in the inherited
18 financial information. The staff prepares all entries, schedules and work papers, and produces all
19 manner of financial analysis and reports. The department is responsible for the reconciliation of
20 all cash receipts and disbursements of the estate. The department maintains sub ledgers and
21 support schedules for all general assets, pledged assets, receivable ledgers, fixed assets, and
22 accrual and liability accounts.

23 **b. Operations**

24 The CLO Accounting Department provides the following services:

- 25 • General Ledger, Financial Statements & Account Reconciliation
- 26 • Cash Management, Investments and Banking Relationships
- 27 • Accounts Payable
- 28 • Receivable accounting related to collections and cash receipts

- Audit & Compliance
- Reconciliation to Reinsurance subsidiary system
- Responding to CIGA requests for check copies.

The Accounting Department has a full time financial analyst devoted to Fremont related matters. In addition to the financial analyst, the estate requires accounting staff support to manage cash as well as process accounts receivable and accounts payable. One accounting department manager supervises all of the estate accounting activities as well as internal and external audits. Fremont's invested assets are managed by third party institutional money managers. The Chief Financial Officer of the CLO has the responsibility to manage this third party relationship as well as the accounting department manager.

2. Reinsurance.

a. Summary

Reinsurance remains Fremont's single largest balance sheet asset. Following various reinsurance commutations and collection efforts that occurred in 2010, prospective reinsurance recoverables, excluding allowances for uncollectable reinsurance, now total approximately \$185 million.

A number of the merged entities have reinsurance programs with characteristics that are unique to the individual company. In other situations, Fremont's reinsurance programs cover multiple Fremont entities. Fremont's predominant line of business is workers' compensation. Given the "long tail" nature of this class of business, a significant number of Fremont's reinsurance treaties remain active.

Having regard for the "long tail" nature of Fremont's business and the diversity of its reinsurance arrangements, it is not surprising that the overall quality of reinsurance security is mixed. Reinsurance quality appears to be satisfactory with respect to the more recent underwriting years, when Fremont's premium volumes were at their highest point. However, Fremont has non-performing reinsurance programs, emanating principally from older policy years and Fremont's records reflect significant amounts due from insolvent companies. Fremont's reserve for potentially uncollectible reinsurance at December 31, 2010 is approximately \$38

1 million. After deducting potentially uncollectible reinsurance, Fremont's net reinsurance
2 recoverable is approximately \$185 million.

3 **b. Reinsurance Recoverables**

4 A summary of reinsurance recoverables (paid, case, and IBNR (incurred but not reported)
5 that will ultimately be due from Fremont's twenty largest reinsurers is attached hereto as Exhibit
6 B. Amounts received from reinsurers post-liquidation total \$428 million.

7 **c. Fremont's Retentions**

8 Fremont's retentions (risk or exposure not reinsured) changed markedly over time
9 depending upon the philosophy of its management and upon the pricing and availability of
10 reinsurance within the marketplace. The changes in retention are depicted on the schedule
11 attached hereto as Exhibit C.

12 **d. Administration of Fremont's Reinsurance**

13 Fremont's Reinsurance operations are handled by the CLO staff in San Francisco. As
14 reported last year, the Los Angeles office was closed in June 2009, with all reinsurance records
15 and reinsurance processing moved to San Francisco. Two former Fremont reinsurance employees
16 continue to be retained as consultants to the CLO due their extensive historical knowledge of
17 Fremont and to assist in pursuing certain commutations.

18 **e. Reinsurance Processing**

19 Ceded Contracts: Fremont has its own internally developed computer systems for billing
20 and tracking reinsurance recoverables. (A copy of the summary is attached hereto as Exhibit D.)

21 Assumed Contracts: Fremont has its own internally developed systems for processing
22 assumed claim transactions on the Facultative Managers book of business. Due to the infrequent
23 activity and the small amount of monies billed on the Fremont Re assumed book of business it
24 was decided that the processing of these claims be ceased as of May 2009. An agreement to
25 collect or commute the foreign reinsurers' remaining balances, which include both reserve
26 recoverables and paid recoverables, was entered with RSL London in May 2009. The domestic
27 reinsurer balances are being pursued via commutation proposals by one of the Fremont
28 consultants. Both of these collection efforts continue under the direction of the CLO reinsurance

1 department.

