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8 *Insurance Commissioner of the State of California*

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF LOS ANGELES

11 CENTRAL DISTRICT
12

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

15 Applicant,

16 v.

17 **WESTERN GENERAL INSURANCE**
18 **COMPANY,**

19 Respondent.

Case No. 21STCP01655

**VERIFIED EX PARTE APPLICATION
FOR ORDER APPOINTING
INSURANCE COMMISSIONER AS
CONSERVATOR; VERIFICATION;
MEMORANDUM OF POINTS AND
AUTHORITIES**

Date: May 26, 2021
Time: 8:30 a.m.
Dept.: 39
Judge: Hon. Stephen I. Goorvitch
Trial Date: None Set
Action Filed: May 21, 2021

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1 **B. Administrative Supervision**

2 9. On October 22, 2020, Mr. Robert Ehrlich, Chief Executive Officer of Western
3 General, informed California Department of Insurance (CDI) that Western General was impaired
4 within the meaning of section 988, subdivision (a)(1).

5 10. On October 28, 2020, in accordance with section 733, subdivision (g), the
6 Commissioner appointed Regulatory Services Group and its Chief Executive Officer Joseph
7 Holloway as Special Examiner to conduct a targeted examination of Western General to ascertain
8 the financial details as to Western General's impairment.

9 **C. Grounds for Appointment of Commissioner as Conservator**

10 11. On May 15, 2021, Western General filed its quarterly statement as of March 31,
11 2021 as required by section 900, stating its financial condition and affairs. A true and correct
12 copy of the quarterly statement is attached hereto as Exhibit A. The quarterly statement showed
13 that Western General had admitted assets of \$44,901,649 and liabilities of \$40,941,737, resulting
14 in policyholder surplus of \$3,959,912.

15 12. Western General had a net loss of \$2,923,573 for the three months of 2021 ending
16 March 31, 2021 after a net loss of \$4,669,557 in calendar year 2020.

17 13. Western General continues to sustain additional net losses of approximately
18 \$500,000 per month.

19 14. Based on Western General's limited surplus and its monthly losses, Western
20 General is operating in a hazardous financial condition within the meaning of section 1011,
21 subdivision (d).

22 15. Pursuant to sections 700.01, 700.02 and 700.25, Western General is required to
23 maintain minimum paid-in capital and surplus in the aggregate amount of \$2,500,000. The
24 Commissioner estimates that Western General will have less than the minimum capital and
25 surplus by the end of the second quarter of 2021.

26 16. Based on Western General's quarterly statement as of March 31, 2021 and
27 continued losses thereafter, the Commissioner has determined, and Western General's
28 management and majority shareholder have agreed, that Western General is in such an impaired

1 financial condition that the further transaction of business by it will be, and is, hazardous to its
2 policyholders, creditors and the public, and such condition is a ground for the entry of an order of
3 conservation under section 1011, subdivisions (d) and (h). Effective May 20, 2021, the board of
4 directors of Western General and its majority shareholder “consent[ed] to and approve[d] the
5 Conservation and the appointment of a conservator of” Western General. A true and correct copy
6 of the resolutions adopted by Western General’s board of directors and its majority shareholder
7 reflecting this consent and approval are attached hereto as Exhibit B. Formal conservation is
8 therefore necessary and appropriate, and the Commissioner has therefore filed this Application
9 for an order appointing him as Conservator of Western General.

10 **D. Notice and Basis for Ex parte Relief.**

11 17. Time is of the essence in acting on this verified application to appoint a
12 conservator for Western General. As evidenced by its most recent Quarterly Statement (see
13 Exhibit A), Western General’s financial condition is quickly deteriorating. Any delay in
14 appointment of a conservator threatens to impair its ability to pay creditors.

15 18. Notice of this ex parte application was timely given to Western General through its
16 counsel:

17 John E. McPherson
18 Hinshaw & Culbertson LLP
19 350 South Grand Ave., Suite 3600
20 Los Angeles, CA 90071-3476
21 Tel.: 213-614-7320
22 jmcpherson@hinshawlaw.com

23 19. Western General’s counsel stated that Western General would not oppose the
24 Commissioner’s application. (Declaration of Douglas J. Beteta, ¶ 4; see also Exhibit B.) This
25 notice and the circumstances stated herein are sufficient to obtain an ex parte application to
26 appoint the Commissioner as a conservator. (See, e.g., *Rhode Island Ins. Co. v. Downey* (1949)
27 95 Cal.App.2d 220, 229-230 & fn.1.)

28 **E. Requested Order**

WHEREFORE, the Commissioner prays that this Court issue the following orders,

1. Appointing the Commissioner as Conservator (Conservator) of Western General

1 and directing him to conduct the business of Western General or so much thereof as he deems
2 appropriate; and authorizing him, in his discretion, to pay or defer payment of some or all proper
3 claims, expenses, liabilities and obligations of Western General, in whole or in part, accruing
4 prior or subsequent to his appointment as Conservator;

5 2. Authorizing the Conservator to appoint and employ special deputies, estate
6 managers, other professionals, clerks and assistants and to give each of them such power and
7 authority as he may deem necessary and authorizing the Commissioner as Conservator to
8 compensate these persons from the assets of Western General as he may deem appropriate; in
9 particular, appointing Joseph Holloway, as Deputy Conservator empowered to carry out any and
10 all duties and exercise the authority of the Conservator granted herein and the Insurance Code;
11 and appointing Scott Pearce as Conservation Manager empowered to carry out any and all duties
12 and exercise the authority of the Conservator and Deputy Conservator, and as may be delegated
13 by the Conservator and Deputy Conservator;

14 3. Authorizing the Conservator to assume or reject, or to modify, any executory
15 contract, including without limitation, any lease, rental or utilization contract or agreement
16 (including any schedule to any such contract or agreement), and any license or other arrangement
17 for the use of computer software or business information systems, to which Western General is a
18 party or as to which it agrees to accept an assignment of such contract; directing the Conservator
19 to effect any such assumption or rejection or modification of any executory contract not later than
20 120 days after the date of the Order Appointing Conservator, unless such date is extended by
21 application to and further order of this Court; ordering that all executory contracts that are not
22 expressly assumed by the Conservator shall be deemed rejected;

23 4. Authorizing the Conservator to take possession of all of the assets of Western
24 General, including books, records and property, both real and personal, accounts, safe deposit
25 boxes, rights of action, and all such assets as may be in the name of Western General,
26 wheresoever situated;

27 5. Vesting title to all property and assets of Western General, including deposits,
28 securities, contracts, rights of actions, books, records and other assets of every type and nature,

1 and including both those presently in Western General's possession and those which may be
2 discovered hereafter, wheresoever situated, in the Commissioner in his official capacity as
3 Conservator of Western General and/or his successor in office, in his or her official capacity as
4 Conservator; and authorizing the Conservator to deal with the same in his own name as
5 Conservator or in the name of Western General, and enjoining all persons from interfering with
6 the Conservator's possession and title thereto;

7 6. Granting the Conservator all the powers of the directors, officers, and managers of
8 Western General, whose authorities are suspended except as such powers may be redelegated by
9 the Conservator;

10 7. Authorizing the Conservator to terminate compensation arrangements with
11 employees, to enter into new compensation arrangements with employees, including
12 arrangements containing retention incentives, and authorizing the Conservator to hire employees
13 on such terms and conditions as he deems reasonable;

14 8. Except upon the express authorization of the Conservator, enjoining Western
15 General, its officers, directors, agents and employees from transacting any of the business of
16 Western General, whether in the State of California or elsewhere, or from disposing of, using,
17 transferring, selling, assigning, canceling, alienating, hypothecating, diminishing, impairing,
18 waiving, limiting or concealing in any manner or any way, or assisting any person in any of the
19 foregoing, of the property or assets of Western General or property or assets in the possession of
20 Western General, of any nature or kind, including intangible assets, tax assets and attributes,
21 claims or causes of action, until further order of this Court and further, enjoining such persons
22 from obstructing or interfering with the Conservator's conduct of his or her duties as Conservator;

23 9. Enjoining all persons from instituting, prosecuting, or maintaining any action at
24 law or suit in equity, and matters in arbitration, including but not limited to actions or proceedings
25 to compel discovery or production of documents or testimony and matters in arbitration, and from
26 attaching, executing upon, redeeming of or taking any other legal proceedings against any of the
27 property of Western General, and from doing any act interfering with the conduct of said business
28 by the Conservator, except after an order from this Court obtained after reasonable notice to the

1 Conservator;

2 10. Directing Western General and all officers, directors, agents and employees of
3 Western General to deliver to, and immediately make available to, the Conservator all assets,
4 books, records, accounts, records, tax returns, information, computers, tapes, discs, writings, other
5 recordings of information, equipment and other property of Western General, wheresoever
6 situated, in said persons custody or control and further, directing the aforesaid to disclose
7 verbally, or in writing if requested by the Conservator, the exact whereabouts of the foregoing
8 items if such items are not in the possession custody or control of said persons;

9 11. Directing that all officers, directors, trustees, employees or agents of Western
10 General, or any other person, firm, association, partnership, corporate parent, holding company,
11 affiliate or other entity in charge of any aspect of Western General's affairs, either in whole or in
12 part, and including but not limited to banks, savings and loan associations, financial or lending
13 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or
14 affiliated corporation or any other representative acting in concert with Western General, shall
15 cooperate with the Conservator in the performance of his or her duties;

16 12. Authorizing the Conservator to pay out of the funds and assets of Western General
17 all costs and fees incurred in preparing for, bringing and maintaining this action, including the
18 reasonable expenses incurred by the California Department of Insurance, the Special Examiner,
19 and or the Regulatory Services Group prior to the filing of this application, and for such other
20 actions and activities as are necessary to carry out his functions as Conservator. Such payments
21 may include reimbursements for third party advisory and consulting services incurred by a
22 member of the Regulatory Services Group in preparation for conservation of Western General;

23 13. Authorizing the Conservator to pay all reasonable costs of taking possession of
24 and conserving Western General out of the funds and assets of Western General;

25 14. Authorizing the Conservator to pay all reasonable costs of operating Western
26 General as Conservator (including direct and allocated direct costs, direct and allocated general
27 and administrative costs and overhead, and all other allocated costs) out of any and all funds and
28 assets of Western General; and if there are insufficient funds, to pay for the costs out of the

1 Insurance Fund pursuant to section 1035;

2 15. Directing that all funds and assets, including certificates of deposit, bank accounts,
3 and mutual fund shares of Western General, in various financial depository institutions, including
4 but not limited to banks, savings and loan associations, industrial loan companies, mutual funds
5 or stock brokerages, wheresoever situated, be vested in the Conservator and subject to withdrawal
6 upon his order only;

7 16. Ordering all persons who maintain records for Western General, pursuant to
8 written contract or any other agreement, to maintain such records and to deliver to the
9 Conservator such records upon his request;

10 17. Directing all agents of Western General, and all brokers who have done business
11 with Western General, to make all remittances of all funds collected by them or in their hands that
12 are payable to Western General directly to the Conservator;

13 18. Directing all persons having possession of any lists of policyholders or escrow
14 holders of Western General to deliver such lists to the Conservator; and that all persons are
15 enjoined from using any such lists or any information contained therein without the consent of the
16 Conservator;

17 19. Authorizing the Conservator to initiate such equitable or legal actions or
18 proceedings in this or other states as may appear necessary to him to carry out his functions as
19 Conservator;

20 20. Authorizing the Conservator to divert, take possession of and secure all mail of
21 Western General, in order to screen such mail, and to effect a change in the rights to use any and
22 all post office boxes and other mail collection facilities used by Western General;

23 21. Directing that Western General and its officers, directors, agents, servants,
24 employees, successors, assigns, affiliates, and other persons or entities under their control and all
25 persons or entities in concert or participation with Western General, and each of them, shall turn
26 over to Conservator all records, documentation, charts and/or descriptive materials of all funds,
27 assets, property (owned beneficially or otherwise), and all other assets of Western General
28 wheresoever situated, and all books and records of accounts, title documents and other documents

1 in their possession or under their control, which relate, directly or indirectly to assets or property
2 owned or held by Western General or to the business or operations of Western General;

3 22. Except upon further order of the Court issued after a hearing in which the
4 Conservator has received reasonable notice, enjoining all persons from obtaining preferences,
5 judgments, attachments or other liens, or making any levy against Western General or its assets or
6 property, and from executing or issuing or causing the execution or issuance of any court
7 attachment, subpoena, replevin, execution or other process for the purpose of impounding or
8 taking possession of or interfering with or creating or enforcing a lien upon any property or assets
9 owned or in the possession of Western General or the Conservator, wheresoever situated, and
10 from doing any act interfering with the conduct of said business by the Conservator;

11 23. Except upon further order of the Court issued after a hearing in which the
12 Conservator has received reasonable notice, enjoining all persons from accelerating the due date
13 of any obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking
14 or attempting to retake possession of any real or personal property; withholding or diverting any
15 rent or other obligation; doing any act or other thing whatsoever to interfere with the possession
16 of or management by the Conservator of the property and assets, owned or controlled by Western
17 General or in the possession of Western General or in any way interfering with the Conservator or
18 interfering in any manner during the pendency of this proceeding with the exclusive jurisdiction
19 of this Court over Western General and its assets;

20 24. Directing that any and all provisions of any agreement entered into by and between
21 any third party and Western General, including by way of illustration, but not limited to, the
22 following types of agreements (as well as any amendments, assignments, or modifications
23 thereto)—financial guarantee bonds, promissory notes, loan agreements, security agreements,
24 deeds of trust, mortgages, indemnification agreements, subrogation agreements, subordination
25 agreements, pledge agreements, assignments of rents or other collateral, financial statements,
26 letters of credit, leases, insurance policies, guaranties, escrow agreements, management
27 agreements, real estate brokerage and rental agreements, servicing agreements, attorney
28 agreements, consulting agreements, easement agreements, license agreements, tax sharing

1 agreements, franchise agreements, or employment contracts that provide in any manner that
2 selection, appointment or retention of a conservator, receiver or trustee by any court, or entry of
3 any order such as hereby made, shall be deemed to be, or otherwise operate as, a breach,
4 violation, event of default, termination, event of dissolution, event of acceleration, insolvency,
5 bankruptcy, or liquidation—shall be stayed, and the assertion of any and all rights and remedies
6 relating thereto shall also be stayed and barred, except as otherwise ordered by this Court, and
7 this Court shall retain jurisdiction over any cause of action that has arisen or may otherwise arise
8 under any such provision;

9 25. Authorizing the Conservator to invest and reinvest Western General assets and
10 funds in such a manner as he deems suitable for the best interest of Western General creditors.
11 However, no investment or reinvestment shall be made exceeding the sum of \$100,000 without
12 first obtaining permission of this Court, except the Conservator may make investments or
13 reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per investment or
14 reinvestment, without prior approval if such investments or reinvestments are made pursuant to
15 any provisions of the existing investment guidelines and investment programs of Western General
16 that the Conservator determines are prudent and appropriate to continue. Such investment
17 guidelines shall be applicable only to non-pledged and or unencumbered assets in the estate;

18 26. Authorizing the Conservator to pay such priority liabilities during conservation as
19 the Commissioner, as statutory conservator, shall determine appropriate and to immediately
20 reserve against the full payment of such expenses; and

21 27. Enjoining all persons from the waste of the assets of Western General.
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1 Dated: May 25, 2021

Respectfully Submitted,

2 ROB BONTA
3 Attorney General of California
4 LISA W. CHAO
5 Supervising Deputy Attorney General

6 

7 DOUGLAS J. BETETA
8 Deputy Attorney General
9 *Attorneys for Petitioner*
10 *Insurance Commissioner of the State of*
11 *California*

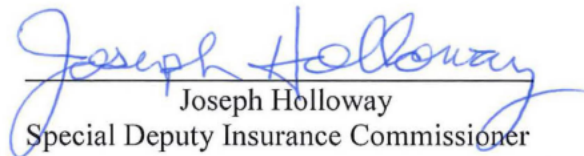
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VERIFICATION

I, Joseph Holloway, state that I am the Chief Executive Officer of the Insurance Commissioner's Conservation & Liquidation Office, and, since October 29, 2020, have been the duly appointed Special Insurance Examiner of Western General Insurance Company; that I make this verification in my official capacity; that I have read the foregoing Verified Ex Parte Application for Order Appointing Insurance Commissioner As Conservator; and that the facts stated therein are true of my own knowledge except as to matters which are therein stated on information and belief and, as to those matters, I believe them to be true.

