

1 ROBERT H. NUNNALLY, JR.  
 State Bar Number 134151  
 2 WISENER★NUNNALLY★GOLD, LLP  
 625 West Centerville Road, Suite 110  
 3 Garland, Texas 75041  
 (972) 840-9080  
 4 Fax (972) 840-6575

5 Attorneys for Insurance Commissioner

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 OF ORIGINAL FILED  
 Los Angeles Superior Court

JUN 21 2010

John A. Gladis, Executive Officer/Clerk  
 DOROTHY SWAIN, Deputy

7 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
 8 FOR THE COUNTY OF LOS ANGELES

10 STEVE POIZNER, Insurance Commissioner of  
 11 the State of California,  
 12 Applicant,  
 13 vs.  
 14 MISSION INSURANCE COMPANY, a  
 California corporation,  
 15 Respondent.

Case No. C 572 724

Honorable John Shepard Wiley Jr.

THE INSURANCE COMMISSIONER'S  
 STATUS CONFERENCE REPORT

Date: July 16, 2010  
 Time: 8:30 a.m.  
 Department 50

17 Consolidated with Case Numbers

18 C 576 324; C 576 416;  
 19 C 576 323; C 576 325; C 629709

Action Filed: October 31, 1985

22 Steve Poizner, Insurance Commissioner of the State of California, in his capacity as  
 23 Trustee of the Mission Insurance Company Trust, the Mission National Insurance Company  
 24 Trust and the Enterprise Insurance Company Trust ("Insurance Commissioner"), hereby submits  
 25 this Status Report and advises the Court as follows:

26 Mission Insurance Company, Mission National Insurance Company, and Enterprise  
 27 Insurance Company entered liquidation proceedings on February 24, 1987. At the time that their  
 28 liquidation proceedings began, they were the largest property and casualty insurance company

1 liquidation proceedings in history. Since their failure, other larger companies have entered  
2 liquidation.

3 The early years of this liquidation involved a massive effort to collect or monetize the  
4 substantial assets of these companies. This involved litigation against reinsurance companies  
5 who reinsured the business against officers and directors, and against the accountants for the  
6 company. In addition, employees of the liquidation estate and employees of the Insurance  
7 Commissioner's Conservation and Liquidation Office began a series of successful negotiations  
8 to seek a final resolution of each asset recovery effort. These results proved successful, as over  
9 one billion dollars in assets were collected for distribution to policyholders and creditors. Some  
10 balances remain owed to the Trusts, which are being paid by the debtors which owe them.

11 The distributions to date from the trusts are as follows:

12 Mission Insurance Company Trust: \$1,053,991,928

13 Mission National Insurance Company Trust: \$526,684,058

14 Enterprise Insurance Company Trust: \$125,952,488

15 The resulting distributions have meant that policyholders of each company have had the  
16 approved principal amount of their proofs of claims paid in full, that Mission National Insurance  
17 Company Trust has paid its general creditors in full and paid some interest towards its  
18 policyholder claims, and that Mission Insurance Company Trust has paid its general creditors  
19 36.5% of the principal amount of their approved claims.

20 The Insurance Commissioner and Covanta Holding Corporation entered into a  
21 rehabilitation agreement and an enhancement agreement which resulted in further distributions in  
22 the form of Covanta shares to holders of approved claims against the trusts.

23 **I. General Status:**

24 These trusts remain in closing status. Substantial additional funds are held as reserves for  
25 the ongoing administration of the Trusts including the continuing efforts to collect significant  
26 remaining assets as well as to provide a safeguard against any unforeseen potential risks, tax  
27 concerns and any other unforeseen material issue associated with seeking a conclusion of the  
28 liquidation proceedings. To the extent the Trusts are not subject to any additional risk and or

1 liability the established reserves will be made available for future distributions; to the extent such  
2 risks materialize into actual issues, the amount available from these reserves for distribution  
3 might be reduced.

