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9 *the State of California, in his capacity as the*
10 *Liquidator of Western General Insurance Company*

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF LOS ANGELES
13 CENTRAL DISTRICT

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

16 Petitioner,

17 v.

18 **WESTERN GENERAL INSURANCE**
19 **COMPANY, a California corporation,**

20 Respondent
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Executive Officer/Clerk of Court,
By J. Tang, Deputy Clerk

Case No. 21STCP01655

**NOTICE OF MOTION AND MOTION
FOR ORDER APPROVING
LIQUIDATOR'S PAYMENT OF
ADMINISTRATIVE AND
PROFESSIONAL FEES AND EXPENSES
FOR THE PERIOD OF JANUARY 1,
2024, TO DECEMBER 31, 2024;
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT THEREOF
[FILED CONCURRENTLY WITH
DECLARATION OF SCOTT PEARCE]**

Date: November 14, 2025
Time: 9:30 a.m.
Dept: 82
Judge: Hon. Stephen I. Goorvitch
Action Filed: May 26, 2021

1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on November 14, 2025, at 9:30 a.m., or as soon thereafter as
3 the matter may be heard in Department 82 of the Superior Court of the State of California, Los
4 Angeles County, 111 North Hill Street, Los Angeles, California, 90012, Petitioner Insurance
5 Commissioner of the State of California (Commissioner) in his capacity as the Liquidator of
6 Western General Insurance Company (Liquidator), will and hereby does move the Court for an
7 order approving the Commissioner's costs and payment of administrative and professional fees
8 and expenses for the period January 1, 2024 through December 31, 2024 (the "Fourth Reporting
9 Period") in the amount of \$2,737,217.

10 This motion is made under Insurance Code sections 1035, 1036 and 1037 on the grounds
11 that the Commissioner, as Liquidator, is authorized to conduct the business of Western General to
12 maximize the value of the company and to pay the salaries and expenses necessary to carry out
13 the functions of an insolvent insurer as necessary to successfully liquidate Western General.

14 This motion is based on this notice, the accompanying memorandum of points and
15 authorities in support thereof, the declaration of Scott Pearce filed concurrently with this motion,
16 the other pleadings on file for this matter, and such additional evidence and argument as may be
17 offered at the time of the hearing on the motion.

18 Dated: October 2, 2025

Respectfully submitted,

19 ROB BONTA
20 Attorney General of California
21 LISA W. CHAO
22 Supervising Deputy Attorney General

23 
24 DOUGLAS J. BETETA
25 Deputy Attorney General
26 *Attorneys for Petitioner Insurance*
27 *Commissioner of the State of California, in*
28 *his capacity as the Liquidator of Western*
General Insurance Company

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§ 1037, subd. (a)	6
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 As the liquidator of Western General Insurance Company (Western General), the Insurance
3 Commissioner of the State of California (Liquidator or Commissioner) continues to fulfill his
4 primary charge to marshal and collect all estate assets for payment of approved claims, to resolve
5 proofs of claims (POCs) filed by creditors against the company, and ultimately to wind up its
6 remaining business activities, including the closure of the decommissioned retirement plan, as
7 quickly and efficiently as possible. To achieve these goals, the Commissioner, through his
8 Conservation and Liquidation Office (CLO), must appoint and employ special deputy
9 commissioners and assistants, utilize and update computers, and contract with service vendors
10 and retain specialized legal/professional services.

11 Pursuant to Insurance Code section 1035,¹ the Liquidator is authorized to pay the salaries of
12 the special deputy commissioners and employees and all other expenses necessary to carry out the
13 functions of the management of an insolvent insurer. Section 1036 further empowers the
14 Commissioner to employ and compensate legal counsel to prosecute and defend actions on behalf
15 of Western General and to advise the Commissioner on estate business. The expenses incurred for
16 these purposes are entitled to Class 1 priority status over and above all other expenses of the
17 estate pursuant to section 1033, subdivision (a)(l).

18 Consistent with his prior motion for approval of fees, the Commissioner hereby submits his
19 request for approval of administrative and professional fees and expenses incurred and paid from
20 January 1, 2024 through December 31, 2024 (the “Fourth Reporting Period”), in the total amount
21 of \$2,737,217 (Cf. § 11698.1 [providing for an accounting of expenses to occur “[f]rom time to
22 time and in any event at or prior to the” final disposition of the estate].)

23 **BACKGROUND**

24 Western General was a property and casualty insurance company that provided non-
25 standard private passenger automobile insurance. Beginning in 2020, Western General
26 experienced significant and continued financial losses, leading the Commissioner to conclude that

27 _____
28 ¹ Unless otherwise noted, all statutory references will be to the Insurance Code.