Executed on this the 24th day of May 2021, at Calabasas, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.


Joseph Holloway
Special Deputy Insurance Commissioner

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 Insurance Commissioner Ricardo Lara (Commissioner) appointed a special examiner to
3 ascertain Western General Insurance Company's (Western General) financial condition on
4 October 28, 2020. Since that date the special examiner has worked with Western General to find
5 a solution to its financial troubles, including finding an investor or a buyer for its assets.
6 Nonetheless, to date a solution that adequately protects policyholders and allows Western General
7 to continue in its current form has not been found. The Commissioner has now determined that:

- 8 • Western General is operating in a hazardous financial condition; and
9 • By the end of the second quarter of 2021, Western General will have less than the
10 \$2.5 million minimum capital and surplus required by the Insurance Code for the
11 issuance of a certificate of authority.

12 Thus, pursuant to Insurance Code section 1011 and specifically, the existence of the
13 conditions set forth in subdivisions (d) and (h) of that section, the Commissioner is entitled to and
14 respectfully requests an ex parte order appointing him as conservator of Western General as well
15 as the entry of the additional orders set forth above in his ex parte application. Notably, Western
16 General's board of directors and its majority shareholder consent to conservation. (See Exhibit
17 B.)

18 **I. An Immediate Conservation Order Is Required.**

19 Insurance Code section 1011 authorizes the California Insurance Commissioner to obtain
20 an order appointing him as conservator of entities he regulates whenever he finds certain
21 enumerated conditions exist. Insurance Code section 1011 states, in pertinent part:

22 The superior court of the county in which the principal office of a person
23 described in Section 1010 is located, upon the filing by the commissioner of the
24 verified application showing any of the conditions in this subdivision exist ...
25 shall issue its order vesting title to all of the assets of that person, wheresoever
26 situated, in the commissioner or his or her successor in office, in his or her official
27 capacity, and direct the commissioner forthwith to take possession of all of its
28 books, records, property, real and personal, and assets, and to conduct, as
 conservator, the business of the person, or so much thereof as to the commissioner
 may seem appropriate, and enjoining the person and its officers, directors, agents,
 servants, and employees from the transaction of its business or disposition of its
 property until any of the following further order of the court:

* * *

1 (d) That the person is found, after an examination, to be in a condition that
2 makes its further transaction of business hazardous to its policyholders, or
creditors, or to the public.

3 * * *

4 (h) That a domestic insurer does not comply with the requirements for the
issuance to it of a certificate of authority, or that its certificate of authority
5 has been revoked.

6 (Ins. Code, § 1011.)

7 As used in the Insurance Code, “commissioner” means the California Insurance
8 Commissioner. (Ins. Code, § 20.) Where the Insurance Code says an act “shall” be done, the act
9 is mandatory, not permissive. (Ins. Code, § 16.)

10 Western General’s assets can be placed in conservatorship under Insurance Code section
11 1011 because it is “person described in [Insurance Code] section 1010.” Subdivision a of
12 Insurance Code section 1010 provides:

13 The provisions of this article [Article 14, Chapter 1, Part 2, Division 1 of the
14 Insurance Code] shall apply to all persons, except the State Compensation
Insurance Fund, subject to examination by the commissioner, or purporting to do
15 insurance business in this state, or in the process of organization with intent to do
such business therein, or from whom the commissioner’s certificate of authority is
16 required for the transaction of business, or whose certificate of authority is
revoked or suspended.

17 (Ins. Code, § 1010, subd. (a).) Western General requires a Certificate of Authority from the
18 Commissioner for the transaction of the business of insurance in California and is subject to
19 examination by the Commissioner under Insurance Code section 730.² As such, Western General
20 is a “person” subject to Article 14, Chapter 1, Part 2, Division 1 of the Insurance Code.

21 To obtain an order appointing him conservator of an insurance company pursuant to
22 Insurance Code section 1011, the Commissioner does not need to prove to the Court that any of
23 the conditions enumerated in section 1011 exist. Rather, he needs only show that he has
24 determined and found that one or more of the conditions enumerated in section 1011 exist. “In
25 obtaining his original ex parte order, the commissioner is not required to show to the court that

26 ² Insurance Code section 730(b) provides, in pertinent part, “[t]he commissioner may
27 conduct an examination under this article of any company as often as the commissioner in his or
28 her discretion deems appropriate but shall, at a minimum, conduct an examination of every
insurer admitted in this state not less frequently than once every five years.....”

1 the company was in fact in a hazardous condition, but only that he, as a state officer, invested by
2 legislative authority with the power, has so ‘determined’ and ‘found.’” (*Caminetti v. Imperial*
3 *Mut. L. Ins. Co.* (1943) 59 Cal.App.2d 476, 487; see also *Rhode Island Ins. Co. v. Downey* (1949)
4 95 Cal.App.2d 220, 230-231 [“The statute, as construed by the California courts, requires only
5 that the commissioner file a verified application stating that he has found one, or more, of the
6 statutory grounds to exist.”].)

7 As set forth in the Verified Ex parte Application and as agreed to by Western General’s
8 board of directors and majority shareholder, the Commissioner has found and determined that
9 adequate grounds exist for the appointment of a conservator:

10 *First*, by the end of the second quarter of 2021, Western General will very likely have
11 inadequate capital and thus, will fail to comply with the requirements for the issuance of a
12 certificate of authority. Western General’s Quarterly Statement reports that, as of March 31,
13 2021, Western General had admitted assets of \$44,901,649 and liabilities of \$40,941,737, with a
14 reported paid-in capital and surplus of \$3,959,912. But Western General continues to sustain net
15 losses of approximately \$500,000 per month. This will result in a minimum capital of less than
16 the \$2,500,000 required by Insurance Code sections 700.01, 700.02 and 700.025 to obtain and
17 maintain a certificate of authority, by the end of June 2021. Western General, thus, will not be
18 able to meet its capital and surplus requirements, which is grounds for appointment of a
19 conservator under Insurance Code section 1011, subdivision (h).

20 *Second*, after an examination, the Commissioner has found Western General to be in a
21 condition that makes its further transaction of business hazardous to its policyholders, or
22 creditors, or to the public. Western General is quickly spending its remaining paid-in capital and
23 surplus on mounting liabilities. Due to its distressed financial condition, Western General and the
24 Commissioner agreed that a Special Examiner appointed by the Commissioner would provide on-
25 site regulatory oversight of Western General on behalf of the Commissioner. Nonetheless, the
26 losses have continued. Now the Special Examiner has found, and Western General’s board of
27 directors as well as its majority shareholder agree, that Western General’s policyholders and
28 creditors can only be adequately protected through conservation. Thus, the Commissioner is

1 entitled to be appointed conservator pursuant Insurance Code section 1011, subdivision (d).

2 **II. Ex Parte Relief Is Appropriate.**

3 Because of the rapidly declining condition of Western General, the Commissioner has
4 requested appointment as conservator on an ex parte basis. Controlling authority holds that a
5 court may appoint the Commissioner as conservator of an insurer with no notice. (See, e.g.,
6 *Rhode Island Ins. Co. v. Downey* (1949) 95 Cal.App.2d 220, 229.) To obtain ex parte relief, the
7 Commissioner need not show an urgent emergency, only that the Commissioner has made the
8 appropriate finding pursuant to section 1011. (*Id.* at pp. 230-231.) This is not a deprivation of
9 due process because, if the seized insurance company disagrees with the seizure, it may apply for
10 and have a full hearing after such order pursuant to Insurance Code section 1012. (*Id.* at pp. 235-
11 236.) In any event, Western General has also agreed to conservation. (See Exhibit B.)

12 **III. The Relief Requested in the Ex Parte Application Is Appropriate.**

13 Upon filing of the Verified Ex Parte Application and with the requisite factual findings, the
14 court “shall” issue an order vesting title of all the insurance company’s assets in the
15 Commissioner as conservator. (Ins. Code, § 1011.) As Conservator, the Commissioner is vested
16 with title to all assets of the insurance company and is authorized, among other things, to take
17 possession of the assets and to conduct so much of its business as he deems appropriate. (*Ibid.*)
18 As Conservator, the Commissioner is authorized to appoint deputy commissioners and employ
19 legal counsel and clerks and assistants, and is given broad authorities and powers concerning the
20 conserved insurance company and the handling of its assets and liabilities. (Ins. Code, §§ 1037 &
21 1038.) Although there are enumerated powers, the Insurance Code is explicit that the
22 enumeration shall not limit the Conservator’s “right to perform and to do such other acts not
23 herein specifically enumerated, or otherwise provided for, which the commissioner may deem
24 necessary or expedient for the accomplishment or in aid of the purpose of such proceedings.”
25 (Ins. Code, § 1037.) For example, although it is not enumerated in the Insurance Code, the
26 Conservator has the power to reject contracts entered into by the insurance company. (See, e.g.,
27 *Neblett v. Carpenter* (1938) 305 U.S. 297, 305 [59 S. Ct. 170].)

1 In aid of the Conservator's administration of the insurance company's estate, the Insurance
2 Code authorizes the Court to issue injunctive relief. Section 1011 provides that, upon
3 appointment of the Conservator, the Court shall issue an order "enjoining the person [i.e., the
4 insurance company] and its officers, directors, agents, servants, and employees from the
5 transaction of its business or disposition of its property until ... further order of the court."
6 Moreover, section 1020 of the Insurance Code provides:

7 Upon the issuance of an order either under Section 1011 or 1016 ... the court shall
8 issue such other injunctions or orders as may be deemed necessary to prevent any or
all of the following occurrences:

- 9 (a) Interference with the commissioner or the proceeding.
10 (b) Waste of assets of such person.
11 (c) The institution or prosecution of any actions or proceedings.
12 (d) The obtaining of preferences, judgments, attachments, or other liens against such
13 person or its assets.
14 (e) The making of any levy against any such person or its assets.

15 * * *

- 16 (g) Any managing general agent or attorney in fact from withholding from the
17 commissioner any books, records, accounts, documents or other writing relating to
18 the business of such person; provided, however, that, if by contract or otherwise
any of the same are the property of such an agent or attorney, the same shall be
returned when no longer necessary to the commissioner or at any time the court
after notice and hearing shall so direct.

19 (Ins. Code, § 1020.)

20 The relief requested in the Verified Ex Parte Application is consistent with the broad
21 powers granted to the Conservator under the Insurance Code.

22 CONCLUSION

23 For the foregoing reasons, the Commissioner respectfully requests that the Court grant the
24 relief the Verified Ex Parte Application and issue the concurrently-submitted proposed order
25 appointing him as conservator of Western General forthwith.
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28

1 Dated: May 25, 2021

Respectfully Submitted,

2 ROB BONTA
3 Attorney General of California
4 LISA W. CHAO
5 Supervising Deputy Attorney General

6 

7 DOUGLAS J. BETETA
8 Deputy Attorney General
9 *Attorneys for Petitioner*
10 *Insurance Commissioner of the State of*
11 *California*

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EXHIBIT A

QUARTERLY STATEMENT
OF THE
Western General Insurance
Company
Of
Calabasas
in the state of CA

to the Insurance Department
of the State of

For the Period Ended
March 31, 2021

2021



QUARTERLY STATEMENT

As of March 31, 2021
of the Condition and Affairs of the

Western General Insurance Company

NAIC Group Code..... 0, 0 (Current Period) (Prior Period)	NAIC Company Code..... 27502	Employer's ID Number..... 95-2773313
Organized under the Laws of CA	State of Domicile or Port of Entry CA	Country of Domicile US
Incorporated/Organized..... August 11, 1971	Commenced Business..... July 10, 1973	
Statutory Home Office	5230 Las Virgenes Road Suite 100 .. Calabasas .. CA .. US .. 91302 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	5230 Las Virgenes Road Suite 100 .. Calabasas .. CA .. US .. 91302 (Street and Number) (City or Town, State, Country and Zip Code)	818-880-9070 (Area Code) (Telephone Number)
Mail Address	5230 Las Virgenes Road Suite 100 .. Calabasas .. CA .. US .. 91302 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	5230 Las Virgenes Road Suite 100 .. Calabasas .. CA .. US .. 91302 (Street and Number) (City or Town, State, Country and Zip Code)	818-880-9070 (Area Code) (Telephone Number)
Internet Web Site Address	www.westerngeneral.com	
Statutory Statement Contact	John L Albanese (Name) jalbanese@westerngeneral.com (E-Mail Address)	818-880-9070 (Area Code) (Telephone Number) (Extension) 818-880-0696 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Robert M Ehrlich	President	2. Laurel Ehrlich	Secretary
3. John L Albanese	Treasurer	4.	