2 **f. Dispute with Reinsurer**

3 Currently there are no active disputes with Reinsurers.

4 **g. Reinsurance Collections**

5 The Commissioner collected a total of \$5.4 million from reinsurance billings during 2010.
6 The CLO reinsurance staff continues to bill and collect from reinsurers in the normal course of its
7 business.

8 **h. Reinsurance Commutations**

9 The Commissioner commuted or negotiated settlement with Nipponkoa Insurance
10 Company, Westport Insurance Corp. and Employers Reinsurance Corp. on reinsurance treaties
11 for collections or offsets totaling \$566,795. The Liquidator sought and obtained court approval
12 of all reinsurance commutations whose value exceeded \$100,000.

13 **3. Information Technology ("I.T.")**

14 Billing reinsurance and the necessity of reconciling IGA claim data requires continuing
15 CLO provision of IT services. The CLO currently uses the GOLD (Guardian of Liquidated Data)
16 system for retrieval of historical policy and claim information required for the continued
17 oversight of Fremont's operation. The CLO is continuing the on-going process of loading into
18 the GOLD System the paid loss information from all of the IGAs processing Fremont claims as
19 they are reported by the IGAs.

20 The CLO continues to contract with one vendor, Tbase, to provide support and
21 development of the Reinsurance Billing System.

22 **4. Human Resources**

23 Fremont's Los Angeles Reinsurance office was closed in June 2009, with all reinsurance
24 records and reinsurance processing moved to the CLO's San Francisco office. The Fremont
25 estate terminated all remaining Los Angeles based reinsurance staff but did retain two former
26 Fremont employees as consultants to the CLO. The termination of the full time reinsurance staff
27 eliminates the need for any significant support from Human Resources or the costs associated
28 with the function.

1 **D. Annual Financial Statement as of December 31, 2010**

2 Fremont's annual financial statement as of December 31, 2010 is attached hereto as
3 Exhibit E.

4 Fremont has total assets of \$370 million consisting primarily of \$144 million in cash and
5 investments and \$185 million of reinsurance recoverable from reinsurers.

6 Fremont has in excess of \$2 billion in claims from policyholders. Accordingly, Fremont's
7 assets will be sufficient to pay only secured claims, administrative expenses and a portion of the
8 policyholder claims with no funds available for unsecured creditors.

9 **III.**

10 **LEGAL MATTERS**

11 **A. The Liquidation Case**

12 **1. Administrative Matters Resolved in 2010**

13 In addition to the court approving specific reinsurance commutations discussed above, on
14 June 14, 2010, the Court approved administrative and professional expenses and fees incurred by
15 the Fremont estate from January 1, 2009, through December 31, 2009, in the amount of
16 \$9,622,169, including \$3,005,671 for legal fees and expenses pursuant to Section 1036.

17 **2. Pending Administrative Matters**

18 The Liquidator has filed for court approval his Application for Approval of
19 Administrative and Professional Fees and Expenses for the period January 1, 2010, through
20 December 31, 2010. The application is set for hearing on June 6, 2011. The Liquidator notes
21 that the litigation settlements achieved in 2010, which are discussed in more detail below, will
22 mark the end of the period of extensive legal spend for the Fremont estate. As already reflected
23 in the reduced legal fees and expenses for 2010, the duration of the liquidation process will
24 involve significantly lower attorneys' fees and related litigation expense, now that these
25 challenging litigation matters have been resolved in favor of the Fremont estate.

26 **B. Settled Litigation Matters**

27 In 2009, the court approved comprehensive settlements between the Fremont estate and
28 the bankruptcy estate of Fremont General Corporation. Under the various settlement agreements,

1 the Fremont estate received cash and had approved claims entitling it to distributions totaling \$27
2 million from the bankruptcy estate of Fremont General pending confirmation of a plan of
3 reorganization. In May, 2010, Fremont General Corporation confirmed a plan of reorganization.
4 On June 11, 2010, the Fremont estate received \$27 million in distributions. This final distribution
5 along with cash and stock previously received in the settlements brought the estate's total
6 recovery to over \$40 million.