1 Western General’s continued transaction of business would be hazardous to policyholders,
2 creditors, and the public. Thus, the Commissioner, with the consent of Western General, applied
3 to this Court for an order of conservation, which it entered on May 26, 2021.

4 During the conservation, liabilities continued to accrue with no apparent prospects of new
5 capital or material reduction in liabilities. The Commissioner determined that Western General
6 was insolvent under the Insurance Code. With the consent of Western General’s management and
7 majority shareholder, the Commissioner sought and the Court entered an order of liquidation on
8 August 5, 2021.

9 **ADMINISTRATION OF THE WESTERN GENERAL LIQUIDATION**

10 **I. OVERVIEW OF INSOLVENCY ADMINISTRATION**

11 As the Commissioner continues to wind-down Western General’s operations and affairs,
12 the liquidator has made significant progress in fulfilling and or addressing the insolvency estate’s
13 primary goals. Marshalling and collecting all known assets and determining the estate’s statutory
14 obligations remain the priority objectives of the proceeding. The Liquidator continues to employ
15 people, utilize and maintain computers/databases, contract with service vendors and specialized
16 professionals to perform the remaining necessary tasks to marshal assets and pay approved
17 claims. (See § 1011, subd. (a) (authorizing the Commissioner “to conduct ... the business of [the
18 insurer], or so much thereof as to the commissioner may deem appropriate”]; and § 1037, subd.
19 (a) [granting the Commissioner the exclusive power and authority “to carry on and conduct the
20 business and affairs of [the insurer]”].)

21 The Commissioner has continued to use the services of the CLO as the primary resource to
22 complete the Western General liquidation and has continued to make reductions to the number of
23 former Western General employees engaged as the work being performed is completed,
24 discontinued or transitioned to the CLO. These legacy employee resources have all been
25 transitioned to consultancy agreements and continue to be supplemented by specialized vendors,
26 contractors and consultants on an as-needed basis. (See § 1035.) Finally, the Commissioner also
27 employs a number of attorneys. Non-litigation legal services and regulatory guidance are mainly
28 provided by the Corporate Affairs Bureau (CAB) of the Department of Insurance’s Legal

1 Division. The Office of the Attorney General is the Commissioner’s primary litigation counsel.
2 To the extent necessary both sets of attorneys can be supplemented by private counsel with
3 expertise in specialized areas of the law. (See § 1036.) During 2024 the estate employed private
4 legal counsel with the consent of the Attorney General’s office to represent the Liquidator in a
5 reinsurance dispute that resulted in a settlement between the parties.

6 **II. ROLES OF THE COURT AND THE COMMISSIONER IN THE LIQUIDATION PROCESS**

7 The Insurance Code provisions that govern this proceeding are primarily set forth in
8 sections 1010 through 1062. Although the Legislature has vested the Commissioner as Liquidator
9 with broad discretion to conduct the liquidation process in the manner that he determines to be in
10 the best interests of policyholders and creditors, the Court plays a vital role in the process. In
11 addition to assisting the Liquidator in enforcing the various injunctions set forth in the
12 Liquidation Order (which injunctions were specifically authorized by the Legislature to assist the
13 Court and the Liquidator in conducting an orderly and efficient liquidation), the Court acts as the
14 arbiter of disputed claims (see § 1032), and several other provisions of the Insurance Code
15 instruct the Liquidator to seek the guidance and approval of the Court on matters relating to the
16 expenses of administration, compensation paid to consultants, professionals and legal counsel,
17 asset dispositions, and larger investment transactions. (See §§ 1035, 1036 and 1037, subs. (d) &
18 (g).)

19 Beside some clear guideposts, the Legislature has provided relatively little guidance with
20 respect to the specific transactions and expenses that require Court approval, leaving it to the
21 Liquidator and the Court to establish approval and oversight procedures that are reasonable and
22 make sense given the particular needs of each insolvent insurer estate, and that facilitate the
23 Court’s assessment of whether the Commissioner is properly exercising his broad discretion as
24 statutory liquidator. (See, e.g., *In re Executive Life Ins. Co.* (1995) 32 Cal.App.4th 344, 358, 401-
25 403 [standard of review for court’s review of liquidator’s decisions is “abuse of discretion;” and
26 liquidator must supply the court with adequate information to permit intelligent evaluation of the
27 basis for the liquidator’s determinations].)