OTHER

DIRECTORS OR TRUSTEES

Robert M Ehrlich	Marleen F Kushner	Laurel Ehrlich	John L Albanese
Mark Goldsmith	Justin Martin		

State of..... California
County of..... Los Angeles

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Robert M Ehrlich 1. (Printed Name) President (Title)	(Signature) Laurel Ehrlich 2. (Printed Name) Secretary (Title)	(Signature) John L Albanese 3. (Printed Name) Treasurer (Title)
Subscribed and sworn to before me This _____ day of _____	a. Is this an original filing? b. If no: 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes [X] No [] _____ _____ _____

Western General Insurance Company
ASSETS

	Current Statement Date			4
	1	2	3	
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds.....	16,909,476		16,909,476	17,045,151
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	3,486
3. Mortgage loans on real estate:				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....6,171,875), cash equivalents (\$.....260,553) and short-term investments (\$.....0).....	6,432,428		6,432,428	6,004,140
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives.....			0	
8. Other invested assets.....			0	
9. Receivables for securities.....			0	
10. Securities lending reinvested collateral assets.....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	23,341,904	0	23,341,904	23,052,777
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	117,842		117,842	126,579
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	2,290,063	788,025	1,502,038	7,886,310
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	12,731,261		12,731,261	16,331,175
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0).....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	7,087,903		7,087,903	8,198,557
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	120,701		120,701	120,701
18.2 Net deferred tax asset.....	4,924,191	4,924,191	0	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....			0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	71,734	71,734	0	1,596,784
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	239,697	239,697	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	50,925,296	6,023,647	44,901,649	57,312,883
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. Total (Lines 26 and 27).....	50,925,296	6,023,647	44,901,649	57,312,883

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Due from Reinsurer.....			0	
2502. Leasehold Deposit.....	139,697	139,697	0	
2503. Retainer.....	100,000	100,000	0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	239,697	239,697	0	0

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$3,095,608).....	.....11,910,766	.....12,288,841
2. Reinsurance payable on paid losses and loss adjustment expenses.....	.....934,707	.....968,673
3. Loss adjustment expenses.....	.....3,536,761	.....3,549,271
4. Commissions payable, contingent commissions and other similar charges.....	.....(1,511,069)	.....(1,119,709)
5. Other expenses (excluding taxes, licenses and fees).....	.....282,492	.....922,870
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	.....362,424	.....168,972
7.1 Current federal and foreign income taxes (including \$0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$0 and interest thereon \$0.....	.....41,400	.....82,200
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$8,509,788 and including warranty reserves of \$0 and accrued accident and health experience rating refunds including \$0 for medical loss ratio rebate per the Public Health Service Act).....	.....12,595,360	.....8,717,839
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	.....12,046,441	.....23,176,957
13. Funds held by company under reinsurance treaties.....	.....742,455	.....812,880
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$0 certified).....		.....3,000
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....		
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$0 and interest thereon \$0.....		
25. Aggregate write-ins for liabilities.....	.....0	.....0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	.....40,941,737	.....49,571,794
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	.....40,941,737	.....49,571,794
29. Aggregate write-ins for special surplus funds.....	.....0	.....0
30. Common capital stock.....	.....3,105,000	.....3,105,000
31. Preferred capital stock.....	.....7,640,000	.....7,640,000
32. Aggregate write-ins for other than special surplus funds.....	.....0	.....0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	.....1,226,000	.....1,226,000
35. Unassigned funds (surplus).....	.....(7,783,288)	.....(4,002,111)
36. Less treasury stock, at cost:		
36.1 .....552.000 shares common (value included in Line 30 \$38,088).....	.....227,800	.....227,800
36.2 .....0.000 shares preferred (value included in Line 31 \$0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36).....	.....3,959,912	.....7,741,089
38. Totals (Page 2, Line 28, Col. 3).....	.....44,901,649	.....57,312,883

DETAILS OF WRITE-INS

2501. Excess of statutory reserves over statement reserves(Schedule P Interrogatories).....		
2502. Retroactive Reinsurance Reserves Ceded.....		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.....0	.....0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.....0	.....0
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.....0	.....0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.....0	.....0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	.....0	.....0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	.....0	.....0

STATEMENT OF INCOME

	1	2	3
	Current Year to Date	Prior Year to Date	Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct..... (written \$....9,978,196).....	18,489,147	31,735,643	111,001,817
1.2 Assumed..... (written \$....1,099,124).....	1,420,674	3,552,293	11,462,854
1.3 Ceded..... (written \$....574,224).....	13,284,246	23,315,367	84,281,919
1.4 Net..... (written \$....10,503,096).....	6,625,575	11,972,569	38,182,752
DEDUCTIONS:			
2. Losses incurred (current accident year \$....4,259,611):			
2.1 Direct.....	12,537,069	18,891,504	64,754,602
2.2 Assumed.....	401,034	3,825,186	6,041,346
2.3 Ceded.....	8,464,192	16,403,150	49,901,039
2.4 Net.....	4,473,911	6,313,540	20,894,909
3. Loss adjustment expenses incurred.....	996,562	1,388,221	5,152,926
4. Other underwriting expenses incurred.....	4,265,582	5,916,322	18,042,021
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	9,736,055	13,618,083	44,089,856
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(3,110,480)	(1,645,514)	(5,907,104)
INVESTMENT INCOME			
9. Net investment income earned.....	103,829	179,219	528,430
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....	68		647,961
11. Net investment gain (loss) (Lines 9 + 10).....	103,897	179,219	1,176,391
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0		
13. Finance and service charges not included in premiums.....	1,115,448	1,790,086	6,574,926
14. Aggregate write-ins for miscellaneous income.....	(1,032,438)	(1,789,141)	(6,571,241)
15. Total other income (Lines 12 through 14).....	83,010	945	3,685
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(2,923,573)	(1,465,350)	(4,727,028)
17. Dividends to policyholders.....			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(2,923,573)	(1,465,350)	(4,727,028)
19. Federal and foreign income taxes incurred.....		(57,471)	(57,471)
20. Net income (Line 18 minus Line 19) (to Line 22).....	(2,923,573)	(1,407,879)	(4,669,557)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year.....	7,741,089	20,485,118	3,592,922
22. Net income (from Line 20).....	(2,923,573)	(1,407,879)	(4,669,557)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	(844)	(427,848)	(403,515)
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....			1,034,276
27. Change in nonadmitted assets.....	(859,760)	363,402	10,447,086
28. Change in provision for reinsurance.....	3,000	(369,232)	(3,000)
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....			
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	(2,257,123)
38. Change in surplus as regards policyholders (Lines 22 through 37).....	(3,781,177)	(1,841,557)	4,148,167
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	3,959,912	18,643,561	7,741,089

DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Subpoenas Fees.....	810	945	3,685
1402. Finance and Service Charges Retained by General Agents.....	(1,115,448)	(1,790,086)	(6,574,926)
1403. Forgiveness of PPP Loan.....	82,200		
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(1,032,438)	(1,789,141)	(6,571,241)
3701. Excess of statutory reserves over statement reserves(Schedule P Interrogatories).....			
3702. Correction of an Error.....			(2,257,123)
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	(2,257,123)

Western General Insurance Company
CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
CASH FROM OPERATIONS			
1. Premiums collected net of reinsurance.....	8,534,773	12,960,489	37,363,656
2. Net investment income.....	129,149	207,687	661,137
3. Miscellaneous income.....	83,010	945	3,685
4. Total (Lines 1 through 3).....	8,746,932	13,169,121	38,028,478
5. Benefit and loss related payments.....	3,741,332	13,089,593	20,141,944
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions.....	6,184,674	6,300,190	22,569,594
8. Dividends paid to policyholders.....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....			
10. Total (Lines 5 through 9).....	9,926,006	19,389,783	42,711,538
11. Net cash from operations (Line 4 minus Line 10).....	(1,179,074)	(6,220,662)	(4,683,060)
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	942,197	591,351	7,236,683
12.2 Stocks.....	2,710		2,032,485
12.3 Mortgage loans.....			
12.4 Real estate.....			
12.5 Other invested assets.....			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....			
12.7 Miscellaneous proceeds.....			
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	944,907	591,351	9,269,168
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	823,099	1,698,415	6,367,824
13.2 Stocks.....			2,643
13.3 Mortgage loans.....			
13.4 Real estate.....			
13.5 Other invested assets.....			
13.6 Miscellaneous applications.....			
13.7 Total investments acquired (Lines 13.1 to 13.6).....	823,099	1,698,415	6,370,467
14. Net increase or (decrease) in contract loans and premium notes.....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	121,808	(1,107,064)	2,898,701
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....			
16.2 Capital and paid in surplus, less treasury stock.....			
16.3 Borrowed funds.....	(40,800)		82,200
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....			
16.5 Dividends to stockholders.....			
16.6 Other cash provided (applied).....	1,526,354	1,148,290	(1,757,554)
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	1,485,554	1,148,290	(1,675,354)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	428,288	(6,179,436)	(3,459,713)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	6,004,140	9,463,853	9,463,853
19.2 End of period (Line 18 plus Line 19.1).....	6,432,428	3,284,417	6,004,140
Note: Supplemental disclosures of cash flow information for non-cash transactions:			
20.0001 .....	.....	.....	.....

Note 1 - Summary of Significant Accounting Policies

A. The accompanying financial statements of the Company have been prepared in conformity with the NAIC Accounting Practices and Procedures manual.

	SSAP	F/S Page	F/S Line #	2021	2020
NET INCOME					
1. Company state basis (Page 4, Line 20, Column 1 & 2)	XXX	XXX	XXX	(2,923,573)	(4,669,557)
2. State Prescribed Practices that are an increase (decrease) from NAIC SAP					
3. State Permitted Practices that is an increase/(decrease) from NAIC SAP					
4. NAIC SAP (1 - 2 - 3 = 4)	XXX	XXX	XXX	(2,923,573)	(4,669,557)

	SSAP	F/S Page	F/S Line #	2021	2020
SURPLUS					
5. Company state basis (Page 3, Line 37, Column 1 & 2)	XXX	XXX	XXX	3,959,912	7,741,089
6. State Prescribed Practices that are an increase (decrease) from NAIC SAP					
7. State Permitted Practices that is an increase/(decrease) from NAIC SAP					
8. NAIC SAP (5 - 6 - 7 = 8)	XXX	XXX	XXX	3,959,912	7,741,089

Note 2 - Accounting Changes and Corrections of Errors - NONE

Note 3 - Business Combinations and Goodwill - NONE

Note 4 - Discontinued Operations - NONE

Note 5 - Investments - NO CHANGES

D. Loan-Backed Securities - NONE

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies - NONE

Note 7 - Investment Income - NO CHANGE

Note 8 - Derivate Instruments - NONE

Note 9 - Income Taxes - NO SIGNIFICANT CHANGES

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates - NO SIGNIFICANT CHANGE

Note 11 - Debt

The Company received a second loan from Citibank NA in the amount of \$ 41,400 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated February 26, 2021 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. The company’s first PPP loan received on May 4, 2020 in the amount \$82,200 was forgiven in full on January 4, 2021.

Note 12 - Retirement Plans - NOT APPLICABLE

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations - NO SIGNIFICANT CHANGE

Note 14 - Contingencies - NO CHANGE

Note 15 - Leases - NO SIGNIFICANT CHANGES

Note 16 - Information about Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk - NO CHANGE

Note 17 - Sale, Transfer & Servicing of Financial Asset & Extinguishments of Liabilities

- A. Transfer of receivable reported as sales – Not Applicable
- B. Transfer and servicing of financial assets – Not Applicable
- C. Wash sales - Not Applicable

Note 18 - Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans - NOT APPLICABLE

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NO CHANGE

Note 20 – Fair Value Measurements

- A. Inputs Used for Assets and Liabilities Measured at Fair Value on Recurring Basis

1. Assets and Liabilities Measured at Fair Value on Recurring Basis: Level 1, 2 and 3

The Company has NO assets and liabilities that are measured at fair value on a recurring basis into the three-level fair value hierarchy as reflected in the following table. See item 3 below for a discussion of each of these three levels.

1 Description	2 Level 1	3 Level 2	4 Level 3	5 Total
Assets at fair value				
Common Stocks		NONE		
Total Assets				
Liabilites at fair value				
Total Liabilities				

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value on a recurring basis in this category.

3. Inputs and Techniques Used for Fair Value

Level 1 – Quoted Prices in Active Markets for Identical Assets and Liabilities: This category for items measured at fair value on a recurring basis includes exchange-traded common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 – Significant Other Observable Inputs: The Company has no assets or liabilities measured at fair value on a recurring basis in this category.

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value on a recurring basis in this category.

- B. Inputs Used for Assets and Liabilities Measured at Fair Value on nonrecurring Basis: Levels 1, 2 and 3 - Not Applicable
- C. Other Fair Value Disclosures – Not Applicable

Type of Financial Instruments	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	17,663,585	16,909,476	2,793,167	14,870,418			
Common Stocks							

- D. Reasons Not Practical to Estimate fair Value – Not Applicable
- E. Instruments Measured at Net Asset Value – Not Applicable

Note 21 - Other Items - NO CHANGE

Note 22 - Events Subsequent - NO SIGNIFICANT CHANGES

Note 23 – Reinsurance – NO SIGNIFICANT CHANGES

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination - NONE

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

- A. NONE

Note 26 - Intercompany Pooling Arrangements - NONE

Note 27 - Structured Settlements - NOT APPLICABLE

Note 28 - Health Care Receivables - NOT APPLICABLE

Note 29 - Participating Policies - NOT APPLICABLE

Note 30 - Premium Deficiency Reserves – NO CHANGE

Note 31 - High Deductibles - NOT APPLICABLE

Note 32 - Discounting of liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses - NOT APPLICABLE

Note 33 - Asbestos and Environment reserves - NOT APPLICABLE

Note 34 - Subscriber Savings Accounts - NOT APPLICABLE

Note 35 - Multiple Peril Crop Insurance - NOT APPLICABLE

Note 36 – Financial Guaranty Insurance – NOT APPLICABLE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes [☐] No [☒ X]

1.2

If yes, has the report been filed with the domiciliary state?

Yes [☐] No [☐]

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [☐] No [☒ X]

2.2

If yes, date of change:

3.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?
If yes, complete Schedule Y, Parts 1 and 1A.

Yes [☒ X] No [☐]

3.2

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes [☐] No [☒ X]

3.3

If the response to 3.2 is yes, provide a brief description of those changes.

3.4

Is the reporting entity publicly traded or a member of a publicly traded group?

Yes [☐] No [☒ X]

3.5

If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.

4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?
If yes, complete and file the merger history data file with the NAIC for the annual filing corresponding to this period.

Yes [☐] No [☒ X]

4.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes [☐] No [☒ X] N/A [☐]

6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2019

6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2016

6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/28/2018

6.4

By what department or departments?
California Department of Insurance

6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [☒ X] No [☐] N/A [☐]

6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [☒ X] No [☐] N/A [☐]

7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [☐] No [☒ X]

7.2

If yes, give full information:

8.1

Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board?

