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NO FEE PURSUANT TO GOVERNMENT CODE SECTION 6103

FILED
Clerk of the Superior Court
FEB - 8 2012
By: C. BANKS, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA, Plaintiff, v. **FRONTIER PACIFIC INSURANCE COMPANY, a California corporation,** Defendants.	Case No. GIC 774028 **NINETEENTH STATUS CONFERENCE REPORT** Date: February 24, 2012 Time: 1:00 p.m. Dept: 71 Judge: Hon. Ronald S. Prager Trial Date: None Set Action Filed: September 7, 2001

INTRODUCTION

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

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

At the time of the initial case management conference in this matter on March 15, 2002, the Court announced its intention to hold semi-annual status conferences in this matter so that the Court could periodically be informed regarding the status of the liquidation of FPIC. For the convenience of the Court, the Liquidator presented the first status report on September 13, 2002, the second on March 24, 2003, the third on February 24, 2004, the fourth on September 30, 2004, the fifth on April 29, 2005, the sixth on January 13, 2006, the seventh on June 9, 2006, the eighth report on January 5, 2006, the ninth report on October 5, 2007, the tenth report on April 16, 2008, the eleventh report on October 17, 2008, the twelfth report on April 17, 2009, the thirteenth report on November 6, 2009, the fourteenth report on March 12, 2010, the fifteenth report on July 16, 2010, the sixteenth report on April 15, 2011, the seventeenth report on July 8, 2011 and the eighteenth report on October 7, 2011. The eighteenth status report is hereby incorporated herein by reference.

STATUS OF THE NICO LITIGATION/ARBITRATION

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

Pacific Insurance Company vs. National Indemnity Company, San Diego Superior Court, Case No. 37-2008-00080104-CU-MC-CTL. NICO removed the case to the United States District Court for the Southern District of California, where it was assigned Case No. 08 CV 772 L. Upon NICO's application, the court granted its request to stay the proceeding pending completion of arbitration. The last Federal Status Conference was held on November 16, 2011 at which time the case was dismissed, at the joint request of the parties, due to the conclusion of arbitration between the Liquidator and NICO.

As noted in the Reinsurance portion of prior Statements, the Liquidator commenced arbitration with NICO seeking recovery of all amounts due from NICO. The arbitration was completed March 25, 2011, and was taken under submission by the arbitration panel. On August 12, 2011, the arbitration panel awarded FPIC $13,039,326.28 and interest at the rate of 6% simple interest to be paid within 30 days. On August 27, 2011, the arbitration panel awarded interest of $4,700,000.00 payable no later than September 11, 2011. Pursuant to the terms of the awards, NICO has paid FPIC $17,739,326.28.

The award excluded FPIC's pre-liquidated Unallocated Loss Adjustment Expenses (ULAE) claims against NICO that are in excess of $3,000,000 without interest. These claims will be the subject of negotiation or a subsequent arbitration proceeding. At the time of the last hearing, the Commissioner intended to seek discovery from this Court for FPIC records currently held in New York related to the ULAE issue as well as other documentation on behalf of FPIC. At the last hearing, this Court suggested the Commissioner submit a commission for this Court to issue for out of state discovery. Since that time, settlement negotiations have been proceeding.

At this time the Plaintiff has postponed submitting this commission to the Court, pending negotiations between NICO and the Commissioner, which seem likely to result in settling the remaining issues without further discovery. Should negotiations be unsuccessful, Plaintiff will proceed to submit a commission for discovery.

TAYLOR FRAGER CLAIM

Jeffrey Goetz, Esq., an Iowa attorney, contacted our office to inform us that he represents Donald F. Neiman, Esq. ("Neiman"). Neiman is the duly appointed and acting Chapter 7 trustee

of the bankruptcy estate of Taylor Frager, Inc. ("Taylor"), Case No. 07-02975-lmj7, pending in the U.S. Bankruptcy Court for the Southern District of Iowa. Mr. Neiman is the real party in interest with respect to the Taylor Frager claim in the FPIC liquidation. Mr. Neiman's claim for $450,000 has been accepted by the Liquidator under Insurance Code section 1033; as with other outstanding claims in this matter, payment awaits the ultimate disposition of all claims in the NICO matter. This claim arises from a settlement agreement between FPIC and Taylor Frager, Inc., dated July 14th, 2004. We have informed Mr. Goetz of the status of his client's claim.

CONCLUSION

Plaintiff requests the Court accept this report schedule the next status conference.

Dated: February 8, 2012

Respectfully Submitted,

KAMALA D. HARRIS
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DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner of the State of CA v. Frontier Pacific Ins. Co.**

No.: **GIC 774028**

FILED
Clerk of the Superior Court
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By: C. BANKS, Deputy

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 February 8, 2012, I served the attached **NINETEENTH 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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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 February 8, 2012, at San Diego, California.

R. Valdez	R. Valdez
Declarant	Signature

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