4 **II. Asset Collections:**

5 Holland America Insurance Company Trust made a substantial interim distribution to  
6 Mission Insurance Company Trust, in the amount of \$57,018,957, received on February 9, 2010.

7 Centaur Insurance Company is in rehabilitation in Illinois. The Illinois Director as  
8 Rehabilitator has not advised when a distribution will be made as to this proof of claim. It  
9 appears that an ultimate distribution on this proof of claim of a substantial amount is a good  
10 possibility. The Trust continues to seek a definitive timeframe from the Illinois Rehabilitator as  
11 to when a final or partial distribution will be made.

12 A further collection is also expected from Universal Ruck. The future collections from  
13 all three estates are expected to be in excess of fifty million dollars.

14 **III. Insurance Commissioner's Time Line for Wind-up:**

15 June 2010 (advanced from 10/09 in light of the Missouri situation): Approval will be  
16 sought to make a distribution of further funds to general creditors (advanced from October 2010,  
17 due to the collection from Holland America Insurance Company Trust). The distribution itself  
18 will occur later this year;

19 October 31, 2011: Approval of the Court to distribute the vast majority of the remaining  
20 assets of the trusts shall be sought, as the tax and other contingencies will be resolved or have  
21 expired as the applicable tax years close.

22 Final reserve distribution: Assuming that no tax issues arise, a small sum will be required  
23 to be reserved for potential tax issues as to which the statute of limitations has not yet expired.  
24 This is projected to be a small fraction of the funds now being held, and current projections are  
25 that this small fraction will be distributed either to claimants or to a trust for the benefit of  
26 claimants by 2014.

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1 **IV. Pending Motions:**


2 The Trusts are set to expire at year end 2010. However, to the extent work related to  
3 asset recovery remains, the Rehabilitation Plan Implementation Agreement provides that the  
4 trusts shall remain open. Thus, a motion to extend their life through December 31, 2013 is  
5 submitted herein. A motion to authorize the destruction of un-needed files may also be filed in  
6 the near future, once Covanta Holding Group has provided its input on the list involved.

7 A motion to make an interim distribution to Mission general creditors to bring them up to  
8 50% of their claims will be presented a few weeks after the status conference. This motion will  
9 also seek to make final distributions in a greater amount to smaller claims, for administrative  
10 convenience.

11 **V. Status Conference:**

12 The Insurance Commissioner suggests a status conference in October would be  
13 appropriate, so that a further report can be given on the status of the collections and distributions.  
14

15 Respectfully submitted,  
16 Wisener ★ Nunnally ★ Gold, L.L.P.

17   
18 \_\_\_\_\_  
19 Robert H. Nunnally, Jr.  
20 625 West Centerville Road, Suite 110  
21 Garland, Texas 75041  
22 (972) 840-9080  
23 Facsimile: (972) 840-6575  
24  
25  
26  
27  
28

**Mission Ins Co**

## STATEMENT OF ASSETS AND LIABILITIES

As of March 31, 2010

	(Opening Balance)		
	Jan 1	Mar 31	
	1998	2010	Change
<b>ASSETS</b>			
Cash and cash equivalents:			
Unrestricted	217,610	-	(217,610)
Restricted	16,455,223	580,866	(15,874,357)
Participation in pooled investments, at market	480,851,923	151,343,911	(329,508,012)
Accrued investment income	-	761,133	761,133
Statutory deposits held by other states	16,677,901	-	(16,677,901)
Recoverable from reinsurers	63,758,552	21,586,435	(42,172,117)
Receivable from affiliates, net of allowances	91,265,656	22,779,108	(68,486,548)
Deposits and other assets	256,437	-	(256,437)
<b>Total Available Assets</b>	<b>669,483,302</b>	<b>197,051,453</b>	<b>(472,431,849)</b>
<b>LIABILITIES</b>			
Unclaimed Funds and Other Secured Claims	-	1,813,826	1,813,826
Reserve for Federal Income Tax Liability	-	77,583,892	77,583,892
Claims against policies, including guaranty associations, before distributions	784,277,837	846,832,561	62,554,724
Policyholder distributions	-	(846,629,597)	(846,629,597)
California and Federal claims having preference	-	-	-
All other claims	1,024,261,559	256,851,568	(767,409,991)
<b>Total Estimated Liabilities</b>	<b>1,808,539,396</b>	<b>336,452,250</b>	<b>(1,472,087,146)</b>
<b>NET ASSETS (DEFICIENCY)</b>	<b>(1,139,056,094)</b>	<b>(139,400,797)</b>	<b>999,655,297</b>