Yes [☐] No [☒ X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [☐] No [☒ X]

8.4

If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

Yes [☒ X] No [☐]

9.11

If the response to 9.1 is No, please explain:

9.2

Has the code of ethics for senior managers been amended?

Yes [☐] No [☒ X]

9.21

If the response to 9.2 is Yes, provide information related to amendment(s).

9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [☐] No [☒ X]

9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☐ No ☒

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$0

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes ☐ No ☒

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$0

13. Amount of real estate and mortgages held in short-term investments:

\$0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes ☐ No ☒

14.2 If yes, please complete the following:

14.21 Bonds

14.22 Preferred Stock

14.23 Common Stock

14.24 Short-Term Investments

14.25 Mortgage Loans on Real Estate

14.26 All Other

14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)

14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above

1 Prior Year End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
\$0	\$0
0	0
0	0
0	0
0	0
0	0
0	0
\$0	\$0
\$0	\$0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes ☐ No ☒

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes ☐ No ☐ N/A ☒

If no, attach a description with this statement.

16. For the reporting entity's security lending program, state the amount of the following as of current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

16.3 Total payable for securities lending reported on the liability page:

\$0

17. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes ☒ No ☐

17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
MUFG Union Bank NA	350 Claifornia Street 17th Floor San Francisco CA 94104

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

Yes ☐ No ☒

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such ["...that have access to the investment accounts", "handle securities"].

1 Name of Firm or Individual	2 Affiliation
New England Asset Management	U

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's invested assets?

Yes ☒ No ☐

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's invested assets?

Yes ☒ No ☐

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
MUFG Union Bank NA	New England Asset Management	KUR85E5PS4GQFZTFC130	Securities and Exchange Commission	NO

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed?

Yes ☒ No ☐

18.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

19. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:

a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.

b. Issuer or obligor is current on all contracted interest and principal payments.

c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities?

Yes [] No [X]
20. By self-designating PLGI securities, the reporting entity is certifying the following elements for each self-designated PLGI security:

a. The security was purchased prior to January 1, 2018.

b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.

c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.

d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities?

Yes [] No [X]
21. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:

a. The security was purchased prior to January 1, 2019.

b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.

c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.

d. The fund only or predominantly holds bonds in its portfolio.

e. The current reporting NAIC designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.

f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.

Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria?

Yes [] No [X]

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1	2	3	4	5	6	7
NAIC Company Code	ID Number	Name of Reinsurer	Domiciliary Jurisdiction	Type of Reinsurer	Certified Reinsurer Rating (1 through 6)	Effective Date of Certified Reinsurer Rating

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.		1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
			2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1.	Alabama.....AL	..L..	.....(281)	.....1,275	.....	.....	.....	.....
2.	Alaska.....AK	..L..	.....	.....	.....	.....	.....	.....
3.	Arizona.....AZ	..L..	.....77,272	.....469,669	.....178,312	.....477,241	.....262,490	.....426,090
4.	Arkansas.....AR	..L..	.....	.....	.....	.....	.....	.....
5.	California.....CA	..L..	.....8,170,763	.....24,765,537	.....11,996,914	.....17,032,724	.....35,817,531	.....39,269,047
6.	Colorado.....CO	..L..	.....317,067	.....473,111	.....278,033	.....487,483	.....378,540	.....436,057
7.	Connecticut.....CT	..L..	.....	.....	.....	.....	.....	.....
8.	Delaware.....DE	..L..	.....	.....	.....	.....	.....	.....
9.	District of Columbia.....DC	..L..	.....	.....534	.....	.....	.....	.....
10.	Florida.....FL	..L..	.....	.....	.....(62)	.....(208)	.....	.....
11.	Georgia.....GA	..L..	.....(1,068)	.....14,414	.....1,525	.....25,000	.....	.....
12.	Hawaii.....HI	..L..	.....	.....	.....	.....	.....	.....
13.	Idaho.....ID	..L..	.....	.....	.....	.....	.....	.....
14.	Illinois.....IL	..L..	.....	.....1,370	.....	.....	.....	.....
15.	Indiana.....IN	..L..	.....	.....	.....	.....	.....	.....
16.	Iowa.....IA	..L..	.....	.....	.....	.....	.....	.....
17.	Kansas.....KS	..L..	.....	.....	.....	.....	.....	.....
18.	Kentucky.....KY	..L..	.....	.....	.....	.....	.....	.....
19.	Louisiana.....LA	..L..	.....	.....	.....	.....	.....	.....
20.	Maine.....ME	..L..	.....	.....	.....	.....	.....	.....
21.	Maryland.....MD	..L..	.....(152)	.....1,258	.....	.....6,287	.....	.....1,650
22.	Massachusetts.....MA	..N..	.....	.....	.....	.....	.....	.....
23.	Michigan.....MI	..N..	.....	.....	.....	.....	.....	.....
24.	Minnesota.....MN	..L..	.....	.....	.....	.....	.....	.....
25.	Mississippi.....MS	..L..	.....	.....	.....	.....	.....	.....
26.	Missouri.....MO	..L..	.....(190)	.....2,715	.....	.....2,189	.....1,650	.....1,650
27.	Montana.....MT	..N..	.....	.....	.....	.....	.....	.....
28.	Nebraska.....NE	..N..	.....	.....	.....	.....	.....	.....
29.	Nevada.....NV	..L..	.....12,074	.....139,997	.....18,193	.....9,473	.....8,600	.....29,000
30.	New Hampshire.....NH	..N..	.....	.....	.....	.....	.....	.....
31.	New Jersey.....NJ	..L..	.....	.....3,653	.....	.....	.....	.....
32.	New Mexico.....NM	..L..	.....	.....	.....	.....	.....	.....
33.	New York.....NY	..L..	.....19,091	.....27,571	.....85,030	.....69,257	.....47,565	.....16,772
34.	North Carolina.....NC	..L..	.....	.....	.....	.....	.....	.....
35.	North Dakota.....ND	..N..	.....	.....	.....	.....	.....	.....
36.	Ohio.....OH	..N..	.....	.....	.....	.....	.....	.....
37.	Oklahoma.....OK	..L..	.....	.....	.....	.....	.....	.....
38.	Oregon.....OR	..L..	.....	.....	.....	.....	.....	.....
39.	Pennsylvania.....PA	..L..	.....(324)	.....2,475	.....	.....	.....1,650	.....1,650
40.	Rhode Island.....RI	..L..	.....	.....	.....	.....	.....	.....
41.	South Carolina.....SC	..L..	.....	.....	.....	.....	.....	.....
42.	South Dakota.....SD	..N..	.....	.....	.....	.....	.....	.....
43.	Tennessee.....TN	..L..	.....(290)	.....2,023	.....	.....	.....	.....
44.	Texas.....TX	..L..	.....348,156	.....695,765	.....543,084	.....683,297	.....608,922	.....673,066
45.	Utah.....UT	..L..	.....1,036,078	.....3,326,314	.....2,724,449	.....2,382,041	.....2,798,376	.....3,424,843
46.	Vermont.....VT	..N..	.....	.....	.....	.....	.....	.....
47.	Virginia.....VA	..L..	.....	.....3,375	.....	.....	.....	.....1,650
48.	Washington.....WA	..L..	.....	.....	.....	.....	.....	.....
49.	West Virginia.....WV	..L..	.....	.....	.....	.....	.....	.....
50.	Wisconsin.....WI	..N..	.....	.....	.....	.....	.....	.....
51.	Wyoming.....WY	..N..	.....	.....	.....	.....	.....	.....
52.	American Samoa.....AS	..N..	.....	.....	.....	.....	.....	.....
53.	Guam.....GU	..N..	.....	.....	.....	.....	.....	.....
54.	Puerto Rico.....PR	..N..	.....	.....	.....	.....	.....	.....
55.	US Virgin Islands.....VI	..N..	.....	.....	.....	.....	.....	.....
56.	Northern Mariana Islands.....MP	..N..	.....	.....	.....	.....	.....	.....
57.	Canada.....CAN	..N..	.....	.....	.....	.....	.....	.....
58.	Aggregate Other Alien.....OT	..XXX..	.....0	.....0	.....0	.....0	.....0	.....0
59.	Totals.....	..XXX..	.....9,978,196	.....29,931,056	.....15,825,478	.....21,174,785	.....39,925,324	.....44,281,475

DETAILS OF WRITE-INS

58001.	.....	..XXX..	.....	.....	.....	.....	.....
58002.	.....	..XXX..	.....	.....	.....	.....	.....
58003.	.....	..XXX..	.....	.....	.....	.....	.....
58998.	Summary of remaining write-ins for Line 58 from overflow page.....	..XXX..	.....0	.....0	.....0	.....0	.....0
58999.	Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above).....	..XXX..	.....0	.....0	.....0	.....0	.....0

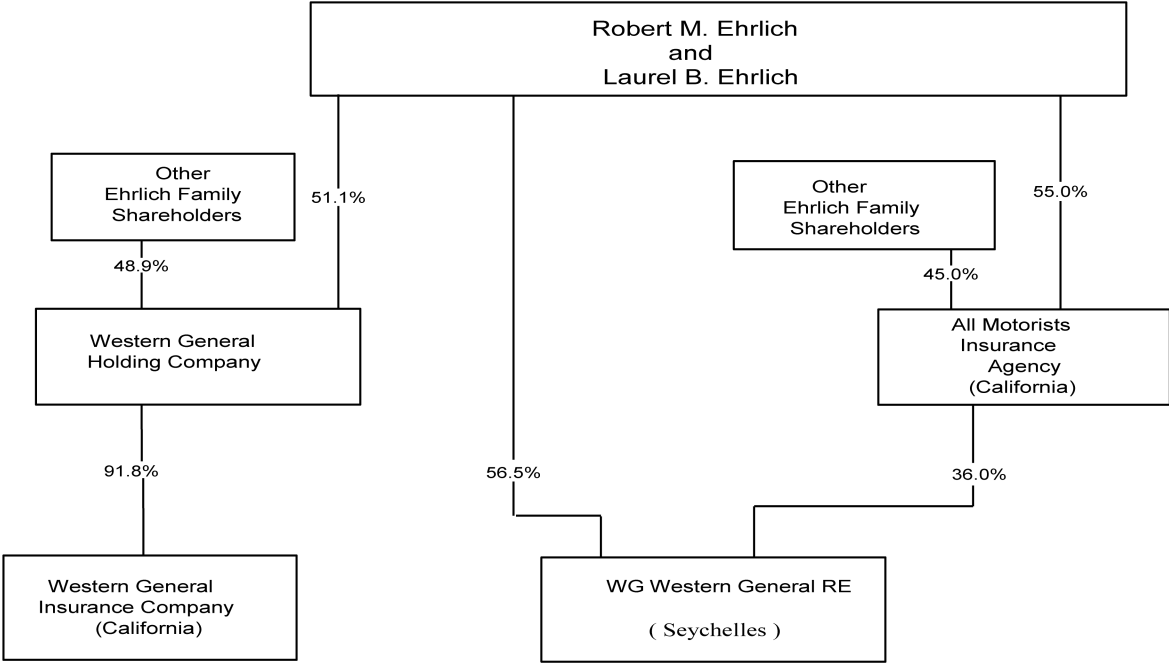
(a) Active Status Count

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG.....	40	R - Registered - Non-domiciled RRGs.....	0
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile - See DSLI).....	0	Q - Qualified - Qualified or accredited reinsurer.....	0
D - Domestic Surplus Lines Insurer (DSLI) - Reporting entities authorized to write surplus lines in the state of domicile.....	0	N - None of the above - Not allowed to write business in the state.....	17

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

The following chart depicts the interrelationship of the Company and it's affiliates within the holding company system.



No company has more than 99 shareholders and no outside shareholder owns more than 1,500 shares.

Management of the Company is vested in a 6 member board of directors, which is elected annually by the shareholders.

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	Is an SCA Filing Required? (Y/N)	*
Members															
.....	Western General Group.....	00000...	95-4774944..	.....	.....	.....	Western General Holding Company.....	CA.....	UDP.....	Robert M. Ehrlich.....	Ownership.....	.....51.100	Robert M. Ehrlich.....	.....N.....	.....
.....	Western General Group.....	27502...	95-2773313..	.....	.....	.....	Western General Insurance Company.....	CA.....	.....	Western General Holding Company.....	Ownership.....	.....91.800	Robert M. Ehrlich.....	.....N.....	.....
.....	Western General Group.....	00000...	95-2103043..	.....	.....	.....	All Motorists Insurance Agency.....	CA.....	NIA.....	Robert M. Ehrlich.....	Ownership.....	.....55.000	Robert M. Ehrlich.....	.....N.....	.....
.....	Western General Group.....	00000...	98-0153146..	.....	.....	.....	WG Western General Re.....	SYC.....	IA.....	Robert M. Ehrlich.....	Ownership.....	.....56.500	Robert M. Ehrlich.....	.....N.....	.....
.....	Western General Group.....	00000...	98-0153146..	.....	.....	.....	WG Western General Re.....	SYC.....	IA.....	All Motorists Insurance Agency.....	Ownership.....	.....36.000	Robert M. Ehrlich.....	.....N.....	.....

PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			0.000	
2. Allied lines.....			0.000	
3. Farmowners multiple peril.....			0.000	
4. Homeowners multiple peril.....			0.000	
5. Commercial multiple peril.....			0.000	
6. Mortgage guaranty.....			0.000	
8. Ocean marine.....			0.000	
9. Inland marine.....			0.000	
10. Financial guaranty.....			0.000	
11.1. Medical professional liability - occurrence.....			0.000	
11.2. Medical professional liability - claims-made.....			0.000	
12. Earthquake.....			0.000	
13. Group accident and health.....			0.000	
14. Credit accident and health.....			0.000	
15. Other accident and health.....			0.000	
16. Workers' compensation.....			0.000	
17.1 Other liability-occurrence.....			0.000	
17.2 Other liability-claims made.....			0.000	
17.3 Excess workers' compensation.....			0.000	
18.1 Products liability-occurrence.....			0.000	
18.2 Products liability-claims made.....			0.000	
19.1, 19.2 Private passenger auto liability.....	11,187,251	8,593,299	76.813	64.993
19.3, 19.4 Commercial auto liability.....		(2,131)	0.000	98.302
21. Auto physical damage.....	7,252,069	3,837,199	52.912	49.862
22. Aircraft (all perils).....			0.000	
23. Fidelity.....			0.000	
24. Surety.....			0.000	
26. Burglary and theft.....			0.000	
27. Boiler and machinery.....			0.000	
28. Credit.....			0.000	
29. International.....			0.000	
30. Warranty.....	49,827	108,702	218.159	146.241
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0.000	
35. Totals.....	18,489,147	12,537,069	67.808	59.528
DETAILS OF WRITE-INS				
3401. Miscellaneous.....			0.000	
3402.			0.000	
3403.			0.000	
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.000	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.000	

PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire.....			
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....			
5. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....			
11.1 Medical professional liability - occurrence.....			
11.2 Medical professional liability - claims made.....			
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1 Other liability-occurrence.....			
17.2 Other liability-claims made.....			
17.3 Excess workers' compensation.....			
18.1 Products liability-occurrence.....			
18.2 Products liability-claims made.....			
19.1 19.2 Private passenger auto liability.....	6,887,085	6,887,085	14,671,459
19.3 19.4 Commercial auto liability.....			1,274,406
21. Auto physical damage.....	3,072,020	3,072,020	13,957,620
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....			
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Warranty.....	19,091	19,091	27,571
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0
35. Totals.....	9,978,196	9,978,196	29,931,056
DETAILS OF WRITE-INS			
3401. Miscellaneous.....			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13	
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2021 Loss and LAE Payments on Claims Reported as of Prior Year-End	2021 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2021 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)	
1. 2018 + Prior.....	.....809	.....2,666	.....3,475	.....1,275	.....2	.....1,277	.....636	.....40	.....2,126	.....2,802	.....1,102	.....(498)	.....604
2. 2019.....	.....1,379	.....2,426	.....3,805	.....1,021	.....10	.....1,031	.....996	.....14	.....1,927	.....2,937	.....638	.....(475)	.....163
3. Subtotals 2019 + Prior.....	.....2,188	.....5,092	.....7,280	.....2,296	.....12	.....2,308	.....1,632	.....54	.....4,053	.....5,739	.....1,740	.....(973)	.....767
4. 2020.....	.....3,640	.....4,919	.....8,559	.....2,219	.....142	.....2,361	.....2,169	.....159	.....3,364	.....5,692	.....748	.....(1,254)	.....(506)
5. Subtotals 2020 + Prior.....	.....5,828	.....10,011	.....15,839	.....4,515	.....154	.....4,669	.....3,801	.....213	.....7,417	.....11,431	.....2,488	.....(2,227)	.....261
6. 2021.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....1,193	.....1,193	.....XXX.....	.....1,537	.....2,478	.....4,015	.....XXX.....	.....XXX.....	.....XXX.....
7. Totals.....	.....5,828	.....10,011	.....15,839	.....4,515	.....1,347	.....5,862	.....3,801	.....1,750	.....9,895	.....15,446	.....2,488	.....(2,227)	.....261
8. Prior Year- End's Surplus As Regards Policyholders	.....7,741										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. ....42.7 %	2. ....(22.2)%	3. ....1.6 %	
														Col. 13, Line 7 Line 8
														4. ....3.4 %

Q14

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<div>NO</div>
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	<div>NO</div>
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<div>NO</div>
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<div>NO</div>

Explanation:

1.

The data for this supplement is not required to be filed.
2.

The data for this supplement is not required to be filed.
3.

The data for this supplement is not required to be filed.
4.

The data for this supplement is not required to be filed.

Bar Code:



Western General Insurance Company
Overflow Page for Write-Ins

NONE

Western General Insurance Company
SCHEDULE A - VERIFICATION
Real Estate

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Current year change in encumbrances.....		
4. Total gain (loss) on disposals.....		
5. Deduct amounts received on disposals.....		
6. Total foreign exchange change in book/adjusted carrying value.....		
7. Deduct current year's other-than-temporary impairment recognized.....		
8. Deduct current year's depreciation.....		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....		
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

SCHEDULE B - VERIFICATION
Mortgage Loans

	1	2
	Year to Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....		
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....		
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

SCHEDULE BA - VERIFICATION
Other Long-Term Invested Assets

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

SCHEDULE D - VERIFICATION
Bonds and Stocks

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	17,048,638	19,789,030
2. Cost of bonds and stocks acquired.....	823,099	6,370,467
3. Accrual of discount.....	3,313	13,280
4. Unrealized valuation increase (decrease).....	(844)	(403,516)
5. Total gain (loss) on disposals.....	68	627,359
6. Deduct consideration for bonds and stocks disposed of.....	944,907	9,269,169
7. Deduct amortization of premium.....	19,896	99,416
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees.....		20,603
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9+10).....	16,909,471	17,048,638
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	16,909,471	17,048,638

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

	1	2	3	4	5	6	7	8
NAIC Designation	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. NAIC 1 (a).....	14,812,928	823,099	712,187	(13,144)	14,910,696			14,812,928
2. NAIC 2 (a).....	2,502,214		500,000	(3,439)	1,998,775			2,502,214
3. NAIC 3 (a).....					0			
4. NAIC 4 (a).....					0			
5. NAIC 5 (a).....					0			
6. NAIC 6 (a).....					0			
7. Total Bonds.....	17,315,142	823,099	1,212,187	(16,583)	16,909,471	0	0	17,315,142
PREFERRED STOCK								
8. NAIC 1.....					0			
9. NAIC 2.....					0			
10. NAIC 3.....					0			
11. NAIC 4.....					0			
12. NAIC 5.....					0			
13. NAIC 6.....					0			
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock.....	17,315,142	823,099	1,212,187	(16,583)	16,909,471	0	0	17,315,142

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation:
NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

Sch. DA - Pt. 1
NONE

Sch. DA - Verification
NONE

Sch. DB - Pt. A - Verification
NONE

Sch. DB - Pt. B - Verification
NONE

Sch. DB - Pt. C - Sn. 1
NONE

Sch. DB - Pt. C - Sn. 2
NONE

Sch. DB - Verification
NONE

SCHEDULE E - PART 2 - VERIFICATION

Cash Equivalents

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	373,686	2,963,898
2. Cost of cash equivalents acquired.....	980,659	7,511,179
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	1,093,793	10,101,391
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/ adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	260,552	373,686
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	260,552	373,686

Sch. A Pt. 2
NONE

Sch. A Pt. 3
NONE

Sch. B - Pt. 2
NONE

Sch. B - Pt. 3
NONE

Sch. BA - Pt. 2
NONE

Sch. BA - Pt. 3
NONE

SCHEDULE D - PART 3

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Quarter

1	2		3	4	5	6	7	8	9	10
CUSIP Identification	Description		Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol
Bonds - U.S. Special Revenue and Special Assessment										
3133L8 DS 1	FHLMC UMBS 15Y FIXED.....			03/01/2021.....	Union Bank.....		515,130	496,661	414	1.....
31418D YH 9	FNMA UMBS INT 20 YEAR.....			03/01/2021.....	BNY/SUNTRUST CAPITAL MARKETS.....		307,969	300,000	167	1.....
3199999.	Total - Bonds - U.S. Special Revenue and Special Assessments.....						823,099	796,661	581	XXX
8399997.	Total - Bonds - Part 3.....						823,099	796,661	581	XXX
8399999.	Total - Bonds.....						823,099	796,661	581	XXX
9999999.	Total - Bonds, Preferred and Common Stocks.....						823,099	XXX	581	XXX

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

1	2			3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
												11	12	13	14	15							
CUSIP Identification	Description			F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization) / Accretion	Current Year's Other-Than-Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest / Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol
Bonds - U.S. Political Subdivisions of States																							
658570	EZ	5	NORTH CHARLESTON S C SWR DIST.....	..	01/01/2021.	CALLED @ 100.0000000.....	.....	.....350,000	.....350,000	.....370,815	.....350,000	.....	.....	.....	.....0	.....	.....350,000	.....	.....	.....0	.....8,050	01/01/2024.	1.B FE.....
2499999.	Total - Bonds - U.S. Political Subdivisions of States.....							.....350,000	.....350,000	.....370,815	.....350,000	.....0	.....0	.....0	.....0	.....0	.....350,000	.....0	.....0	.....0	.....8,050	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment																							
3140KP	JP	9	FNMA UMBS LNG 30 YEAR.....	..	03/25/2021.	PRINC PAL RECEIPT.....	.....	.....42,684	.....42,684	.....44,138	.....44,136	.....	.....(1,452)	.....	.....(1,452)	.....	.....42,684	.....	.....	.....0	.....174	09/01/2050.	1.
3140KD	Q8	6	FNMA UMBS LNG 30 YEAR.....	.	03/25/2021.	PRINC PAL RECEIPT.....	.....	.....11,659	.....11,659	.....12,111	.....12,109	.....	.....(450)	.....	.....(450)	.....	.....11,659	.....	.....	.....0	.....54	06/01/2050.	1.
3199999.	Total - Bonds - U.S. Special Revenue and Special Assessments.....							.....54,343	.....54,343	.....56,249	.....56,245	.....0	.....(1,902)	.....0	.....(1,902)	.....0	.....54,343	.....0	.....0	.....0	.....228	XXX	XXX
Bonds - Industrial and Miscellaneous																							
02004V	AC	7	ALLY AUTO RECV TR 2018-2.....	..	03/15/2021.	PRINC PAL RECEIPT.....	.....	.....37,854	.....37,854	.....37,847	.....37,850	.....	.....4	.....	.....4	.....	.....37,854	.....	.....	.....0	.....179	11/15/2022.	1.A FE.....
94974B	FR	6	WELLS FARGO CO MTN BE.....	.	01/22/2021.	MATURITY.....	.....	.....500,000	.....500,000	.....521,745	.....500,232	.....	.....(232)	.....	.....(232)	.....	.....500,000	.....	.....	.....0	.....7,500	01/22/2021.	2.A FE.....
3899999.	Total - Bonds - Industrial and Miscellaneous.....							.....537,854	.....537,854	.....559,592	.....538,082	.....0	.....(228)	.....0	.....(228)	.....0	.....537,854	.....0	.....0	.....0	.....7,679	XXX	XXX
8399997.	Total - Bonds - Part 4.....							.....942,197	.....942,197	.....986,656	.....944,327	.....0	.....(2,130)	.....0	.....(2,130)	.....0	.....942,197	.....0	.....0	.....0	.....15,957	XXX	XXX
8399999.	Total - Bonds.....							.....942,197	.....942,197	.....986,656	.....944,327	.....0	.....(2,130)	.....0	.....(2,130)	.....0	.....942,197	.....0	.....0	.....0	.....15,957	XXX	XXX
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded																							
92556V	10	6	VIATRIS NC.....	..	03/01/2021.	VARIOUS.....	.....186.002	.....2,710	XXX	.....2,642	.....3,486	.....(844)	.....	.....	.....(844)	.....	.....2,642	.....	.....68	.....68	.....	XXX	XXX
9099999.	Total - Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded.....							.....2,710	XXX	.....2,642	.....3,486	.....(844)	.....0	.....0	.....(844)	.....0	.....2,642	.....0	.....68	.....68	.....0	XXX	XXX
9799997.	Total - Common Stocks - Part 4.....							.....2,710	XXX	.....2,642	.....3,486	.....(844)	.....0	.....0	.....(844)	.....0	.....2,642	.....0	.....68	.....68	.....0	XXX	XXX
9799999.	Total - Common Stocks.....							.....2,710	XXX	.....2,642	.....3,486	.....(844)	.....0	.....0	.....(844)	.....0	.....2,642	.....0	.....68	.....68	.....0	XXX	XXX
9899999.	Total - Preferred and Common Stocks.....							.....2,710	XXX	.....2,642	.....3,486	.....(844)	.....0	.....0	.....(844)	.....0	.....2,642	.....0	.....68	.....68	.....0	XXX	XXX
9999999.	Total - Bonds, Preferred and Common Stocks.....							.....944,907	XXX	.....989,298	.....947,813	.....(844)	.....(2,130)	.....0	.....(2,974)	.....0	.....944,839	.....0	.....68	.....68	.....15,957	XXX	XXX

QE05

Sch. DB - Pt. A - Sn. 1
NONE

Sch. DB - Pt. B - Sn. 1
NONE

Sch. DB - Pt. D - Sn. 1
NONE

Sch. DB - Pt. D - Sn. 2
NONE

Sch. DB - Pt. E
NONE

Sch. DL - Pt. 1
NONE

Sch. DL - Pt. 2
NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount or interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Open Depositories								
Citibank Operating.....	Encino CA.....				.....1,789,017	.....1,875,033	..... 3,281,603	XXX
Wells Fargo Concentration Account.....	Woodland Hills CA.....		.....12		.....(2,743,876)	.....4,872,806	..... (54,716)	XXX
California United Bank.....	Encino CA.....				.....13,087	.....13,087	.....13,087	XXX
California United Bank.....	Encino CA.....				.....27,250	.....27,250	.....27,250	XXX
California United Bank.....	Encino CA.....				.....13,556	.....13,556	.....13,556	XXX
California United Bank.....	Encino CA.....				.....3,114	.....3,114	.....3,114	XXX
Citibank Money Market.....	Encino CA.....	.....0.050	.....10		.....79,347	.....88,534	.....88,541	XXX
California United Bank Money Market.....	Encino CA.....	.....0.020	.....3		.....65,361	.....65,362	.....65,362	XXX
Union Bank Money Market.....	Encino CA.....	.....0.050	.....4		.....38,164	.....37,077	.....33,961	XXX
Union Bank Claims Account.....	Los Angeles CA.....				.....27	.....27	..... 27	XXX
Bank Of America CD.....	Encino CA.....	.....0.050	.....6		.....400,000	.....400,000	.....400,000	XXX
One West Bank CD.....	Encino CA.....	.....0.150	.....142		.....383,066	.....383,066	.....383,066	XXX
Union Bank.....	Encino CA.....	.....0.150	.....117		.....300,000	.....300,000	.....300,000	XXX
Wells Fargo Bank CD.....	Woodland Hills CA.....	.....0.050	.....12		.....500,000	.....500,000	.....500,000	XXX
Avenue Insights & Analytics.....	Massachussets.....				.....13	.....13	.....13	XXX
Wells Fargo.....	Encino CA.....				.....630,444	.....630,444	.....630,444	XXX
Citibank.....	Encino CA.....				.....1,850,000	.....350,000	.....350,000	XXX
US Bank CD.....	Encino CA.....	.....0.200			.....136,567	.....136,567	.....136,567	XXX
0199999. Total Open Depositories.....	XXX	XXX	.....308	.....0	..... 3,485,137	..... 9,695,936	.....6,171,875	XXX
0399999. Total Cash on Deposit.....	XXX	XXX	.....308	.....0	..... 3,485,137	..... 9,695,936	.....6,171,875	XXX
0599999. Total Cash.....	XXX	XXX	.....308	.....0	..... 3,485,137	..... 9,695,936	.....6,171,875	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1			2				3	4	5	6	7	8	9
CUS P			Description				Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
Exempt Money Market Mutual Funds as Identified by the SVO													
31846V	41	9	FIRST AMERN FDS NC.....					11/30/2020.....			1		
94975H	29	6	WELLS FARGO FDS TR.....					03/31/2021.....			55,011		2
8599999. Total - Exempt Money Market Mutual Funds as Identified by the SVO.....											55,012	0	2
All Other Money Market Mutual Funds													
6UBITD	AP	2	MUFG INSTITUTIONAL TRUST.....					03/22/2021.....			205,541		205
94984B	79	3	WELLS FARGO ADVANTAGE FDS HRTG MMF.....					12/01/2017.....					
996085	25	4	DREYFUS CASH MGMT FUND.....					11/04/2020.....					
8699999. Total - All Other Money Market Mutual Funds.....											205,541	0	205
9999999. Total - Cash Equivalents											260,553	0	207

EXHIBIT B

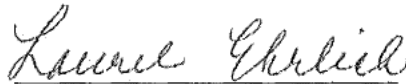
CORPORATE SECRETARY'S CERTIFICATE

The undersigned, Laurel Ehrlich, does hereby state, declare, and certify under penalty of perjury under the laws of the State of California as follows:

1. I am the duly elected and acting Corporate Secretary of Western General Insurance Company, a California stock insurance company (the "Company");
2. Attached hereto is a copy of Resolutions Adopted by the Unanimous Written Consent in Lieu of Meeting of the Directors of the Company dated May 20, 2021 (the "Director Resolutions");
3. Also attached hereto is a copy of Resolutions Adopted by the Written Consent of the Majority Shareholder in Lieu of Meeting dated May 20, 2021 (the "Shareholder Resolutions");
4. The attached Director Resolutions and Shareholder Resolutions have not been changed since approval and adoption by the Directors and Majority Shareholder, respectively, and remain in full force and effect.