ADMINISTRATIVE AND OPERATING FEES AND EXPENSES

Western General's fees and expenses concern the Commissioner's continuing efforts to marshal assets, investigate and collect the liabilities owed by third parties, and to otherwise deal with Western General's remaining affairs and obligations. The fees and expenses for the Fourth Reporting Period, which total \$2,737,217 fall into two broad categories: 1) \$1,399,039 for the CLO allocated administrative operating and staffing fees; and 2) \$1,338,178 for direct estate operating expenses paid by the CLO, for the express benefit of Western General. (Declaration of Scott Pearce (Pearce Decl.), ¶ 3 & Ex. A.)

During the Fourth Reporting Period, Western General resolved a long-standing dispute with Yosemite Re (formerly Fletcher Re and Maiden Re). (Pearce Decl., ¶ 4.) After commencing an arbitration proceeding and completing extensive discovery the parties engaged in settlement negotiations. (*Ibid.*) After weeks of negotiating terms, and as more fully reported in the Liquidator's Motion for Approval of Settlement filed with this Court on November 26, 2024, Western General and Yosemite Re resolved the arbitration by agreeing to split the amounts in dispute without agreeing to or conceding any of the claims asserted by the reinsurer. (*Ibid.*) Upon receiving this Court's approval the settlement resulted in a payment of \$517,641 to the liquidation estate which amounts represents 47.5% of the approximately \$1 million in dispute plus some smaller portion of undisputed amounts due Western General. (*Ibid.*) The settlement also resulted in Western General writing off approximately \$40,691 in balances due from Yosemite Re. (*Ibid.*) The Western General estate has incurred significant expense in resolving this dispute. (*Ibid.*) Those fees include representation by the California Attorney General's (AG) office, representation by two specialized reinsurance litigators, discovery costs, fees of a reinsurance consultant, CLO direct hours and fees related to the arbitration, including the fees of a party arbitrator and the fees and expenses of a neutral arbitrator (the umpire). (*Ibid.*) In total, the estate incurred \$308,183 in direct fees and costs, which are included in the second category discussed in the prior paragraph (direct estate operating expenses). This figure includes approximately \$26,900 in fees and costs specific to settling the dispute. In addition, the estate incurred \$163,614 in allocated costs which are included in the first category above (CLO Allocated Expenses) for

approximately 737 hours spent by CLO staff performing work related to the dispute. This figure includes approximately \$19,980 for approximately 90 hours CLO staff spent specifically on settling the dispute. These figures are further detailed below in Sections I.A., C., E., II.B and F.

I. CLO ALLOCATED ADMINISTRATIVE AND STAFFING FEES

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

Each conservation or liquidation estate is charged a portion of the monthly allocated costs based on the amount of time that the CLO employees worked on estate matters. (Pearce Decl., ¶ 5.) To track the hours and costs, the CLO maintains a timekeeping system in which each employee records time spent for work on each estate, and the estate trust manager reviews the records to ensure that the hours are accurate and billed to the correct estate. (*Ibid.*)

During the Fourth Reporting Period, the CLO on behalf of Western General incurred 6,299.05 direct hours out of 25,193.49 total CLO hours or approximately 25% (percent) of the total direct hours of all insolvent insurer estates. (Pearce Decl., ¶ 7.) Western General's portion of the CLO's allocated costs for the Fourth Reporting Period based on 6,299.05 hours was \$1,399,039. (*Ibid.*) The CLO allocated hours and costs for the Western General estate were spread between the following five CLO departments:

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

Department	Total No. of Hours	Total Fees by Dept.
Total	6,299.05	\$1,399,034.70

(Pearce Decl., ¶ 7.)

A. Estate Trust and Executive Department

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

During the Fourth Reporting Period, the Estate Trust Department worked to ensure resolution of any continuing issues associated with the transition of the liquidation operation from Los Angeles to the CLO’s office in San Francisco and to decommission and close the estate’s 401k retirement plan by working directly with third party vendors. (Pearce Decl., ¶ 9.) The department continues to track and analyze the remaining claims run-off tail being administered through the participating IGAs. (*Ibid.*) In addition, the Estate Trust Department was central to resolving Western General’s dispute with Yosemite Re. (*Ibid.*) In particular, the department reviewed, approved and managed the approach to the estate’s defense/opposition and implemented the same through legal counsel. (*Ibid.*) Additionally, one Estate Trust Officer participated in extensive production work, and attended various internal as well as meet and confer sessions ultimately culminating in multiple exchanges of settlement terms and final settlement. (*Ibid.*) Estate Trust worked to help prepare the approval pleadings with estate counsel as well as implement the terms of the final agreement. (*Ibid.*) Estate Trust spent approximately 300 hours on this reinsurance dispute for a total expense of approximately \$66,600 to the Western General estate. (*Ibid.*) Of those hours, approximately 50 for a total expense of \$11,100, were spent specifically on settlement. (*Ibid.*) Estate Trust continues its weekly oversight and support of