**Mission Ins Co**

## STATEMENT OF CHANGES TO NET ASSETS

As of March 31, 2010

	1998 to 2008	2009	Mar 31 ytd 2010	Jan 1998 to Mar 2010
<b>Income</b>				
Reinsurance Recoveries	17,019,505	-	-	17,019,505
Litigation Recoveries	2,633,791	-	-	2,633,791
Premiums and Other Collections	1,693,824	233,245	-	1,927,069
Salvage/Subrogation Recoveries	773,701	-	-	773,701
Net Investment Income	232,034,833	5,965,978	1,422,089	239,422,900
	<u>254,155,654</u>	<u>6,199,223</u>	<u>1,422,089</u>	<u>261,776,966</u>
<b>Operating Expenses</b>				
Legal and Professional	8,671,297	98,673	16,586	8,786,556
General and Administrative	13,418,990	216,843	50,313	13,686,146
Allocated Expenses	6,875,120	424,279	65,789	7,365,188
Loss (Gain) on Disposition of Assets	(2,975,024)	-	-	(2,975,024)
	<u>25,990,383</u>	<u>739,795</u>	<u>132,687</u>	<u>26,862,865</u>
<b>Losses and Other Expenses</b>				
Incurred Losses and Claims Expense	52,514,422	25,067,674	45,281	77,627,377
Court-ordered Debt Forgiveness	(915,746,819)	-	-	(915,746,819)
Provision for Federal Income Taxes	78,933,754	-	-	78,933,754
	<u>(784,298,643)</u>	<u>25,067,674</u>	<u>45,281</u>	<u>(759,185,688)</u>
<b>NET INCOME (LOSS)</b>	<u>1,012,463,914</u>	<u>(19,608,246)</u>	<u>1,244,121</u>	<u>994,099,789</u>
Adjustments to assets and liabilities	5,557,627	(2,119)	-	5,555,508
<b>Changes to Net Assets</b>	<u>1,018,021,541</u>	<u>(19,610,365)</u>	<u>1,244,121</u>	<u>999,655,297</u>

**Mission National Ins Co**

## STATEMENT OF ASSETS AND LIABILITIES

As of March 31, 2010

	(Opening Balance)		
	Jan 1	Mar 31	
	1998	2010	Change
<b>ASSETS</b>			
Cash and cash equivalents:			
Unrestricted	102,520	-	(102,520)
Participation in pooled investments, at market	232,119,932	22,009,158	(210,110,774)
Accrued investment income	-	120,518	120,518
Statutory deposits held by other states	1,947,958	-	(1,947,958)
Recoverable from reinsurers	13,739,903	5,119,864	(8,620,039)
Receivable from affiliates, net of allowances	(23,054,953)	-	23,054,953
Other receivable	-	111,897	111,897
<b>Total Available Assets</b>	<b>224,855,360</b>	<b>27,361,437</b>	<b>(197,493,923)</b>
<b>LIABILITIES</b>			
Unclaimed Funds and Other Secured Claims	-	1,886,786	1,886,786
Reserve for Federal Income Tax Liability	-	15,867,298	15,867,298
Claims against policies, including guaranty associations, before distributions	354,972,480	596,098,477	241,125,997
Policyholder distributions	-	(499,606,732)	(499,606,732)
All other claims	14,177,008	16,838,096	2,661,088
<b>Total Estimated Liabilities</b>	<b>369,149,488</b>	<b>131,083,925</b>	<b>(238,065,563)</b>
<b>NET ASSETS (DEFICIENCY)</b>	<b>(144,294,128)</b>	<b>(103,722,488)</b>	<b>40,571,640</b>