7 IV.

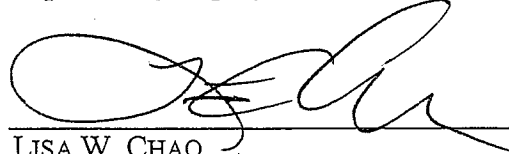
8 CONCLUSION

9 As is detailed above, 2010 was a very active and productive year in the liquidation of
10 Fremont. The Liquidator achieved a variety of successful settlements that not only brought in
11 tens of millions of dollars for the benefit of creditors, but also resolved the numerous legal
12 disputes, tax problems and litigation matters that had been causing the estate to incur very
13 significant legal fees during the past several years. The Liquidator still has more than \$185
14 million in reinsurance assets to collect as those obligations mature, and a number of unresolved
15 claims to administer. However, the future administration process for the estate will become
16 increasing more streamlined, more efficient and less expensive.

17 The Liquidator, though his CLO staff, stands ready to address any questions the Court
18 may have regarding this Seventh Annual Report at the Status Conference on June 6, 2011.

19
20 Dated: May 13, 2011

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24 

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27 *Attorneys for Applicant*
28 *Insurance Commissioner of the State of California,*
in his capacity as Liquidator of Fremont Indemnity
Company

EXHIBIT “A”