1 the on-going preparation of reinsurance billings/collections to the balance of reinsurers within the
2 Estate's reinsurance program. (*Ibid.*) In addition to the arbitration work, Estate Trust worked
3 closely with reinsurance staff and consultants to negotiation and consummate the commutation of
4 one of the estate's primary reinsurance contracts with Partner Re. (*Ibid.*) As part of that
5 transaction the estate collected a final profit commission from Partner Re as a result of favorable
6 claim emergence covered by the treaty. (*Ibid.*) All amounts due from Partner Re have been
7 collected and the program has been formally closed. (*Ibid.*)

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

21 **B. Claims Department**

22 In addition to the policy termination notices sent to all known policyholders and insureds,
23 the Liquidation Order required the Commissioner to mail all known creditors advising them of
24 their legal right to submit a POC to the CLO for potential recovery from Western General.
25 (Pearce Decl., ¶ 11.) The CLO Claims Department on behalf of Western General maintains a
26 database containing all POCs issued to potential creditors as well as any subsequent information
27 or documents associated with the determination and administration of the properly received
28 POCs. (*Ibid.*) As of December 31, 2024 the Liquidator has received 2,593 timely POCs. 2,405 are

1 insurance policy related (Class 2), 185 are general creditor demands (Class 7) and three are
2 shareholder claims (Class 9). (*Ibid.*; see also § 1033 [setting priority of claims].) The CLO claims
3 staff having completed their initial compliance review of all timely received POCs have
4 prioritized the process of examining Class 2 POCs to ensure any coverage benefits already paid or
5 to be paid by the participating guaranty associations are identified and the POC thereafter denied.
6 (Pearce Decl., ¶ 12.) The exception to the denial for benefits already rendered for this creditor
7 group will only be policy-related POCs seeking liquidated damages in excess of the state
8 guaranty fund's statutory cap (i.e. POC "over-cap" approval). (*Ibid.*) An "over-cap claim"
9 represents damages, incurred and claimed by an insured or policyholder above the \$500,000
10 statutory limit on guaranty fund coverage per claim. (*Ibid.*) Only properly documented damages
11 in excess of the \$500,000 IGA limit will be approved as "over-cap" claims, the balance of the
12 POCs will be denied as the policy benefits are or will be provided by the participating IGA.
13 (*Ibid.*) Two full-time CLO claims staff plus a consultant are devoted to the Western General POC
14 review and determination process. (*Ibid.*)

15 The Claims Department has completed its compliance review, has identified priority
16 claims, including classification of "over-cap" claims as well as Class 2 claims having been or to
17 be paid by the IGAs. (Pearce Decl., ¶ 13.) As a result of the POC review of all Class 2
18 (policyholder class) POCs, the Claims Department has approved 483 Class 2 claims totaling
19 \$49,301.31 and has rejected 1,232 Class 2 claims totaling \$8,728,089.58. Additionally, the claims
20 staff have approved one Class 7 claim for \$1,444 and rejected one Class 7 claim with no claimed
21 amount. As reported in the estate's last fee application, one equity class (Class 9) POC was
22 determined in late 2023. All creditors with approved or denied POCs have been provided notice
23 of the determination as well as their anticipated participation in the future distribution of estate
24 assets. The estate has not established a distribution as of this report but anticipates a class two
25 distribution in early 2026. As to the remaining open POCs, the Claims Department will
26 essentially work sequentially down through the priority of classes with the general creditor class
27 being the most demanding and complex. (*Ibid.*) The Claims Department will typically only
28 consider priority classes of creditors where that class of creditor has a likely prospect to

1 participate in a distribution of estate assets. Considering recent and projected reinsurance asset
2 recoveries, it appears Western General may recover sufficient assets to pay a significant
3 percentage of the Class 2 policyholder obligations as well as lower classes of creditors. (*Ibid.*)