Conservation &amp; Liquidation Office

**Mission National Ins Co**

## STATEMENT OF CHANGES TO NET ASSETS

As of March 31, 2010

	1998 to 2008	2009	Mar 31 ytd 2010	Jan 1998 to Mar 2010
<b>Income</b>				
Reinsurance Recoveries	(2,348,254)	-	-	(2,348,254)
Litigation Recoveries	943,000	-	-	943,000
Premium and Other Collections	148,324	57,184	-	205,508
Salvage/Subrogation Recoveries	236,868	-	-	236,868
Net Investment Income	109,756,297	1,251,135	293,054	111,300,487
	<u>108,736,235</u>	<u>1,308,320</u>	<u>293,054</u>	<u>110,337,609</u>
<b>Operating Expenses</b>				
Legal and Professional	1,333,168	36,617	4,490	1,374,276
General and Administrative	118,411	3,759	199	122,369
Allocated Expenses	5,717,097	121,856	20,219	5,859,171
Loss (Gain) on Disposition of Assets	(7,868,879)	-	-	(7,868,879)
	<u>(700,203)</u>	<u>162,232</u>	<u>24,908</u>	<u>(513,062)</u>
<b>Losses and Other Expenses</b>				
Incurred Losses and Claims Expense	131,125,699	(678,723)	-	130,446,976
Court-ordered Debt Forgiveness	(75,397,352)	-	-	(75,397,352)
Provision for Federal Income Taxes	17,442,781	-	-	17,442,781
	<u>73,171,128</u>	<u>(678,723)</u>	<u>-</u>	<u>72,492,405</u>
<b>NET INCOME (LOSS)</b>	<b>36,265,310</b>	<b>1,824,810</b>	<b>268,146</b>	<b>38,358,266</b>
Adjustments to assets and liabilities	2,213,373	-	-	2,213,373
<b>Changes to Net Assets</b>	<b>38,478,683</b>	<b>1,824,810</b>	<b>268,146</b>	<b>40,571,640</b>



**Enterprise Ins Co**

## STATEMENT OF ASSETS AND LIABILITIES

As of March 31, 2010

	(Opening Balance)		
	Jan 1	Mar 31	
	1998	2010	Change
<b>ASSETS</b>			
Cash and cash equivalents:			
Unrestricted	29,771,800	-	(29,771,800)
Participation in pooled investments, at market	-	1,594,331	1,594,331
Accrued investment income	-	8,372	8,372
Recoverable from reinsurers	299,581	-	(299,581)
Receivable from affiliates, net of allowances	40,108,050	-	(40,108,050)
Other receivable	848,164	-	(848,164)
<b>Total Available Assets</b>	<b>71,027,595</b>	<b>1,602,703</b>	<b>(69,424,892)</b>
<b>LIABILITIES</b>			
Unclaimed Funds and Other Secured Claims	-	661,335	661,335
Reserve for Federal Income Tax Liability	341,083	579,351	238,268
Claims against policies, including guaranty associations, before distributions	75,391,507	120,573,416	45,181,909
Policyholder distributions	-	(120,573,414)	(120,573,414)
All other claims	18,008,695	30,780,906	12,772,211
<b>Total Estimated Liabilities</b>	<b>93,741,285</b>	<b>32,021,594</b>	<b>(61,719,691)</b>
<b>NET ASSETS (DEFICIENCY)</b>	<b>(22,713,690)</b>	<b>(30,418,891)</b>	<b>(7,705,201)</b>