Fremont Indemnity Co.
Distribution Inception-To-Date
12/31/2010

State	1st Distribution	2nd Distribution	3rd Distribution	4th Distribution	5th Distribution	6th Distribution	Distribution Total	Stat dep. release/Assignment & Assumption	Total
Alabama	137,205.00	20,786.00	35,700.00	68,948.00	9,345.00	25,403.00	297,387.00	-	297,387.00
Alaska	3,615,351.00	3,260,791.00	5,507,239.00	5,815,791.00	1,837,406.00	-	20,036,578.00	4,872,250.71	24,908,828.71
Arizona	397,633.00	-	-	-	-	-	-	34,401,689.25	34,401,689.25
Arkansas	-	178,954.00	448,382.00	295,878.00	63,053.00	-	1,383,900.00	714,635.25	2,098,535.25
California	-	13,974,286.00	123,936,280.00	111,000,890.00	38,385,866.00	47,825,829.00	335,123,151.00	276,475,887.96	611,599,038.96
Colorado	1,999,577.00	915,447.00	1,447,852.00	1,054,969.00	307,287.00	514,366.00	6,239,498.00	-	6,239,498.00
Connecticut	-	-	-	233,821.00	46,384.00	92,499.00	372,704.00	899,300.00	1,272,004.00
DC	111,189.00	54,130.00	78,386.00	30,536.00	-	29,981.00	304,222.00	-	304,222.00
Florida	1,054,778.00	1,006,778.00	1,476,718.00	1,113,913.00	1,113,913.00	-	5,714,631.00	1,223,370.87	6,938,001.87
Georgia	140,740.00	272,037.00	633,797.00	407,108.00	132,046.00	-	1,585,728.00	-	1,585,728.00
Hawaii	3,865,629.00	1,527,942.00	1,849,941.00	1,512,511.00	78,509.00	-	8,834,532.00	-	8,834,532.00
Idaho	-	-	-	-	132,911.00	56,900.00	189,811.00	4,202,436.10	4,392,247.10
Illinois	11,978,870.00	8,548,391.00	12,714,223.00	8,722,986.00	3,088,657.00	-	45,053,127.00	1,657,000.00	46,710,127.00
Indiana	905,406.00	563,479.00	653,256.00	173,912.00	-	-	2,296,053.00	51,000.00	2,347,053.00
Iowa	1,783,978.00	619,958.00	1,195,145.00	757,539.00	250,885.00	-	4,607,505.00	-	4,607,505.00
Kansas	-	-	-	-	-	-	-	2,500,000.00	2,500,000.00
Kentucky	585,856.00	198,809.00	336,726.00	138,860.00	100,921.00	108,995.00	1,470,167.00	57,155.00	1,527,322.00
Louisiana	-	2,635.00	117,026.00	-	-	-	119,661.00	150,033.75	269,694.75
Maine	10,526.00	12,800.00	17,220.00	1,769.00	-	-	42,315.00	-	42,315.00
Maryland	-	-	-	-	-	-	-	1,000,000.00	1,000,000.00
Michigan	-	-	-	-	-	-	-	14,260,000.00	14,260,000.00
Minnesota	462,052.00	274,128.00	165,236.00	168,275.00	-	-	1,069,691.00	-	1,069,691.00
Mississippi	6,669.00	3,472.00	60,116.00	19,725.00	-	-	89,982.00	-	89,982.00
Missouri	803,665.00	787,886.00	1,599,832.00	1,301,440.00	196,038.00	-	4,688,861.00	799,822.10	5,488,683.10
Montana	1,266,073.00	684,579.00	996,304.00	933,482.00	563,510.00	462,258.00	4,906,206.00	-	4,906,206.00
Nebraska	364,722.00	316,987.00	262,707.00	293,483.00	202,077.00	-	1,439,976.00	228,891.30	1,668,867.30
Nevada	-	-	-	27,506.00	-	28,825.00	56,331.00	432,436.00	488,767.00
New Hampshire	252,214.00	50,367.00	107,080.00	56,012.00	-	-	465,673.00	-	465,673.00
New Jersey	7,994,939.00	1,276,029.00	9,327,444.00	5,219,497.00	1,800,436.00	-	25,618,345.00	-	25,618,345.00
New Mexico	-	-	-	-	-	3,497.00	3,497.00	1,335,529.23	1,339,026.23
New York	3,838,347.00	-	-	-	-	-	3,838,347.00	-	3,838,347.00
North Carolina	178,495.00	-	3,125.00	73,186.00	169,614.00	-	424,420.00	206,039.70	630,459.70
Oklahoma	-	-	57,255.00	96,057.00	-	-	153,312.00	403,041.00	556,353.00
Oregon	-	-	-	-	-	-	-	17,369,448.50	17,369,448.50
Pennsylvania	605,568.00	98,937.00	589,766.00	710,783.00	150,240.00	-	2,155,294.00	-	2,155,294.00
Rhode Islands	424.00	-	148.00	-	-	-	572.00	-	572.00
South Carolina	-	-	-	-	178,966.00	-	178,966.00	-	178,966.00
South Dakota	-	-	-	-	-	-	-	210,507.27	210,507.27
Tennessee	140,284.00	65,430.00	66,524.00	42,861.00	-	-	315,099.00	-	315,099.00
Texas	3,367,949.00	636,416.00	1,789,719.00	1,706,133.00	448,357.00	60,694.00	8,009,268.00	457,383.12	8,466,651.12
Utah	858,570.00	573,364.00	909,297.00	984,996.00	388,551.00	355,997.00	4,070,775.00	-	4,070,775.00
Vermont	102,909.00	139,155.00	110,663.00	43,069.00	-	-	395,796.00	-	395,796.00
Virginia	-	116,841.00	162,627.00	73,398.00	-	25,958.00	378,824.00	592,744.73	971,568.73
Wisconsin	2,394,606.00	753,466.00	1,407,305.00	979,348.00	30,240.00	408,798.00	5,973,763.00	50,000.00	6,023,763.00
Total	49,224,224.00	36,934,280.00	168,063,039.00	144,007,213.00	49,675,212.00	50,000,000.00	497,903,968.00	364,550,601.84	862,454,569.84

EXHIBIT “B”

