

OFFICE COPY

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FILED  
Clerk of the Superior Court

JUL 14 2010

By: C. BANKS, Deputy

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 11 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
 12 FOR THE COUNTY OF SAN DIEGO  
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15 **INSURANCE COMMISSIONER OF THE**  
 16 **STATE OF CALIFORNIA,**  
 17 Plaintiff,  
 18 v.  
 19 **FRONTIER PACIFIC INSURANCE**  
 20 **COMPANY, a California corporation,**  
 21 Defendants.

Case No. GIC 774028

**FIFTEENTH STATUS CONFERENCE REPORT**

Date: July 16, 2010  
 Time: 1:00 p.m.  
 Dept: 71  
 Judge: Hon. Ronald S. Prager  
 Trial Date: None Set  
 Action Filed: September 7, 2001

**INTRODUCTION**

22  
 23  
 24 Frontier Pacific Insurance Company ("FPIC"), a California domiciled property and casualty  
 25 company, was conserved by the Insurance Commissioner ("Commissioner") on September 7,  
 26 2001, based on a finding that further transaction of its business would be hazardous to  
 27 policyholders and creditors pursuant to Insurance Code section 1011. Subsequently, the  
 28 Commissioner determined that FPIC's financial condition was such that rehabilitation would be

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

11 At the time of the initial case management conference in this matter on March 15, 2002, the  
12 Court announced its intention to hold semi-annual status conferences in this matter so that the  
13 Court could periodically be informed regarding the status of the liquidation of FPIC. For the  
14 convenience of the Court, the Liquidator presented the first status report on September 13, 2002,  
15 the second on March 24, 2003, the third on February 24, 2004, the fourth on September 30, 2004,  
16 the fifth on April 29, 2005, the sixth on January 13, 2006, the seventh on June 9, 2006, the eighth  
17 report on January 5, 2006, the ninth report on October 5, 2007, the tenth report on April 16, 2008,  
18 the eleventh report on October 17, 2008, the twelfth report on April 17, 2009, the thirteenth report  
19 on November 6, 2009 and the fourteenth report on March 12, 2010. The Fourteenth status report  
20 is hereby incorporated herein by reference. Attached as Exhibit 1 is the unaudited financial  
21 statement for the liquidation estate as of March 31, 2010.

### 22 **STATUS OF THE NICO LITIGATION/ARBITRATION**

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


1 No. 37-2008-00080104-CU-MC-CTL. NICO removed the case to the United States District  
2 Court for the Southern District of California, where it was assigned Case No. 08 CV 772 L. Upon  
3 NICO's application, the court granted its request to stay the proceeding pending completion of  
4 arbitration.

5 In view of the foregoing, as discussed under the Reinsurance portion of this Statement, the  
6 Liquidator has commenced arbitration with NICO seeking recovery of all amounts due from  
7 NICO and filed a petition in New York seeking an order liquidating FIC. The arbitration is  
8 currently not scheduled to take place until March 2011 due to both the arbiters' schedules and the  
9 complexity of pending discovery. The outcome of the NICO arbitration/litigation, as well as the  
10 liquidation petition pending in New York regarding FIC, will likely determine the remaining  
11 course of the instant liquidation.

12 Dated: July 14, 2010

Respectfully Submitted,

EDMUND G. BROWN JR.  
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Supervising Deputy Attorney General  
LESLIE BRANMAN SMITH  
Deputy Attorney General



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**EXHIBIT 1**

**656 Frontier Pacific Ins Co**  
**STATEMENT OF ASSETS AND LIABILITIES**  
 As of March 31, 2010

	Dec 31 2009A	Mar 31 2010A
<b>ASSETS</b>		
Cash and cash equivalents:		
Restricted	339,100	339,300
Participation in pooled investments, at market	16,585,700	16,611,800
Accrued investment income	96,300	91,200
Statutory deposits held by other states	2,314,800	2,311,400
Recoverable from reinsurers	43,956,900	43,956,900
Salvage and subrogation recoverable	61,400	61,400
Receivable from affiliates	1,287,200	1,287,200
Deposits and other assets	71,000	71,000
<b>Total Available Assets</b>	<b>64,712,400</b>	<b>64,730,200</b>
<b>LIABILITIES</b>		
Secured claims	356,100	356,200
Reserve for Federal income tax	2,281,900	2,358,500
Claims against policies, including guaranty associations, before distributions	53,908,900	53,941,100
California and Federal claims having preference	165,100	165,100
All other claims	22,509,900	22,509,900
<b>Total Estimated Liabilities</b>	<b>79,221,900</b>	<b>79,330,800</b>
<b>NET ASSETS (DEFICIENCY)</b>	<b>(14,509,500)</b>	<b>(14,600,600)</b>

	2008	2009 vtd
<b>ADMIN EXPENSES</b>		
Legal expenses	188,300	130,400
Consultants and temps	58,100	11,900
Office expenses	75,000	3,700
Allocated overhead expenses	658,700	131,400
	<b>980,100</b>	<b>277,400</b>

**DECLARATION OF SERVICE BY U.S. MAIL**

F I L E D  
Clerk of the Superior Court

JUL 14 2010

By: C. B. Marks, Deputy

Case Name: **Insurance Commissioner of the State of CA v. Frontier Pacific Insurance**  
No.: **GIC774028**

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 July 14, 2010, I served the attached **FIFTEENTH 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:

Al Escobar, Chief Executive Officer  
Frontier Insurance Company  
195 Lake Louise Marie  
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Joseph Termine  
Special Deputy Superintendent  
State of New York Insurance Dept.  
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Andrew Pearson, Esq.  
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San Diego, CA 92110-2825

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

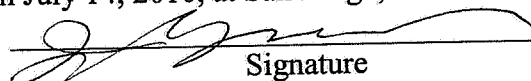
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South Carolina Property and Casualty  
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Columbia, CA 29201  
Attn: Edward Moon, Claims Supervisor

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

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 July 14, 2010, at San Diego, California.

J. Grand  
Declarant

  
Signature