Conservation &amp; Liquidation Office

**Enterprise Ins Co**

## STATEMENT OF CHANGES TO NET ASSETS

As of March 31, 2010

	1998 to 2008	2009	Mar 31 ytd 2010	Jan 1998 to Mar 2010
<b>Income</b>				
Litigation Recoveries	205,000	-	-	205,000
Premium and Other Collections	2,105,526	175	-	2,105,701
Salvage/Subrogation Recoveries	7,402	-	-	7,402
Net Investment Income	8,068,862	242,275	17,808	8,328,945
	10,386,790	242,450	17,808	10,647,049
<b>Operating Expenses</b>				
Legal and Professional	460,260	43,343	2,021	505,623
General and Administrative	6,561	5,395	1,230	13,187
Allocated Expenses	1,528,714	136,025	6,645	1,671,385
Loss (Gain) on Disposition of Assets	(594,494)	-	-	(594,494)
	1,401,041	184,763	9,897	1,595,701
<b>Losses and Other Expenses</b>				
Incurred Losses and Claims Expense	16,001,031	76,591	-	16,077,623
Provision for Federal Income Taxes	672,454	-	-	672,454
	16,673,485	76,591	-	16,750,077
<b>NET INCOME (LOSS)</b>	<b>(7,687,736)</b>	<b>(18,905)</b>	<b>7,912</b>	<b>(7,698,729)</b>
Adjustments to assets and liabilities	(6,472)	-	-	(6,472)
<b>Changes to Net Assets</b>	<b>(7,694,208)</b>	<b>(18,905)</b>	<b>7,912</b>	<b>(7,705,201)</b>

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**PROOF OF SERVICE: By FEDERAL EXPRESS**  
**(Code Civ. Proc., §§ 1013, 2015.5)**

STATE OF TEXAS, COUNTY OF DALLAS.

I am employed in the County of Dallas, State of Texas. I am over the age of 18 and not a party to the within action; my business address is 625 West Centerville Road, Suite 110, Street, Garland, Texas 75041.

On this date, I served the foregoing documents **THE INSURANCE COMMISSIONER'S STATUS CONFERENCE REPORT** by placing a copy thereof enclosed in sealed envelope(s) addressed as follows:

See attached Exhibit A

I am readily familiar with my employer's practices of collection and processing correspondence for mailing with Federal Express and the above-referenced correspondence will be deposited with Federal Express on the same date as stated below, following ordinary course of business.

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

(Federal) I declare that I am employed by the office of a member of the bar of this court at whose direction the service was made.

Executed on June 18, 2010 at Garland, Texas

  
Belinda Jones

New York Liquidation Bureau  
Attn: Mission - Nicholas L. Cremonese  
123 William Street  
New York, New York 10038-3889

John Horner  
Conservation & Liquidation Office  
P.O. Box 26894  
San Francisco, CA 94126

Robb Canning, Vice President  
Guy Carpenter  
One State Street, Suite 1500  
Hartford, CT 06103

John C. Craft, Esq.  
Lathrop & Gage Law Offices  
2345 Grand Blvd. Suite 2800  
Kansas City, MO. 64108-2612

Pamela Webster, Esq.  
Buchalter, Nemer, A Professional Corporation  
1000 Wilshire Blvd., 15<sup>th</sup> Floor  
Los Angeles, CA 90017

Jean L. Bertrand, Esq.  
Morgenstein & Jubelirer  
One Market Plaza, Spear St., 32d Fl  
San Francisco, CA 94105

General Counsel  
GAF Corporation  
1361 Alps Road  
Wayne, NJ 07470

Eric Lipsitt, Esq.  
Howard & Howard Attorneys, PC  
450 West 4<sup>th</sup> Street  
Royal Oak, MI 48067-2557

Scott Pearce  
Conservation & Liquidation Office  
P.O. Box 26894  
San Francisco, CA 94126