IN WITNESS WHEREOF, I hereby subscribe my signature and affix the Company's Seal to this Certificate on this the _____ day of May 2021.

[SEAL]



Laurel Ehrlich, Corporate Secretary

**RESOLUTIONS ADOPTED BY THE UNANIMOUS WRITTEN CONSENT IN LIEU OF
A MEETING OF THE DIRECTORS OF
WESTERN GENERAL INSURANCE COMPANY,
a California stock insurance company**

Pursuant to the authority granted under Section 307, subparagraph (b) of the California Corporations Code and the bylaws of WESTERN GENERAL INSURANCE COMPANY, a California stock insurance company (the "Company"), the undersigned, being all of the members of the Board of Directors of the Company (collectively, the "Directors"), do hereby take the following actions and approve the following resolutions by our unanimous written consent in lieu of meeting effective as of this 20th day of May, 2021 (the "Effective Date"):

WHEREAS, the Company's President, Robert Ehrlich, previously advised the Directors and the California Department of Insurance ("Department") that the Company is financially impaired as required under California Insurance Code Section 988, subdivision (a)(1) thereof; and

WHEREAS, as a result of the Company's financial impairment, on October 28, 2020, the Department appointed Regulatory Services Group and its Chief Executive Officer, Joseph Holloway, as the Department's "Special Examiner" to oversee and monitor the Company and its financial condition; and

WHEREAS, the Special Examiner has recently determined that the Company's financial condition has continued to deteriorate such that the Company is in a hazardous financial condition from the standpoint of its available capital and surplus and cash flow to pay claims and operational expenses; and

WHEREAS, the Department and the Special Examiner have requested that the Company agree to a voluntary conservation and the appointment of a conservator pursuant to the provisions of Section 1010 *et seq.* of the California Insurance Code (the "Conservation"); and

WHEREAS, the Department has provided to the Company, and the Company's management and the Directors have reviewed and discussed, a draft Verified Petition for Order Appointing Insurance Commissioner as Conservator (the "Petition") in the form attached hereto marked as **Exhibit "A"**; and

WHEREAS, the Directors believe it to be in the best interests of the Company's policyholders, creditors, and all other interested parties that the Company voluntarily agree to the Conservation as set forth in the Petition;

NOW, THEREFORE, BE IT RESOLVED, that the Directors do hereby consent to and approve the Conservation and the appointment of a conservator of the Company in connection therewith;

RESOLVED FURTHER, that the Directors do hereby approve the Petition and the filing of same substantially in the form attached hereto;

RESOLVED FURTHER, that the Directors do hereby authorize and empower the Company's President and all other senior executive officers to take such other or additional actions and sign such other or additional documents as are necessary and proper to consummate the actions discussed herein;

RESOLVED FURTHER, that these Resolutions may be signed in one or more counterparts, each of which shall be an original, but all of which, taken together, shall constitute one and the same instrument;

RESOLVED FURTHER, that once these Resolutions are signed by all Directors, the Company's Corporate Secretary is hereby directed to file said fully-signed Resolutions in the Company's minute book.


IN WITNESS WHEREOF, we have subscribed our names effective as of the Effective Date set forth above.

Robert M. Ehrlich, Director

Laurel Ehrlich, Director

Marleen Kushner, Director

Justin Martin, Director



Mark Goldsmith, Director

John Albanese, Director

RESOLVED FURTHER, that the Directors do hereby approve the Petition and the filing of same substantially in the form attached hereto;

RESOLVED FURTHER, that the Directors do hereby authorize and empower the Company's President and all other senior executive officers to take such other or additional actions and sign such other or additional documents as are necessary and proper to consummate the actions discussed herein;

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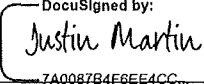
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Robert M. Ehrlich, Director

Laurel Ehrlich, Director

Marleen Kushner, Director

DocuSigned by:

7A0087B4F6EE4CC...

Justin Martin, Director

Mark Goldsmith, Director

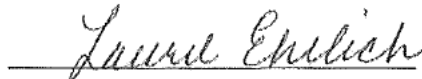
John Albanese, Director

Company's minute book.

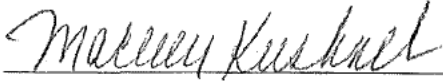
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Marleen Kushner, Director



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Mark Goldsmith, Director



John Albanese, Director

RESOLVED FURTHER, that the Directors do hereby approve the Petition and the filing of same substantially in the form attached hereto;

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RESOLVED FURTHER, that these Resolutions may be signed in one or more counterparts, each of which shall be an original, but all of which, taken together, shall constitute one and the same instrument;

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IN WITNESS WHEREOF, we have subscribed our names effective as of the Effective Date set forth above.

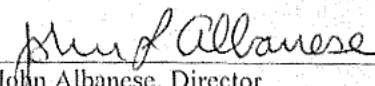
Robert M. Ehrlich, Director

Laurel Ehrlich, Director

Marleen Kushner, Director

Justin Martin, Director

Mark Goldsmith, Director



John Albanese, Director

1 ROB BONTA
Attorney General of California
2 LISA W. CHAO
Supervising Deputy Attorney General
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300 South Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 269-6014
6 Fax: (916) 731-2144
E-mail: Douglas.Beteta@doj.ca.gov

7 *Attorneys for Applicant*
8 *Insurance Commissioner of the State of California*

Exempt from fees pursuant to Govt.
Code § 6103

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF LOS ANGELES

11 CENTRAL DISTRICT

12
13 **INSURANCE COMMISSIONER OF THE**
14 **STATE OF CALIFORNIA,**

Applicant,

15 v.

16
17 **WESTERN GENERAL INSURANCE**
18 **COMPANY,**

Respondent.

Case No.

**VERIFIED PETITION FOR ORDER
APPOINTING INSURANCE
COMMISSIONER AS CONSERVATOR
[INS. CODE § 1011]**

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27
28 **EXHIBIT A**

1 Applicant Ricardo Lara, Insurance Commissioner of the State of California
2 (Commissioner), hereby respectfully requests that he be appointed Conservator in the above-
3 captioned action pursuant to Insurance Code section 1011,¹ based upon the following facts:

4 THE PARTIES

5 1. The Commissioner is the duly elected Insurance Commissioner of the State of
6 California.

7 2. Respondent Western General Insurance Company (Western General) is a
8 corporation duly organized and existing under and by virtue of the laws of the State of California,
9 with its principle business office located in 5230 Las Virgenes Road, Calabasas, California.

10 3. Western General is 91.8 percent owned by Western General Holding Company
11 (WGHC), a California corporation, which is in turn 51.1% owned by Mr. Robert M. Ehrlich and
12 Ms. Laurel B. Ehrlich.

13 4. Western General is a domestic insurer under section 26 and subject to examination
14 by the Commissioner pursuant to section 729 et seq.

15 5. At all relevant times, Western General is authorized to transact the business of
16 property and casualty insurance in California under a Certificate of Authority issued by the
17 Commissioner.

18 6. Western General is licensed to transact insurance in 39 states and the District of
19 Columbia. However, most of its direct premiums written is concentrated in California, with over
20 80 percent of premiums written in this state.

21 7. Western General focuses on specialty dealer-originated and agent/broker produced
22 non-standard automobile business written through its affiliated agency, All Motorists Insurance
23 Agency.

24 ADMINISTRATIVE SUPERVISION

25 8. On October 22, 2020, Mr. Robert Ehrlich, Chief Executive Officer of Western
26 General, informed California Department of Insurance (CDI) that Western General was impaired
27 within the meaning of section 988, subdivision (a)(1).

28 ¹ Unless otherwise stated, all statutory references are to the California Insurance Code.

1 9. On October 28, 2020, in accordance with section 733, subdivision (g), the
2 Commissioner appointed Regulatory Services Group and its Chief Executive Officer Joseph
3 Holloway as Special Examiner to conduct a targeted examination of Western General to ascertain
4 the financial details as to Western General's impairment.

5 **GROUND FOR APPOINTMENT OF COMMISSIONER AS CONSERVATOR**

6 10. On May 15, 2021, Western General filed its quarterly statement as of March 31,
7 2021 as required by section 900, stating its financial condition and affairs. A true and correct
8 copy of the quarterly statement is attached hereto as Exhibit A. The quarterly statement showed
9 that Western General had admitted assets of \$44,901,649 and liabilities of \$40,941,737, resulting
10 in policyholder surplus of \$3,959,912.

11 11. Western General had a net loss of \$2,923,573 for the three months of 2021 ending
12 March 31, 2021 after a net loss of \$4,669,557 in calendar year 2020.

13 12. Western General continues to sustain additional net losses of approximately
14 \$500,000 per month.

15 13. Based on Western General's limited surplus and its monthly losses, Western
16 General is operating in hazardous financial condition within the meaning of section 1011,
17 subdivision (d).

18 14. Pursuant to sections 700.01, 700.02 and 700.25, Western General is required to
19 maintain minimum paid-in capital and surplus in the aggregate amount of \$2,500,000. The
20 Commissioner estimates that Western General will have less than the minimum capital and
21 surplus by the end of the second quarter of 2021.

22 15. Based on Western General's quarterly statement as of March 31, 2021 and
23 continued losses thereafter, the Commissioner has determined, and Western General's
24 management and shareholder have agreed, that Western General is in such an impaired financial
25 condition that the further transaction of business by it will be, and is, hazardous to its
26 policyholders, creditors and the public, and such condition is a ground for the entry of an order of
27 conservation under section 1011, subdivisions (d), and (h). Formal conservation is therefore
28 necessary and appropriate, and the Commissioner has therefore filed this Application for an order

1 appointing him as Conservator of Western General.

2 **WHEREFORE**, the Commissioner prays that this Court issue the following orders,

3 1. Appointing the Commissioner as Conservator (Conservator) of Western General
4 and directing him to conduct the business of Western General or so much thereof as he deems
5 appropriate; and authorizing him, in his discretion, to pay or defer payment of some or all proper
6 claims, expenses, liabilities and obligations of Western General, in whole or in part, accruing
7 prior or subsequent to his appointment as Conservator;

8 2. Authorizing the Conservator to appoint and employ special deputies, estate
9 managers, other professionals, clerks and assistants and to give each of them such power and
10 authority as he may deem necessary and authorizing the Commissioner as Conservator to
11 compensate these persons from the assets of Western General as he may deem appropriate; in
12 particular, appointing Joseph Holloway, as Deputy Conservator empowered to carry out any and
13 all duties and exercise the authority of the Conservator granted herein and the Insurance Code;
14 and appointing Scott Pearce as Conservation Manager empowered to carry out any and all duties
15 and exercise the authority of the Conservator and Deputy Conservator, and as may be delegated
16 by the Conservator and Deputy Conservator;

17 3. Authorizing the Conservator to assume or reject, or to modify, any executory
18 contract, including without limitation, any lease, rental or utilization contract or agreement
19 (including any schedule to any such contract or agreement), and any license or other arrangement
20 for the use of computer software or business information systems, to which Western General is a
21 party or as to which it agrees to accept an assignment of such contract; directing the Conservator
22 to effect any such assumption or rejection or modification of any executory contract not later than
23 120 days after the date of the Order Appointing Conservator, unless such date is extended by
24 application to and further order of this Court; ordering that all executory contracts that are not
25 expressly assumed by the Conservator shall be deemed rejected;

26 4. Authorizing the Conservator to take possession of all of the assets of Western
27 General, including books, records and property, both real and personal, accounts, safe deposit
28 boxes, rights of action, and all such assets as may be in the name of Western General,

1 wheresoever situated;

2 5. Vesting title to all property and assets of Western General, including deposits,
3 securities, contracts, rights of actions, books, records and other assets of every type and nature,
4 and including both those presently in Western General's possession and those which may be
5 discovered hereafter, wheresoever situated, in the Commissioner in his official capacity as
6 Conservator of Western General and/or his successor in office, in his or her official capacity as
7 Conservator; and authorizing the Conservator to deal with the same in his own name as
8 Conservator or in the name of Western General, and enjoining all persons from interfering with
9 the Conservator's possession and title thereto;

10 6. Granting the Conservator all the powers of the directors, officers, and managers of
11 Western General, whose authorities are suspended except as such powers may be redelegated by
12 the Conservator;

13 7. Authorizing the Conservator to terminate compensation arrangements with
14 employees, to enter into new compensation arrangements with employees, including
15 arrangements containing retention incentives, and authorizing the Conservator to hire employees
16 on such terms and conditions as he deems reasonable;

17 8. Except upon the express authorization of the Conservator, enjoining Western
18 General, its officers, directors, agents and employees from transacting any of the business of
19 Western General, whether in the State of California or elsewhere, or from disposing of, using,
20 transferring, selling, assigning, canceling, alienating, hypothecating, diminishing, impairing,
21 waiving, limiting or concealing in any manner or any way, or assisting any person in any of the
22 foregoing, of the property or assets of Western General or property or assets in the possession of
23 Western General, of any nature or kind, including intangible assets, tax assets and attributes,
24 claims or causes of action, until further order of this Court and further, enjoining such persons
25 from obstructing or interfering with the Conservator's conduct of his or her duties as Conservator;

26 9. Enjoining all persons from instituting, prosecuting, or maintaining any action at
27 law or suit in equity, and matters in arbitration, including but not limited to actions or proceedings
28 to compel discovery or production of documents or testimony and matters in arbitration, and from

