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F I L E D
 Clerk of the Superior Court

JUN 24 2011

By: LEE RYAN, Deputy

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

14 **STEVE POIZNER, INSURANCE
 15 COMMISSIONER OF THE STATE OF
 16 CALIFORNIA, in his capacity as
 Liquidator of Frontier Pacific Insurance
 Company,**

Plaintiff,

18 v.

20 **NATIONAL INDEMNITY COMPANY, a
 21 Nebraska corporation; and DOES 1 through
 10,**

22 Defendants.

Case No. GIC 774028

**SEVENTEENTH STATUS
 CONFERENCE REPORT**

Date: July 8, 2011
 Time: 1:00 p.m.
 Dept: 71
 Judge: Hon. Ronald S. Prager
 Trial Date: None Set
 Action Filed: September 7, 2001

24 **INTRODUCTION**

25 Frontier Pacific Insurance Company ("FPIC"), a California domiciled property and casualty
 26 company, was conserved by the Insurance Commissioner ("Commissioner") on September 7,
 27 2001, based on a finding that further transaction of its business would be hazardous to
 28 policyholders and creditors pursuant to Insurance Code section 1011. Subsequently, the

1 Commissioner determined that FPIC's financial condition was such that rehabilitation would be
2 futile and the Commissioner's Application for Order Appointing Commissioner as Liquidator
3 ("Liquidator") and Restraining Orders was granted on November 30, 2001 (the "Liquidation
4 Order"). Prior to the Commissioner's actions, in August 2001, its parent company, Frontier
5 Insurance Company ("FIC") of New York voluntarily entered rehabilitation under the control of
6 the New York Superintendent of Insurance, acting through the New York Liquidation Bureau (the
7 "NYLB"). As a result of FIC's rehabilitation, certain reinsurance recoverables due to FPIC from
8 FIC were not received and could therefore no longer be carried as assets on the books of FPIC.
9 An examination by the California Department of Insurance's Financial Analysis Division found
10 that based on the disallowance of the FIC reinsurance credit in the amount of \$12,842,609,
11 FPIC's surplus as regards policyholders was a negative \$5,289,995.

12 At the time of the initial case management conference in this matter on March 15, 2002, the
13 Court announced its intention to hold semi-annual status conferences in this matter so that the
14 Court could periodically be informed regarding the status of the liquidation of FPIC. For the
15 convenience of the Court, the Liquidator presented the first status report on September 13, 2002,
16 the second on March 24, 2003, the third on February 24, 2004, the fourth on September 30, 2004,
17 the fifth on April 29, 2005, the sixth on January 13, 2006, the seventh on June 9, 2006, the eighth
18 report on January 5, 2006, the ninth report on October 5, 2007, the tenth report on April 16, 2008,
19 the eleventh report on October 17, 2008, the twelfth report on April 17, 2009, the thirteenth report
20 on November 6, 2009, the fourteenth report on March 12, 2010, the fifteenth report on July 16,
21 2010 and the sixteenth report on April 15, 2011. The sixteenth status report is hereby
22 incorporated herein by reference.

23 STATUS OF THE NICO LITIGATION/ARBITRATION

24 The only significant change of which the undersigned is aware to report to this Court since
25 the last status conference concerns the litigation involving the reinsurance obligations of National
26 Indemnity Company (NICO). As previously noted, the Liquidator instituted an action for
27 declaratory relief against National Indemnity Insurance Company entitled Steve Poizner,
28 Insurance Commissioner for the State of California in his capacity as Liquidator of Frontier

1 Pacific Insurance Company vs. National Indemnity Company, San Diego Superior Court, Case
2 No. 37-2008-00080104-CU-MC-CTL. NICO removed the case to the United States District
3 Court for the Southern District of California, where it was assigned Case No. 08 CV 772 L. Upon
4 NICO's application, the court granted its request to stay the proceeding pending completion of
5 arbitration. The next Federal Status Conference will be held on July 28, 2011.

6 In view of the foregoing, as discussed under the Reinsurance portion of this Statement, the
7 Liquidator has commenced arbitration with NICO seeking recovery of all amounts due from
8 NICO and filed a petition in New York seeking an order liquidating FIC. The arbitration was
9 completed March 25, 2011 and was taken under submission by the arbitration panel. The panel
10 has delivered two rulings, each calling for additional briefing from the parties. Under the
11 arbitrators' "Third Interim Final Award", issued June 18, 2011, another meeting between the
12 parties and the arbitrators will occur on July 28, 2011, following additional briefing. A final
13 ruling from the arbitrators is expected at some unspecified time following the July 28 meeting.

14 The outcome of the NICO arbitration/litigation will likely determine the remaining course
15 of the instant liquidation. Plaintiff requests the next status report be held no earlier than
16 September 2011.

17 Dated: June 24, 2011

Respectfully Submitted,

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DECLARATION OF SERVICE BY U.S. MAIL

F I L E D
Clerk of the Superior Court

JUN 24 2011

By: LEE RYAN, Deputy

Case Name: **POIZNER v. NATIONAL INDEMNITY COMPANY**

No.: **GIC 774028**

I declare:

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

On June 24, 2011, I served the attached **SEVENTEENTH STATUS CONFERENCE REPORT** 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 110 West A Street, Suite 1100, P.O. Box 85266, San Diego, CA 92186-5266, addressed as follows:

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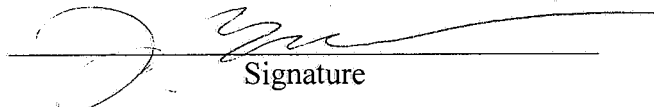
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I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on June 24, 2011, at San Diego, California.

J. Grand
Declarant


Signature