4 Working into 2025, the estate reported 875 remaining open POCs under or requiring
5 review. (Pearce Decl., ¶ 14.) The population of remaining POCs is as follows: 689 Class 2; 183
6 Class 7 and 3 Class 9. (*Ibid.*) In June of 2024 the Claims Department mailed 833 “prove-up”
7 letters (in both English and Spanish) to POC holders that sent no supporting documentation with
8 their initial POC filing. (*Ibid.*) Those claimants were required to submit documentation
9 supporting their claim within 90 days and were advised that failure to do so would result in their
10 claim being rejected. (*Ibid.*) 772 claimants failed to respond to the prove-up mailing. (*Ibid.*)
11 Those 772 POCs were rejected. (*Ibid.*) 20 claimants responded with supporting documentation.
12 37 claimants returned the form with no documentation and a follow-up letter was sent in October
13 2024 allowing an additional 60 days to respond. (*Ibid.*) All have been or will be rejected for
14 failure to provide documentation. (*Ibid.*) Completing the final Class 2 determination will remain
15 the priority for the claims staff. (*Ibid.*) The balance of open Class 2 POCs with claimed amounts
16 will be reviewed one by one, with each submission ultimately approved, rejected or additional
17 information requested. (*Ibid.*) Recently, and commensurate with the Class 2 determinations, the
18 claims staff have commenced the review and determination of certain complex Class 7 general
19 creditor claims to ensure proper classification of the damages asserted. (*Ibid.*) Prior to seeking a
20 distribution to the policyholder class, the estate will work to ensure all priority level claims (or
21 portions of claims) are included in the proper creditor class based upon the credible evidence
22 provided. (*Ibid.*) We anticipate this review to take some time as additional information and or
23 documentation will be requested from the subject creditors. (*Ibid.*)

24 In addition to the review and determination of the estate’s POCs, an additional priority
25 for the CLO Claims staff in 2024 was the continued effort to collect Western General’s remaining
26 subrogation and salvage recoveries. (Pearce Decl., ¶ 15.) Most of the participating IGAs do not
27 honor and are exempted by law from third-party subrogation demands, as such the IGAs do not
28 pursue subrogation recoveries. (*Ibid.*) During the Fourth Reporting Period, the claims staff were

1 continuing to manage 153 subrogation files. (*Ibid.*) All remaining open cases are deemed
2 impaired for collection and were consolidated under a single third-party collection vendor in
3 2024. (*Ibid.*) Based upon the recent results of the collection agency efforts the estate has
4 essentially established bad-debt allowances for the remaining open accounts at year-end 2024.
5 Although delinquent amounts due are no longer reported as a receivable asset on the estate's
6 balance sheet, efforts will continue through the collection vendor to recover any remaining
7 balances still due. (*Ibid.*) In addition to the final subrogation recovery efforts, the Claims
8 Department has largely wrapped up efforts on vehicle salvage recoveries. (*Ibid.*) At the
9 conclusion of the Third Reporting Period there were no remaining open salvage files associated
10 with any claims paid by Western General pre-liquidation. (*Ibid.*) Western General collected
11 approximately \$21,907 in subrogation recoveries during the Fourth Reporting Period. (*Ibid.*)

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

20 The Claims Department continues to provide support and documentation to the
21 participating IGAs, albeit on a much-reduced basis as the IGAs continue to make good progress
22 in resolving the remaining open claims, as well as guiding individual claimants working through
23 the liquidation process. (Pearce Decl., ¶ 17.) Once all Class 2 and certain Class 7 POC
24 determinations are made and the estate's estimate of available assets is better developed, the
25 estate will be in position to determine if sufficient funding will be available for creditor classes
26 below the policyholder class (Class 2). (*Ibid.*) Thereafter the claims department together with the
27 assistance of the Estate Trust department will seek court approval of a plan to distribute Western
28 General's available assets to approved Class 2 creditors. (*Ibid.*)

1 **C. Information Technology and Administration Department**

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

9 The IT department played a significant role in supporting the estate's obligations to
10 produce documents associated with the Yosemite Re arbitration. (Pearce Decl., ¶ 19.) The IT
11 department incurred approximately 225 hours for a total cost of approximately \$50,000 searching,
12 preparing and producing years of correspondence, emails and documents associated with the
13 treaty years in dispute. (*Ibid.*)