1 attaching, executing upon, redeeming of or taking any other legal proceedings against any of the
2 property of Western General, and from doing any act interfering with the conduct of said business
3 by the Conservator, except after an order from this Court obtained after reasonable notice to the
4 Conservator;

5 10. Directing Western General and all officers, directors, agents and employees of
6 Western General to deliver to, and immediately make available to, the Conservator all assets,
7 books, records, accounts, records, tax returns, information, computers, tapes, discs, writings, other
8 recordings of information, equipment and other property of Western General, wheresoever
9 situated, in said persons custody or control and further, directing the aforesaid to disclose
10 verbally, or in writing if requested by the Conservator, the exact whereabouts of the foregoing
11 items if such items are not in the possession custody or control of said persons;

12 11. Directing that all officers, directors, trustees, employees or agents of Western
13 General, or any other person, firm, association, partnership, corporate parent, holding company,
14 affiliate or other entity in charge of any aspect of Western General's affairs, either in whole or in
15 part, and including but not limited to banks, savings and loan associations, financial or lending
16 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or
17 affiliated corporation or any other representative acting in concert with Western General, shall
18 cooperate with the Conservator in the performance of his or her duties;

19 12. Authorizing the Conservator to pay out of the funds and assets of Western General
20 all costs and fees incurred in preparing for, bringing and maintaining this action, including the
21 reasonable expenses incurred by the Special Examiner and or the Regulatory Services Group
22 prior to the filing of this application, and for such other actions and activities as are necessary to
23 carry out his functions as Conservator. Such payments may include reimbursements for third
24 party advisory and consulting services incurred by a member of the Regulatory Services Group in
25 preparation for conservation of Western General;

26 13. Authorizing the Conservator to pay all reasonable costs of taking possession of
27 and conserving Western General out of the funds and assets of Western General;

28 14. Authorizing the Conservator to pay all reasonable costs of operating Western

1 General as Conservator (including direct and allocated direct costs, direct and allocated general
2 and administrative costs and overhead, and all other allocated costs) out of any and all funds and
3 assets of Western General; and if there are insufficient funds, to pay for the costs out of the
4 Insurance Fund pursuant to section 1035;

5 15. Directing that all funds and assets, including certificates of deposit, bank accounts,
6 and mutual fund shares of Western General, in various financial depository institutions, including
7 but not limited to banks, savings and loan associations, industrial loan companies, mutual funds
8 or stock brokerages, wheresoever situated, be vested in the Conservator and subject to withdrawal
9 upon his order only;

10 16. Ordering all persons who maintain records for Western General, pursuant to
11 written contract or any other agreement, to maintain such records and to deliver to the
12 Conservator such records upon his request;

13 17. Directing all agents of Western General, and all brokers who have done business
14 with Western General , to make all remittances of all funds collected by them or in their hands
15 that are payable to Western General directly to the Conservator;

16 18. Directing all persons having possession of any lists of policyholders or escrow
17 holders of Western General to deliver such lists to the Conservator; and that all persons are
18 enjoined from using any such lists or any information contained therein without the consent of the
19 Conservator;

20 19. Authorizing the Conservator to initiate such equitable or legal actions or
21 proceedings in this or other states as may appear necessary to him to carry out his functions as
22 Conservator;

23 20. Authorizing the Conservator to divert, take possession of and secure all mail of
24 Western General, in order to screen such mail, and to effect a change in the rights to use any and
25 all post office boxes and other mail collection facilities used by Western General;

26 21. Directing that Western General and its officers, directors, agents, servants,
27 employees, successors, assigns, affiliates, and other persons or entities under their control and all
28 persons or entities in concert or participation with Western General, and each of them, shall turn

1 over to Conservator all records, documentation, charts and/or descriptive materials of all funds,
2 assets, property (owned beneficially or otherwise), and all other assets of Western General
3 wheresoever situated, and all books and records of accounts, title documents and other documents
4 in their possession or under their control, which relate, directly or indirectly to assets or property
5 owned or held by Western General or to the business or operations of Western General;

6 22. Except upon further order of the Court issued after a hearing in which the
7 Conservator has received reasonable notice, enjoining all persons from obtaining preferences,
8 judgments, attachments or other liens, or making any levy against Western General or its assets or
9 property, and from executing or issuing or causing the execution or issuance of any court
10 attachment, subpoena, replevin, execution or other process for the purpose of impounding or
11 taking possession of or interfering with or creating or enforcing a lien upon any property or assets
12 owned or in the possession of Western General or the Conservator, wheresoever situated, and
13 from doing any act interfering with the conduct of said business by the Conservator;

14 23. Except upon further order of the Court issued after a hearing in which the
15 Conservator has received reasonable notice, enjoining all persons from accelerating the due date
16 of any obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking
17 or attempting to retake possession of any real or personal property; withholding or diverting any
18 rent or other obligation; doing any act or other thing whatsoever to interfere with the possession
19 of or management by the Conservator of the property and assets, owned or controlled by Western
20 General or in the possession of Western General or in any way interfering with the Conservator or
21 interfering in any manner during the pendency of this proceeding with the exclusive jurisdiction
22 of this Court over Western General and its assets;

23 24. Directing that any and all provisions of any agreement entered into by and between
24 any third party and Western General, including by way of illustration, but not limited to, the
25 following types of agreements (as well as any amendments, assignments, or modifications
26 thereto)—financial guarantee bonds, promissory notes, loan agreements, security agreements,
27 deeds of trust, mortgages, indemnification agreements, subrogation agreements, subordination
28 agreements, pledge agreements, assignments of rents or other collateral, financial statements,

1 letters of credit, leases, insurance policies, guaranties, escrow agreements, management
2 agreements, real estate brokerage and rental agreements, servicing agreements, attorney
3 agreements, consulting agreements, easement agreements, license agreements, tax sharing
4 agreements, franchise agreements, or employment contracts that provide in any manner that
5 selection, appointment or retention of a conservator, receiver or trustee by any court, or entry of
6 any order such as hereby made, shall be deemed to be, or otherwise operate as, a breach,
7 violation, event of default, termination, event of dissolution, event of acceleration, insolvency,
8 bankruptcy, or liquidation—shall be stayed, and the assertion of any and all rights and remedies
9 relating thereto shall also be stayed and barred, except as otherwise ordered by this Court, and
10 this Court shall retain jurisdiction over any cause of action that has arisen or may otherwise arise
11 under any such provision;

12 25. Authorizing the Conservator to invest and reinvest Western General assets and
13 funds in such a manner as he deems suitable for the best interest of Western General creditors.
14 However, no investment or reinvestment shall be made exceeding the sum of \$100,000 without
15 first obtaining permission of this Court, except the Conservator may make investments or
16 reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per investment or
17 reinvestment, without prior approval if such investments or reinvestments are made pursuant to
18 any provisions of the existing investment guidelines and investment programs of Western General
19 that the Conservator determines are prudent and appropriate to continue. Such investment
20 guidelines shall be applicable only to non-pledged and or unencumbered assets in the estate;

21 26. Authorizing the Conservator to pay such priority liabilities during conservation as
22 the Commissioner, as statutory conservator, shall determine appropriate and to immediately
23 reserve against the full payment of such expenses; and

24 27. Enjoining all persons from the waste of the assets of Western General.
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1 Dated: May , 2021

Respectfully Submitted,

2 ROB BONTA
3 Attorney General of California
4 LISA W. CHAO
5 Supervising Deputy Attorney General

6
7 DOUGLAS J. BETETA
8 Deputy Attorney General
9 *Attorneys for Applicant*
10 *Insurance Commissioner of the State of*
11 *California*
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VERIFICATION

I, Joseph Holloway, state that I am the Chief Executive Officer of the Insurance Commissioner’s Conservation & Liquidation Office, and, since October 29, 2020, have been the duly appointed Special Insurance Examiner of Western General Insurance Company; that I make this verification in my official capacity; that I have read the foregoing Verified Petition for Order Appointing Insurance Commissioner As Conservator; and that the facts stated therein are true of my own knowledge except as to matters which are therein stated on information and belief and, as to those matters, I believe them to be true.

Executed on this the__ th day of May, at Calabasas, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Joseph Holloway
Special Deputy Insurance Commissioner

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**RESOLUTIONS ADOPTED IN LIEU OF A MEETING BY THE WRITTEN CONSENT
OF THE MAJORITY SHAREHOLDER OF
WESTERN GENERAL INSURANCE COMPANY,
a California stock insurance company**

Pursuant to the authority granted under Section 603, subparagraph (a) of the California Corporations Code and the bylaws of WESTERN GENERAL INSURANCE COMPANY, a California stock insurance company (the "Company"), the undersigned holding company, being the record and beneficial owner of more than 90% of the issued and outstanding shares of stock of the Company (the "Shareholder"), does hereby take the following actions and approve the following resolutions by its written consent in lieu of meeting effective as of this 20th day of May, 2021 (the "Effective Date"):

WHEREAS, the Company's President, Robert Ehrlich, previously advised the California Department of Insurance ("Department") that the Company is financially impaired as required under California Insurance Code Section 988, subdivision (a)(1) thereof; and

WHEREAS, as a result of the Company's financial impairment, on October 28, 2020, the Department appointed Regulatory Services Group and its Chief Executive Officer, Joseph Holloway, as the Department's "Special Examiner" to oversee and monitor the Company and its financial condition; and

WHEREAS, the Special Examiner has recently determined that the Company's financial condition has continued to deteriorate such that the Company is in a hazardous financial condition from the standpoint of its available capital and surplus and cash flow to pay claims and operational expenses; and

WHEREAS, the Department and the Special Examiner have requested that the Company agree to a voluntary conservation and the appointment of a conservator pursuant to the provisions of Section 1010 *et seq.* of the California Insurance Code (the "Conservation"); and

WHEREAS, the Department has provided to the Company, and the Company's management and the Shareholder have reviewed and discussed, a draft Verified Petition for Order Appointing Insurance Commissioner as Conservator (the "Petition") in the form attached hereto marked as **Exhibit "A"**; and

WHEREAS, the Shareholder owns, beneficially and of record, more than 90% of the issued and outstanding shares of stock of the Company; and

WHEREAS, the Shareholder believes it to be in the best interests of the Company's policyholders, creditors, minority shareholders, and all other interested parties that the Company voluntarily agree to the Conservation as set forth in the Petition;

NOW, THEREFORE, BE IT RESOLVED, that the Shareholder does hereby consent to and approve the Conservation and the appointment of a conservator of the Company in connection therewith;

RESOLVED FURTHER, that the Shareholder does hereby approve the Petition and the filing of same substantially in the form attached hereto;

RESOLVED FURTHER, that the Shareholder does hereby authorize and empower the Company's Board of Directors, and each member thereof, to take such other or additional actions and sign such other or additional documents as are necessary and proper to consummate the actions discussed herein;

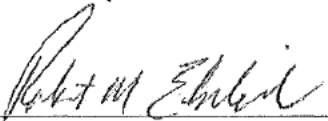
RESOLVED FURTHER, that following the execution of these Resolutions by the Shareholder, the Company's Corporate Secretary is hereby directed to file said fully-signed Resolutions in the Company's minute book;

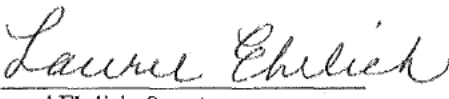
RESOLVED FURTHER, that all other shareholders of the Company shall be given prompt notice of the Shareholder's actions pursuant to these Resolutions as required under California Corporations Code Section 603, subparagraph (b)(2) thereof.

IN WITNESS WHEREOF, the undersigned Shareholder hereby signs these Resolutions effective as of the Effective Date set forth above.

"Shareholder"

WESTERN GENERAL HOLDING COMPANY, INC.,
a California corporation

By: 
Robert M. Ehrlich, President

By: 
Laurel Ehrlich, Secretary

1 ROB BONTA
Attorney General of California
2 LISA W. CHAO
Supervising Deputy Attorney General
3 DOUGLAS J. BETETA
Deputy Attorney General
4 State Bar No. 260377
300 South Spring Street, Suite 1702
5 Los Angeles, CA 90013
Telephone: (213) 269-6014
6 Fax: (916) 731-2144
E-mail: Douglas.Beteta@doj.ca.gov

7 *Attorneys for Applicant*
8 *Insurance Commissioner of the State of California*

Exempt from fees pursuant to Govt.
Code § 6103

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF LOS ANGELES

11 CENTRAL DISTRICT

12
13 **INSURANCE COMMISSIONER OF THE**
14 **STATE OF CALIFORNIA,**

Applicant,

15
16 v.

17 **WESTERN GENERAL INSURANCE**
18 **COMPANY,**

Respondent.

Case No.

**VERIFIED PETITION FOR ORDER
APPOINTING INSURANCE
COMMISSIONER AS CONSERVATOR
[INS. CODE § 1011]**

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28 EXHIBIT A

1 Applicant Ricardo Lara, Insurance Commissioner of the State of California
2 (Commissioner), hereby respectfully requests that he be appointed Conservator in the above-
3 captioned action pursuant to Insurance Code section 1011,¹ based upon the following facts:

4 THE PARTIES

5 1. The Commissioner is the duly elected Insurance Commissioner of the State of
6 California.

7 2. Respondent Western General Insurance Company (Western General) is a
8 corporation duly organized and existing under and by virtue of the laws of the State of California,
9 with its principle business office located in 5230 Las Virgenes Road, Calabasas, California.

10 3. Western General is 91.8 percent owned by Western General Holding Company
11 (WGHC), a California corporation, which is in turn 51.1% owned by Mr. Robert M. Ehrlich and
12 Ms. Laurel B. Ehrlich.

13 4. Western General is a domestic insurer under section 26 and subject to examination
14 by the Commissioner pursuant to section 729 et seq.

15 5. At all relevant times, Western General is authorized to transact the business of
16 property and casualty insurance in California under a Certificate of Authority issued by the
17 Commissioner.

18 6. Western General is licensed to transact insurance in 39 states and the District of
19 Columbia. However, most of its direct premiums written is concentrated in California, with over
20 80 percent of premiums written in this state.

21 7. Western General focuses on specialty dealer-originated and agent/broker produced
22 non-standard automobile business written through its affiliated agency, All Motorists Insurance
23 Agency.

24 ADMINISTRATIVE SUPERVISION

25 8. On October 22, 2020, Mr. Robert Ehrlich, Chief Executive Officer of Western
26 General, informed California Department of Insurance (CDI) that Western General was impaired
27 within the meaning of section 988, subdivision (a)(1).

28 ¹ Unless otherwise stated, all statutory references are to the California Insurance Code.