Fremont Indemnity Company

Balances as of 12/31/10

Reinsurer	Paid Recoverable	Ceded O/S Loss	Ceded IBNR & IBNR ALAE*	Total Reinsurer Liability
AMERICAN ACCIDENT REINSURANCE GROUP	0.00	2,500,000.00	1,378,673.00	3,878,673.00
CONSECO VARIABLE INSURANCE COMPANY	-1,849,116.78	2,646,977.07	763,938.00	1,561,798.29
CONTINENTAL INSURANCE COMPANY	100,410.39	804,755.27	9,151,461.00	10,056,626.66
CONVERIUM REINSURANCE NORTH AMERICA	0.00	3,894,020.00	1,557,325.00	5,451,345.00
EVEREST RE BERMUDA, LTD.	13,505.17	834,073.29	348,000.00	1,195,578.46
EVEREST REINSURANCE COMPANY	115,957.50	5,208,777.02	4,071,423.00	9,396,157.52
GENERAL STAR NATIONAL INSURANCE COMPANY	27,055.31	405,958.13	1,617,571.00	2,050,584.44
HARTFORD FIRE INSURANCE COMPANY	0.00	1,298,007.00	519,108.00	1,817,115.00
INSTITUTO DE RESSEGUROS DO BRASIL (IRB)	152,625.99	1,237,080.16	3,363,395.00	4,753,101.15
INSURANCE COMPANY OF NORTH AMERICA	529,702.11	5,217,909.93	2,301,266.00	8,048,878.04
MUNICH REINSURANCE AMERICA INC.	594,299.87	9,873,781.96	5,669,518.00	16,137,599.83
ODYSSEY AMERICA REINSURANCE CORPORATION	106,459.09	1,210,633.78	927,655.00	2,244,747.87
ODYSSEY REINSURANCE CORPORATION	1,213,227.74	3,035,791.47	2,272,122.00	6,521,141.21
PENNSYLVANIA MANUFACTURERS' ASSOCIATION INSURAN	193,621.56	403,195.05	493,803.00	1,090,619.61
RANGER INSURANCE COMPANY	66,395.88	587,396.96	316,582.00	970,374.84
RELIASTAR LIFE INSURANCE COMPANY	119,720.20	16,656,786.52	8,557,695.00	25,334,201.72
SWISS REINSURANCE AMERICA CORPORATION	0.00	1,298,007.00	519,108.00	1,817,115.00
TIG INSURANCE COMPANY	7,625.44	628,511.45	283,009.00	919,145.89
TOA-RE INSURANCE COMPANY OF AMERICA	32,508.09	1,286,895.97	866,438.00	2,185,842.06
TRAVELERS INDEMNITY COMPANY	10,155.28	634,528.24	281,622.00	926,305.52
	1,434,152.84	59,663,086.27	45,259,712.00	106,356,951.11

* Ceded IBNR & IBNR ALAE as of 12/31/08 actuarial analysis

EXHIBIT “C”

Frontier
Reinsurance Summary

	1997 & Prior**	1998 & 1999	1/1/2000 - 3/31/2000	4/1/2000 - 7/31/2001	8/1/2001 - 7/31/2002
\$0 - \$50,000	Retained	Retained	Retained	Retained	Retained
\$50,000 - \$100,000		Committed Reliance treaty on 2/23/00		XL Mid Ocean Re Bermuda	Everest Re Bermuda
\$100,000 - \$250,000					
\$250,000 - \$1,000,000					
\$1,000,000 - \$5,000,000					
Excess of \$5,000,000					

retained

full transfer of risk contracts

Swing rated contract (premium adjusts with losses in the layer)

* treaties were put into runoff (losses on policies inception prior to 12/31/99 are covered through the expiration of the policy)

** Unicare and Casualty both had reinsurance treaties which are not indicated in the schedule

EXHIBIT “D”

Reinsurance Process for Fremont Indemnity Company

Currently, there are two main pieces to the reinsurance process for Fremont-Indemnity business. The first process is for the business prior to 1/1/98. The second is the bordereau file for all business 1/1/98 and subsequent. There are separate processes which handle the Citation treaties and a subset of the 1998 UniCare business for a treaty that overlapped the bordereau treaty.