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

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

10 **D. Finance and Accounting Department**

11 During the Fourth Reporting Period, the CLO Accounting department continued their
12 management of the general ledger and the estate's treasury function at the CLO. (Pearce Decl.,
13 ¶ 22.) The department had already completed the transition of the estate's accounts payable and
14 accounts receivable work into the CLO by late 2022. (*Ibid.*) Further, the department has
15 completed the input of the original Western General general-ledger loading balances into the
16 CLO accounting system for the benefit of Western General. (*Ibid.*) The CLO Accounting
17 department directed their independent auditors to review the 2024 ledgers as part of the
18 comprehensive annual estate review work performed for the CLO. (*Ibid.*) The department staff
19 continue to make periodic adjustments based upon new or updated information. (*Ibid.*) The CLO
20 Accounting department has absorbed the responsibility for preparation of all accounting entries,
21 schedules, and work papers for Western General as well as the reconciliation of all cash receipts
22 and disbursements of the estate going forward. (*Ibid.*) The department produces the monthly
23 financial reports for the Western General estate. (*Ibid.*) The CLO accounting staff with the
24 assistance of Estate Trust, Reinsurance and a retained consultant managed the 2024 independent
25 review of Western General's statement of assets and liabilities. (*Ibid.*) The CLO accounting
26 department in San Francisco has taken responsibility for all financial aspects of the liquidation
27 estate going forward to conclusion. (*Ibid.*)
28

1 **E. Reinsurance Department**

2 For the Fourth Reporting Period the Commissioner and the CLO Reinsurance department
3 continued to use a part-time consultant to assist with the estate's reinsurance programs. (Pearce
4 Decl., ¶ 23.) During this time the CLO reinsurance staff have taken the lead in managing the
5 preparation, review, and collection of Western General's reinsurance billings. (*Ibid.*) Albeit on a
6 reduced basis, the estate continues to use a consultant to help analyze and prepare quarterly
7 billings in support of the CLO reinsurance staff through 2024. (*Ibid.*) During 2024 the estate saw
8 completion of certain Gold system development work that allows for more automated loss and
9 expense data processing and reporting. Working into 2025 the CLO reinsurance staff is managing
10 the billing and collection process. The department with the continued help of a legacy consultant
11 will work to address any inquiries and issues raised by the reinsurers. (*Ibid.*) With the exception
12 of periodic consulting help on an as needed basis, the entire reinsurance processing function is
13 managed from within the CLO. (*Ibid.*) During the Fourth Reporting Period, the Western General
14 estate has prepared quarterly reinsurance billings through September 30, 2024 to its primary
15 reinsurers. (Pearce Decl., ¶ 24.) As of the writing of this report the estate has billed loss activity
16 through March 31, 2025. (*Ibid.*) Western General used the services of legal and reinsurance
17 consultants for advice and interpretation of reinsurance treaty terms and conditions associated
18 with disputed balances due the liquidation estate. (*Ibid.*)

19 As outlined in prior court filings, the estate's two primary reinsurers covered approximately
20 80% of all claims paid by Western General (Partner Re for years 2019 & 2020 and Yosemite Re
21 for years 2016 through 2018). (Pearce Decl., ¶ 25.) After extensive work (performed following
22 each quarter of the year) to convert and prepare paid loss and loss adjustment data provided by
23 the participating IGAs (reported billing and collections data is from inception in 2021 through
24 December 31, 2024). (*Ibid.*) The Western General estate has billed \$\$28,858,463 (including an
25 \$17.2 million profit commission due from Partner Re and a \$429,078 profit commission from
26 Bluefire Re) and has collected \$27,420,732 in recoveries at year-end 2024. (*Ibid.*) The department
27 with the help of one consultant work monthly to follow up on all unpaid balances and any
28 additional contractual demands such as the profit commission recoveries mentioned above. (*Ibid.*)

1 At year-end 2024 Western General had approximately \$784,088 in unpaid balances with
2 reinsurers. (*Ibid.*) The CLO reinsurance staff has commenced preparing the 2025 loss billings
3 and will continue to diligently seek collections on all balances due the estate. (*Ibid.*)

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

11 The Reinsurance Department also spent a significant amount of time managing the
12 relationship with Suncoast General Insurance (Suncoast). (Pearce Decl., ¶ 27.) As further
13 described in prior status reports, Western General acted as "Front Company" for Suncoast,
14 whereby Western General issued policies and generally ceded 100 percent of the risk to
15 reinsurers. (*Ibid.*) The Reinsurance Department continues to work with Suncoast to collect
16 amounts due from reinsurers. (*Ibid.*) After reporting extensive delays in preparing and releasing
17 long overdue billings to the reinsurers, Suncoast has finally received payment for most of the
18 amounts past due. (*Ibid.*) The liquidation estate had a total billed balance due of approximately
19 \$1,276,000 in 2024 and has collected \$894,294 leaving as balance due at year-end 2024 of
20 \$382,399. (*Ibid.*) Given the reduction in reported IGA reserves remaining, the amount of billings
21 going forward will be smaller, nevertheless the estate will continue to process IGA data for the
22 Suncoast program as well as follow up on overdue balances. (*Ibid.*)

23 Although on a much-reduced basis, going forward Western General will continue to
24 monitor collections and process quarterly claims data feeds from the IGAs to prepare the
25 reinsurance billings. (Pearce Decl., ¶ 28.)