1 9. On October 28, 2020, in accordance with section 733, subdivision (g), the
2 Commissioner appointed Regulatory Services Group and its Chief Executive Officer Joseph
3 Holloway as Special Examiner to conduct a targeted examination of Western General to ascertain
4 the financial details as to Western General's impairment.

5 **GROUND FOR APPOINTMENT OF COMMISSIONER AS CONSERVATOR**

6 10. On May 15, 2021, Western General filed its quarterly statement as of March 31,
7 2021 as required by section 900, stating its financial condition and affairs. A true and correct
8 copy of the quarterly statement is attached hereto as Exhibit A. The quarterly statement showed
9 that Western General had admitted assets of \$44,901,649 and liabilities of \$40,941,737, resulting
10 in policyholder surplus of \$3,959,912.

11 11. Western General had a net loss of \$2,923,573 for the three months of 2021 ending
12 March 31, 2021 after a net loss of \$4,669,557 in calendar year 2020.

13 12. Western General continues to sustain additional net losses of approximately
14 \$500,000 per month.

15 13. Based on Western General's limited surplus and its monthly losses, Western
16 General is operating in hazardous financial condition within the meaning of section 1011,
17 subdivision (d).

18 14. Pursuant to sections 700.01, 700.02 and 700.25, Western General is required to
19 maintain minimum paid-in capital and surplus in the aggregate amount of \$2,500,000. The
20 Commissioner estimates that Western General will have less than the minimum capital and
21 surplus by the end of the second quarter of 2021.

22 15. Based on Western General's quarterly statement as of March 31, 2021 and
23 continued losses thereafter, the Commissioner has determined, and Western General's
24 management and shareholder have agreed, that Western General is in such an impaired financial
25 condition that the further transaction of business by it will be, and is, hazardous to its
26 policyholders, creditors and the public, and such condition is a ground for the entry of an order of
27 conservation under section 1011, subdivisions (d), and (h). Formal conservation is therefore
28 necessary and appropriate, and the Commissioner has therefore filed this Application for an order

1 appointing him as Conservator of Western General.

2 **WHEREFORE**, the Commissioner prays that this Court issue the following orders,

3 1. Appointing the Commissioner as Conservator (Conservator) of Western General
4 and directing him to conduct the business of Western General or so much thereof as he deems
5 appropriate; and authorizing him, in his discretion, to pay or defer payment of some or all proper
6 claims, expenses, liabilities and obligations of Western General, in whole or in part, accruing
7 prior or subsequent to his appointment as Conservator;

8 2. Authorizing the Conservator to appoint and employ special deputies, estate
9 managers, other professionals, clerks and assistants and to give each of them such power and
10 authority as he may deem necessary and authorizing the Commissioner as Conservator to
11 compensate these persons from the assets of Western General as he may deem appropriate; in
12 particular, appointing Joseph Holloway, as Deputy Conservator empowered to carry out any and
13 all duties and exercise the authority of the Conservator granted herein and the Insurance Code;
14 and appointing Scott Pearce as Conservation Manager empowered to carry out any and all duties
15 and exercise the authority of the Conservator and Deputy Conservator, and as may be delegated
16 by the Conservator and Deputy Conservator;

17 3. Authorizing the Conservator to assume or reject, or to modify, any executory
18 contract, including without limitation, any lease, rental or utilization contract or agreement
19 (including any schedule to any such contract or agreement), and any license or other arrangement
20 for the use of computer software or business information systems, to which Western General is a
21 party or as to which it agrees to accept an assignment of such contract; directing the Conservator
22 to effect any such assumption or rejection or modification of any executory contract not later than
23 120 days after the date of the Order Appointing Conservator, unless such date is extended by
24 application to and further order of this Court; ordering that all executory contracts that are not
25 expressly assumed by the Conservator shall be deemed rejected;

26 4. Authorizing the Conservator to take possession of all of the assets of Western
27 General, including books, records and property, both real and personal, accounts, safe deposit
28 boxes, rights of action, and all such assets as may be in the name of Western General,

1 wheresoever situated;

2 5. Vesting title to all property and assets of Western General, including deposits,
3 securities, contracts, rights of actions, books, records and other assets of every type and nature,
4 and including both those presently in Western General's possession and those which may be
5 discovered hereafter, wheresoever situated, in the Commissioner in his official capacity as
6 Conservator of Western General and/or his successor in office, in his or her official capacity as
7 Conservator; and authorizing the Conservator to deal with the same in his own name as
8 Conservator or in the name of Western General, and enjoining all persons from interfering with
9 the Conservator's possession and title thereto;

10 6. Granting the Conservator all the powers of the directors, officers, and managers of
11 Western General, whose authorities are suspended except as such powers may be redelegated by
12 the Conservator;

13 7. Authorizing the Conservator to terminate compensation arrangements with
14 employees, to enter into new compensation arrangements with employees, including
15 arrangements containing retention incentives, and authorizing the Conservator to hire employees
16 on such terms and conditions as he deems reasonable;

17 8. Except upon the express authorization of the Conservator, enjoining Western
18 General, its officers, directors, agents and employees from transacting any of the business of
19 Western General, whether in the State of California or elsewhere, or from disposing of, using,
20 transferring, selling, assigning, canceling, alienating, hypothecating, diminishing, impairing,
21 waiving, limiting or concealing in any manner or any way, or assisting any person in any of the
22 foregoing, of the property or assets of Western General or property or assets in the possession of
23 Western General, of any nature or kind, including intangible assets, tax assets and attributes,
24 claims or causes of action, until further order of this Court and further, enjoining such persons
25 from obstructing or interfering with the Conservator's conduct of his or her duties as Conservator;

26 9. Enjoining all persons from instituting, prosecuting, or maintaining any action at
27 law or suit in equity, and matters in arbitration, including but not limited to actions or proceedings
28 to compel discovery or production of documents or testimony and matters in arbitration, and from

1 attaching, executing upon, redeeming of or taking any other legal proceedings against any of the
2 property of Western General, and from doing any act interfering with the conduct of said business
3 by the Conservator, except after an order from this Court obtained after reasonable notice to the
4 Conservator;

5 10. Directing Western General and all officers, directors, agents and employees of
6 Western General to deliver to, and immediately make available to, the Conservator all assets,
7 books, records, accounts, records, tax returns, information, computers, tapes, discs, writings, other
8 recordings of information, equipment and other property of Western General, wheresoever
9 situated, in said persons custody or control and further, directing the aforesaid to disclose
10 verbally, or in writing if requested by the Conservator, the exact whereabouts of the foregoing
11 items if such items are not in the possession custody or control of said persons;

12 11. Directing that all officers, directors, trustees, employees or agents of Western
13 General, or any other person, firm, association, partnership, corporate parent, holding company,
14 affiliate or other entity in charge of any aspect of Western General's affairs, either in whole or in
15 part, and including but not limited to banks, savings and loan associations, financial or lending
16 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or
17 affiliated corporation or any other representative acting in concert with Western General, shall
18 cooperate with the Conservator in the performance of his or her duties;

19 12. Authorizing the Conservator to pay out of the funds and assets of Western General
20 all costs and fees incurred in preparing for, bringing and maintaining this action, including the
21 reasonable expenses incurred by the Special Examiner and or the Regulatory Services Group
22 prior to the filing of this application, and for such other actions and activities as are necessary to
23 carry out his functions as Conservator. Such payments may include reimbursements for third
24 party advisory and consulting services incurred by a member of the Regulatory Services Group in
25 preparation for conservation of Western General;

26 13. Authorizing the Conservator to pay all reasonable costs of taking possession of
27 and conserving Western General out of the funds and assets of Western General;

28 14. Authorizing the Conservator to pay all reasonable costs of operating Western

1 General as Conservator (including direct and allocated direct costs, direct and allocated general
2 and administrative costs and overhead, and all other allocated costs) out of any and all funds and
3 assets of Western General; and if there are insufficient funds, to pay for the costs out of the
4 Insurance Fund pursuant to section 1035;

5 15. Directing that all funds and assets, including certificates of deposit, bank accounts,
6 and mutual fund shares of Western General, in various financial depository institutions, including
7 but not limited to banks, savings and loan associations, industrial loan companies, mutual funds
8 or stock brokerages, wheresoever situated, be vested in the Conservator and subject to withdrawal
9 upon his order only;

10 16. Ordering all persons who maintain records for Western General, pursuant to
11 written contract or any other agreement, to maintain such records and to deliver to the
12 Conservator such records upon his request;

13 17. Directing all agents of Western General, and all brokers who have done business
14 with Western General , to make all remittances of all funds collected by them or in their hands
15 that are payable to Western General directly to the Conservator;

16 18. Directing all persons having possession of any lists of policyholders or escrow
17 holders of Western General to deliver such lists to the Conservator; and that all persons are
18 enjoined from using any such lists or any information contained therein without the consent of the
19 Conservator;

20 19. Authorizing the Conservator to initiate such equitable or legal actions or
21 proceedings in this or other states as may appear necessary to him to carry out his functions as
22 Conservator;

23 20. Authorizing the Conservator to divert, take possession of and secure all mail of
24 Western General, in order to screen such mail, and to effect a change in the rights to use any and
25 all post office boxes and other mail collection facilities used by Western General;

26 21. Directing that Western General and its officers, directors, agents, servants,
27 employees, successors, assigns, affiliates, and other persons or entities under their control and all
28 persons or entities in concert or participation with Western General, and each of them, shall turn

1 over to Conservator all records, documentation, charts and/or descriptive materials of all funds,
2 assets, property (owned beneficially or otherwise), and all other assets of Western General
3 wheresoever situated, and all books and records of accounts, title documents and other documents
4 in their possession or under their control, which relate, directly or indirectly to assets or property
5 owned or held by Western General or to the business or operations of Western General;

6 22. Except upon further order of the Court issued after a hearing in which the
7 Conservator has received reasonable notice, enjoining all persons from obtaining preferences,
8 judgments, attachments or other liens, or making any levy against Western General or its assets or
9 property, and from executing or issuing or causing the execution or issuance of any court
10 attachment, subpoena, replevin, execution or other process for the purpose of impounding or
11 taking possession of or interfering with or creating or enforcing a lien upon any property or assets
12 owned or in the possession of Western General or the Conservator, wheresoever situated, and
13 from doing any act interfering with the conduct of said business by the Conservator;

14 23. Except upon further order of the Court issued after a hearing in which the
15 Conservator has received reasonable notice, enjoining all persons from accelerating the due date
16 of any obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking
17 or attempting to retake possession of any real or personal property; withholding or diverting any
18 rent or other obligation; doing any act or other thing whatsoever to interfere with the possession
19 of or management by the Conservator of the property and assets, owned or controlled by Western
20 General or in the possession of Western General or in any way interfering with the Conservator or
21 interfering in any manner during the pendency of this proceeding with the exclusive jurisdiction
22 of this Court over Western General and its assets;

23 24. Directing that any and all provisions of any agreement entered into by and between
24 any third party and Western General, including by way of illustration, but not limited to, the
25 following types of agreements (as well as any amendments, assignments, or modifications
26 thereto)—financial guarantee bonds, promissory notes, loan agreements, security agreements,
27 deeds of trust, mortgages, indemnification agreements, subrogation agreements, subordination
28 agreements, pledge agreements, assignments of rents or other collateral, financial statements,

1 letters of credit, leases, insurance policies, guaranties, escrow agreements, management
2 agreements, real estate brokerage and rental agreements, servicing agreements, attorney
3 agreements, consulting agreements, easement agreements, license agreements, tax sharing
4 agreements, franchise agreements, or employment contracts that provide in any manner that
5 selection, appointment or retention of a conservator, receiver or trustee by any court, or entry of
6 any order such as hereby made, shall be deemed to be, or otherwise operate as, a breach,
7 violation, event of default, termination, event of dissolution, event of acceleration, insolvency,
8 bankruptcy, or liquidation—shall be stayed, and the assertion of any and all rights and remedies
9 relating thereto shall also be stayed and barred, except as otherwise ordered by this Court, and
10 this Court shall retain jurisdiction over any cause of action that has arisen or may otherwise arise
11 under any such provision;

12 25. Authorizing the Conservator to invest and reinvest Western General assets and
13 funds in such a manner as he deems suitable for the best interest of Western General creditors.
14 However, no investment or reinvestment shall be made exceeding the sum of \$100,000 without
15 first obtaining permission of this Court, except the Conservator may make investments or
16 reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per investment or
17 reinvestment, without prior approval if such investments or reinvestments are made pursuant to
18 any provisions of the existing investment guidelines and investment programs of Western General
19 that the Conservator determines are prudent and appropriate to continue. Such investment
20 guidelines shall be applicable only to non-pledged and or unencumbered assets in the estate;

21 26. Authorizing the Conservator to pay such priority liabilities during conservation as
22 the Commissioner, as statutory conservator, shall determine appropriate and to immediately
23 reserve against the full payment of such expenses; and

24 27. Enjoining all persons from the waste of the assets of Western General.
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1 Dated: May , 2021

Respectfully Submitted,

2 ROB BONTA
3 Attorney General of California
4 LISA W. CHAO
5 Supervising Deputy Attorney General

6
7 DOUGLAS J. BETETA
8 Deputy Attorney General
9 *Attorneys for Applicant*
10 *Insurance Commissioner of the State of*
11 *California*
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VERIFICATION

I, Joseph Holloway, state that I am the Chief Executive Officer of the Insurance Commissioner's Conservation & Liquidation Office, and, since October 29, 2020, have been the duly appointed Special Insurance Examiner of Western General Insurance Company; that I make this verification in my official capacity; that I have read the foregoing Verified Petition for Order Appointing Insurance Commissioner As Conservator; and that the facts stated therein are true of my own knowledge except as to matters which are therein stated on information and belief and, as to those matters, I believe them to be true.

Executed on this the__ th day of May, at Calabasas, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Joseph Holloway
Special Deputy Insurance Commissioner

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DECLARATION OF SERVICE BY E-MAIL

Case Name: **INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA v.
WESTERN GENERAL INSURANCE COMPANY**

No.: **21STCP01655**

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.

On **May 25, 2021**, I served the attached **VERIFIED EX PARTE APPLICATION FOR ORDER APPOINTING INSURANCE COMMISSIONER AS CONSERVATOR; VERIFICATION; MEMORANDUM OF POINTS AND AUTHORITIES** by transmitting a true copy via electronic mail, addressed as follows:

**John E. McPherson
Hinshaw & Culbertson LLP
350 South Grand Ave., Suite 3600
Los Angeles, CA 90071-3476
Tel.: 213-614-7320
jmcpherson@hinshawlaw.com**

I declare under penalty of perjury under the laws of the State of California and the United States of America the foregoing is true and correct and that this declaration was executed on **May 25, 2021**, at Los Angeles, California.

Martha Ochoa
Declarant



Signature