The process for the business prior to 1/1/98 uses a treaty table. The process reads the claims and determines which treaty they fall into. The process then checks for catastrophe claims and sums them together. There is also a column to determine if the claim should include or exclude expenses. The claim or catastrophe is then tested against 50% of the treaty limit. If it meets or exceeds the limit, the claim is passed on to the report and csv file. The report and file is sent to CLO reinsurance staff. They then enter the information into their reinsurance system which breaks down the data by each retention level and participants.

For the bordereau, there is only one treaty but much of the same process applies. Catastrophes are summed and evaluated as a single claim – though the detail is sent. There are also a few extra criteria, such as asbestos claims and certain other injury types, are always included regardless of whether they have exceeded the retention limit or not. The file is then loaded into their reinsurance system which breaks down the levels and participants. A few extra fields have been added to the file for the processing of the actuarial triangles. There is also a separate file generated for claims that contain Employers Liability.

EXHIBIT “E”

Fremont Indemnity Ins Co
Statement of Available Assets and Estimated Liabilities
As of December 31, 2003-December 31, 2010

	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS								
Cash and Investments								
11001 Cash-Unrestricted	35,404,295	31,419,898	2,557,451	6,199,473	8,591,720	8,410,016	10,549,496	198,189
11002 Cash-Restricted	35,685	267,604	-	-	-	-	-	-
12001 Participation in Pooled Investment	63,399,162	101,855,399	308,134,802	192,601,374	83,086,112	108,291,609	76,093,705	143,035,777
12002 Short Term Investments	(311,096,710)	74,457,774	2,357,546	(290,000)	-	-	-	-
12003 Short Term Inv. Restricted	1,026,434	963,050	920,392	877,519	734,236	715,441	358,577	309,260
12004 Bonds	300,512,479	-	-	-	-	-	-	-
12007 Preferred Stocks	79,267,538	-	-	-	-	324,657	-	-
12008 Common Stock	5,774,467	-	-	-	-	-	-	-
12012 Statutory Deposits	12,987,176	64,772,520	21,777,364	4,852,380	3,680,511	3,686,150	2,788,773	2,804,189
Cash and Investments	187,310,526	273,736,245	335,747,555	204,240,747	96,092,578	121,427,873	89,890,551	146,347,413
Reinsurance Receivable								
13001 Rein Recoverable-Paid	169,522,467	197,079,989	47,718,405	51,139,380	48,939,083	26,852,967	26,887,502	24,732,138
13002 Rein Recover-Unpaid Losses	961,801,914	938,465,515	348,839,593	342,721,252	255,243,704	176,776,899	192,162,850	197,751,092