26 **II. DIRECT ESTATE FEES AND EXPENSES**

27 In addition to the CLO's Allocated Expenses described above Western General also
28 incurred direct operating costs that were paid directly out of estate assets or directly by the CLO.

1 (Pearce Decl., ¶ 29.) These direct expenses, which were paid primarily to third-party product and
2 service vendors, a landlord, consultants, contractors, attorneys, and for any final costs transferring
3 and closing the Western General home office, were necessary to the successful administration of
4 the Western General estate through the Fourth Reporting Period or December 31, 2024. (*Ibid.*)
5 For the Fourth Reporting Period, these fees and expenses totaled \$1,338,178 as described below.
6 (*Id.* & Ex. A.)

7 **A. Staffing, Compensation and Benefits**

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

15 The Western General estate reported having retained 9 full-time employees for the first two
16 months (November and December 2022) of the estate's Third Reporting Period (November 2022
17 through December 31, 2023). (Pearce Decl., ¶ 31.) By January 2024, the Commissioner continued
18 to retain six of the full-time employees under short-term consultancy agreements. (*Ibid.*) Most all
19 the consultants continuing to be retained were extended to allow for the completion of certain
20 projects and transition of ongoing activities not concluded by the time of the Calabasas office
21 closure. (*Ibid.*) All six of the consultants supported the liquidation estate remotely. (*Ibid.*) All of
22 the staff retained had institutional knowledge and provided beneficial continuity and efficiency to
23 the management and/or closure of certain essential areas of work. (*Ibid.*) Working into 2025, all
24 but two of the six consultants have been released and no longer work for the estate. (*Ibid.*) One of
25 the two remaining consultants is a key resource in the ongoing review of the estate's proofs of
26 claim and uncovered claim liability. (*Ibid.*) The second consultant is working to finalize all
27 remaining open activities and requirements of the HR area with a focus on final regulatory
28 disclosures associated with the estate's 401k program that was decommissioned in December

2024. (*Ibid.*) In addition to the two retained consultants, Western General continues to rely upon one accounting consultant (on a much reduced basis and who also provides reinsurance expertise) and a local network consultant. (*Ibid.*) As work is resolved the associated local Western General consultant(s) are released. (*Ibid.*) The fees paid for the local IT consultant are reported in Section C. Software and Licensing below.

B. Consulting and Other Professional Fees

In addition to the 8 employees and their transition to consultancy status as well as the accounting & IT consultants discussed above, Western General continued to rely upon additional consulting and independent professionals to provide audit, taxation, reinsurance, human resource, and technology/data management services. (Pearce Decl., ¶ 32.) The continuing services support and maintain the estate's legacy loss and reserve database, conducted a review of the estate's financial statements, prepared federal and state tax returns, and associated filings in accordance with Western General's continued participation in the Western General Holdings, Inc.'s tax sharing agreement and consolidated tax group. (*Ibid.*) Western General continues to use the services of its historical tax consultants. (*Ibid.*)

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

The amounts paid to the firms and individuals described in the preceding two paragraphs totaled \$593,847. (Pearce Decl., ¶ 34 & Ex. A.)

C. Software and Licensing

As reported in Western General's last fee filing, the estate has completed the process of scaling down and decommissioning both the legacy general ledger and policy administration

1 systems. (Pearce Decl., ¶ 35.) While operating systems and interfaces were shutdown certain
2 historical databases will continue to be maintained to assist in the POC/claims and reinsurance
3 areas. As mentioned above and on a much-reduced basis, the estate retains one local IT consultant
4 to assist in the monitoring and any necessary local maintenance of the estate's co-location site in
5 southern California. Otherwise, essentially all accounting and general administration of the
6 liquidation estate will rely on the CLO accounting and claim systems to complete the balance of
7 the liquidation process. Future software, systems and licensure costs will be allocated to the estate
8 based upon need and usage. Western General paid \$215,820 in software and licensing fees. (*Ibid.*)

9 **D. Operating/Business Expenses**

10 The Liquidator continues to incur and pay ongoing general office and business support
11 expenses. (Pearce Decl., ¶ 36.) The estate incurred \$32,250 in telephone, internet, office
12 equipment/supplies, postage for periodic correspondence and other notices, banking/treasury
13 related fees, travel and fees paid to store and retrieve files. (*Ibid.*) All expenses and support
14 services are now paid directly by the CLO for the direct benefit of the Western General estate.
15 (*Ibid.*)