13003 Allow For Uncoll Rein Receivable	(44,539,334)	(30,949,132)	(35,307,511)	(39,660,595)	(40,438,543)	(35,365,730)	(38,411,432)	(37,627,700)
Reinsurance Receivable	1,086,785,047	1,104,596,372	361,250,486	354,200,036	263,744,243	168,264,136	180,438,921	184,855,530
Salvage & Subrogation Recoverable								
13004	-	10,660,664	9,467,142	3,844,372	1,311,062	827,837	422,449	359,614
Premium Receivable								
13006 Premium Receivable	69,083,125	65,103,397	3,859,347	2,895,688	2,791,231	1,285,336	-	-
13009 Allow for Uncollectible Premiums	(21,705,281)	(18,653,516)	(3,261,328)	(1,943,628)	(1,874,613)	(868,139)	-	-
Premium Receivable	47,377,844	46,449,882	598,019	952,060	916,618	417,197	-	-
Other Receivables								
13005 Receivable from Insurance Fund	-	-	(21,543)	-	-	-	-	-
13010 Agents Balance	(11,302)	-	-	-	-	-	-	-
13012 Receivable From Affiliates	3,323,488	3,241,569	1,086,044	1,086,044	1,086,044	1,086,044	1,150,000	1,176,456
13013 Int & Div Receiv-Unrestricted	-	29,513	-	-	-	-	-	-
13015 Accrued Int & Div Receivable	6,576,355	913,092	1,977,498	1,020,341	481,574	735,383	465,990	700,469
13018 Other Receivables	2,034,898	2,001,591	38,152	10,748	3,654	26,307	27,013,136	16,000
13019 Allow Uncoll Acct-Other Rec	-	-	(38,152)	(38,152)	-	(3,654)	(27,003,654)	-
13021 Settlements/Judgement Receivable	-	-	-	119,800	301,400	171,000	86,000	1,000
13022 Rent Receivable	41,901,647	36,312,843	24,137,932	23,312,938	22,455,249	21,197,078	19,924,166	-
Other Receivable	53,825,087	42,498,609	27,179,931	25,511,719	24,324,267	23,212,158	21,635,638	1,893,925
Property and Equipment								
14005 Land/Bldg For Sale/Post Liq	10,084,182	10,084,182	-	-	-	-	-	-
14013 Capitalized Software	15,751,069	15,751,069	-	-	-	-	-	-
14014 Accum Amort-Capitalized Software	(9,930,374)	(9,930,374)	-	-	-	-	-	-
Property and Equipment	15,904,877	15,904,877	-	-	-	-	-	-
Other Assets								
15005 Other Prepaid Expense	24,849,879	24,754,504	9,188,014	9,188,014	9,188,014	9,188,014	9,188,014	5,123,821
16001 Funds Held by Reinsurance	45,077,732	33,728,062	29,656,679	21,122,756	20,621,021	20,044,910	19,761,794	19,037,220
16002 Other Deposits	(11,719,442)	(11,861,056)	-	-	-	-	-	-
16003 Funds Held by IGA	-	17,369,449	-	13,975,131	13,975,131	12,755,131	12,755,131	12,755,131
17001 Investment in Subsidiaries	27,509,605	27,509,605	30,453,751	2,923,406	3,594,433	806,367	5,960,758	67,176
17003 Other Assets	7,354,605	6,370,623	6,794,948	6,595,554	6,390,178	6,178,641	47,665,697	36,983,348
Other Assets	93,072,380	97,871,186	76,093,371	53,804,861	53,768,777	48,973,063	47,665,697	36,983,348
Total Available Assets	1,484,275,761	1,591,717,834	810,336,504	642,553,795	440,157,545	363,122,264	340,053,256	370,439,830

Fremont Indemnity Ins Co
Statement of Available Assets and Estimated Liabilities
As of December 31, 2003-December 31, 2010

	2003	2004	2005	2006	2007	2008	2009	2010
LIABILITIES								
Class 1: Payables and Accrued Expenses								
21005 Other Secured Liabilities	-	81,644	210,582	12,613	34,195	39,454	39,454	39,454
22001 Unclaimed Funds Payable	14,075,282	14,369,522	21,561,768	21,561,768	21,561,768	21,561,768	21,561,768	15,592,163
22003 Accs Pay to Insurance Fund	21,543	21,543	-	-	-	-	-	-
22004 Obligation Under Cap	(94,200)	-	-	-	20,246	-	-	-
22005 Other General Liability	1,525,963	1,525,963	-	-	-	-	-	-
23001 Undistributed Exp Liability	10,356,781	10,356,781	-	-	50,840	55,455	-	-
24004 Accrued Vacation	265,559	265,559	-	-	-	-	-	-
24005 Accrued Employee Benefits	12,990,512	12,990,512	70,502	179,430	235,612	225,327	78,096	12,750
24014 Accrued Expenses	6,232,932	6,705,754	(70,641)	-	(2)	2	2	2
25001 Due To/From Intercompany Acct	-	-	-	-	-	2,582,000	2,582,000	-
26001 Fed Income Tax Payable Post Liq	-	-	-	-	-	-	-	-
Class 1 Liabilities	45,374,372	46,317,278	21,772,210	21,753,811	21,902,660	24,464,006	24,261,319	15,644,369
Class 2: Reserves, Losses and Advances								
28001 Loss & ALAE Reserve	2,503,672,903	2,035,345,586	1,610,053,000	1,501,068,223	1,434,257,529	1,373,785,463	1,598,099,651	1,735,477,805
28002 Unallocated LAE	-	-	-	-	-	-	-	-
28003 Unearned Premiums	4,000,000	2,712,394	2,558,419	2,558,419	2,253,299	1,108,419	108,419	108,419
28004 Ceded Unearned Premiums	-	-	-	-	-	-	-	-
28005 Reserve-Stipulated Judgment	-	-	-	-	-	-	-	-
28006 Liability Due to GAs	132,120,297	410,241,384	583,513,692	755,065,856	903,690,161	1,020,601,156	1,134,437,770	1,229,391,088
28007 Advances to Guaranty Associations	(269,375,146)	(335,460,585)	(433,080,164)	(615,383,203)	(760,289,716)	(810,153,276)	(809,789,236)	(812,454,570)
28007 EAD GOLD	-	-	-	-	-	-	(50,000,000)	(50,000,000)
29001 Other Class 2 Payable	-	-	-	-	90,601	-	-	-
29001 Other Class 2 Payable-GOLD	-	-	-	-	-	1,745,742	17,109,001	15,855,694
Class 2 Liabilities	2,370,418,055	2,112,838,779	1,763,064,947	1,643,309,295	1,580,001,873	1,587,087,504	1,889,965,604	2,118,378,436
Class 3, 5 & 6: Taxes								
27001 State Tax Payable-Pre Liq	2,581,101	2,581,101	2,581,101	2,581,101	-	-	-	-
27002 Fed Tax Payable-Pre Liq	488	488	488	488	-	-	-	-
27003 Premium Tax Payable - Class 3	189,472	1,614,263	2,747,139	2,747,139	-	-	-	-
Class 3, 5 & 6 Liabilities	2,771,061	4,195,852	5,328,728	5,328,728	-	-	-	-
Class 7 Payables								
30001 Accounts Payable-Pre Liquidation	17,788,665	17,788,665	17,788,665	17,788,665	-	-	-	-
30005 Reinsurance Payable	(25,287,969)	268,354,104	315,824,251	322,307,183	318,987,914	371,362,899	373,025,968	379,602,630
30007 Contingent Commission	221,872	193,552	182,702	170,771	171,800	170,886	170,752	170,752
30008 Other Class 7 Liabilities	-	-	11,773,345	11,773,345	18,205,412	-	-	-
30098 Other Class 7 Liabilities-GOLD	-	-	-	-	-	18,529,770	19,076,279	19,076,279
31001 Funds Held for Others	2,556,328	2,414,542	4,437,687	4,394,814	3,710,988	3,688,179	3,334,414	1,234,496
Class 7 Liabilities	(4,721,105)	288,750,862	350,006,651	356,434,777	341,076,114	393,751,734	395,607,412	400,084,157
32001 Equity Stakeholder Liability	339,764,883	339,813,667	339,813,667	-	-	-	-	-
	339,764,883	339,813,667	339,813,667	-	-	-	-	-
Total Estimated Liabilities	2,753,607,266	2,791,916,437	2,479,986,202	2,026,826,612	1,942,980,647	2,005,303,244	2,309,834,336	2,534,106,962
NET ASSETS (DEFICIENCY)	(1,269,331,505)	(1,200,198,604)	(1,669,649,698)	(1,384,272,817)	(1,502,823,101)	(1,642,180,980)	(1,969,781,080)	(2,163,667,132)

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner v. Fremont Indemnity Company**
No.: **BS083582**

I declare:

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

On May 13, 2011, I served the attached **LIQUIDATOR'S SEVENTH ANNUAL STATUS CONFERENCE REPOT FOR YEAR ENDING DECEMBER 31, 2010** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the internal mail collection system at the Office of the Attorney General at 300 South Spring Street, Suite 1702, Los Angeles, CA 90013, addressed as follows:

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on May 13, 2011, at Los Angeles, California.

Linda Richardson
Declarant

Linda Richards
Signature

SERVICE LIST

Case Name: Insurance Commissioner v. Fremont Indemnity Company
L. A. S. C. Case No.: BS083582

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