16 **E. Taxes**

17 The estate will consider all remaining legacy federal and state tax liability through the proof
18 of claim process. (Pearce Decl., ¶ 37.) The Liquidator was able to meet the 2024 1099 submission
19 deadline. (*Ibid.*) At the writing of this report the estate's tax preparer is in the process of preparing
20 the 2024 tax return to be included in the Western General Holding Company consolidated tax
21 return. The estate continues to hold sufficient net operating losses to apply to any gains and tax
22 liability.

23 **F. Legal Fees and Expenses**

24 During the Fourth Reporting Period, the Commissioner required legal assistance in
25 addressing and resolving the collection dispute with Yosemite Re, pursue subrogation collections
26 and submitting periodic reporting to the court. (Pearce Decl., ¶ 38.) Non-litigation legal services
27 were provided to the Commissioner by attorneys employed by the California Department of
28 Insurance's Corporate Affairs Bureau. (*Ibid.*) The California Attorney General's Office represents

1 the Commissioner in this proceeding and provides litigation services as needed, including the
2 drafting of liquidation related pleadings and representation before this court. (*Ibid.*) As discussed
3 above, the Western General estate retained the services of a party arbitrator, and two private
4 reinsurance litigators with the consent of the AG's office. (*Ibid.*) The estate continued to use all
5 three lawyers throughout most all of 2024 to conduct the full arbitration, and ultimately to secure
6 a mutually acceptable settlement agreement. (*Ibid.*) The vast majority of legal fees paid during the
7 Fourth Reporting Period were to private reinsurance counsel and the estate's party arbitrator.
8 (*Ibid.*) The total amount paid to private counsel, a party arbitrator, and the umpire totaled
9 \$213,858. Of this amount, approximately \$8,000 in fees for private counsel were spent
10 specifically on settlement. (*Ibid.*) Separately, the estate also incurred approximately \$20,000 in
11 charges from the California AG's office for assistance and procedural filings. (*Ibid.*) Finally, in
12 anticipation of future legal expenses associated with concluding the entire reinsurance program as
13 well as anticipated legal fees associated with the resolution of any disputed proofs of claim, the
14 estate has established a reserve for legal and related expenses going forward in the amount of
15 approximately \$300,000. (*Ibid.*)

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

19 **THE COMMISSIONER HAS ACTED WELL-WITHIN HIS DISCRETION IN PAYING**
20 **THE ADMINISTRATIVE AND PROFESSIONAL FEES OF THE ESTATE**

21 The Commissioner is vested with "broad discretion" to conduct the liquidation of an
22 insolvent insurer subject to the limitation "that the exercise of discretion be neither arbitrary nor
23 improperly discriminatory." (*In re Executive Life Ins. Co.* (1995) 32 Cal.App.4th 344, 356,
24 citation omitted.) His decisions as to matters concerning an insolvent insurer are reviewed by the
25 Court for abuse of discretion. (*Id.* at p. 358.)

26 Section 1035 authorizes the Commissioner to appoint a special deputy insurance
27 commissioner and employ clerks and assistants to handle the business of the insolvent insurers.
28 Section 1035 further authorizes the Commissioner to reimburse all administration costs from the

1 assets of the estate subject to the approval of the Court. (§ 1035, subd. (a).) As detailed above and
2 in the concurrently filed declaration of Liquidation Manager Scott Pearce, the Commissioner's
3 decisions with respect to the payment of the administrative and operating fees and expenses have
4 been made with the best interest of policyholders and creditors in mind and are neither arbitrary
5 nor improperly discriminatory. The Commissioner submits that he properly exercised his
6 discretion in incurring the administrative and operating fees and expenses for the Fourth
7 Reporting Period. Thus, the fees and expenses detailed in this motion should be approved.

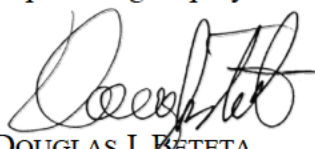
8 CONCLUSION

9 For the foregoing reasons, the Commissioner respectfully requests that the Court approve
10 (1) the Commissioner's payment of administrative and operating fees and expenses in the total
11 amount of \$2,737,217 for the period of January 1, 2024, through December 31, 2024.

12
13 Dated: October 2, 2025

Respectfully submitted,

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24 *General Insurance Company*