Dean Hansell, Esq.  
Dewey & LeBoeuf LLP  
333 South Grand Ave., Ste 2600  
Los Angeles, CA 90071-1530

C. Guerry Collins, Esq.  
Lord, Bissell & Brook  
300 South Grand Avenue, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Wayne Wilson  
California Insurance Guarantee  
700 N. Brand Blvd. #12TH-FL  
Glendale, CA 91203-1247

Mark Eggerman, Esq.  
9401 Wilshire Boulevard #500  
Beverly Hills, CA 90212

Stephan Mills, Esq.  
Zemanek & Mills  
11845 W. Olympic Blvd, Suite 625  
Los Angeles, CA 90064

Jack Hom, Esq.  
California Dept. of Insurance  
45 Fremont Street, 24<sup>th</sup> Floor  
San Francisco, CA 94105

Jennifer A. Brennan  
Gilbert Heintz & Randolph LLP  
1100 New York Ave., NW, Ste 700  
Washington, DC 20005-3987

Richard D. Milone  
Gilbert Heintz & Randolph LLP  
1100 New York Ave, NW Suite 700  
Washington, DC 20005

Michael L. Cioffi  
Blank Rome, LLP  
PNC Center 201 East Fifth St., Ste. 1700  
Cincinnati, OH 45202

Stephen A. Marshall  
Sonnenschein Nath & Rosenthal, L.L.P.  
1221 Avenue of the Americas, 24<sup>th</sup> Floor  
New York, NY 10020-1089

Michael W. Rhodes  
Lathrop & Gage, LC  
2345 Grand Blvd., Ste 2800  
Kansas City, MO 64108-2684

Amy Fink, Esq.  
Howrey, Simon, Arnold & White, L.L.P.  
550 S. Hope St., 14<sup>th</sup> Floor  
Los Angeles, CA 90071

Vernon K. Jones  
29518 Rd. 156  
Visalia, CA 93295

Jordan Stanzler, Esq.  
Stanzler, Funderburk, & Castellon, L.L.P.  
2275 E Bayshore Rd Ste 100  
Palo Alto, CA 94303-3222

Robert M. Mason, III, Esq.  
Bergman & Dacey, Inc.  
10880 Wilshire Blvd., Suite 900  
Los Angeles, CA. 90024

John E.V. Pieski, Esq.  
Suite 400 Kane Building  
116 North Washington Avenue  
Scranton, PA 18501-0234

David DeGroot, Esq.  
Sheppard, Mullin, Richter & Hampton, LLP  
Four Embarcadero Center, 17<sup>th</sup> Floor  
San Francisco, CA. 94111

David P. Schack  
Kirkpatrick & Lockhart, L.L.P.  
10100 Santa Monica Blvd., 7<sup>th</sup> Floor  
Los Angeles, CA. 90067

David G. Stone  
Neal, Gerber & Eisenberg, LLP  
2 N. LaSalle Street, Suite 2200  
Chicago, IL 60602

Claudia M. Morehead, Esq.  
The Morehead Firm  
2901 W. Coast Highway, Ste. 200  
Newport Beach, CA 92663

D. Douglas Shureen  
McMillan & Shureen  
50 Santa Rosa Ave., 5<sup>th</sup> Floor  
Santa Rosa, CA 95404

Darrell J. Hieber, Esq.  
Skadden, Arps, Slate, Meagher & Flom, L.L.P.  
300 S. Grand Ave., Ste. 3400  
Los Angeles, CA 90071

Gregory O. Eisenreich  
Barger & Wolen LLP  
633 W. 5th Street, 47th Floor  
Los Angeles, California 90071

James D. Scrimgeour, Esq.  
St. Paul Travelers Companies, Inc.  
One Tower Square  
Hartford, CT 06101

Kim Winter  
Lathrop & Gage L.C.  
2345 Grand Blvd., Ste. 2800  
Kansas City, MO 64108-2684

Burton C. Allyn, IV, Esq.  
Johns & Allyn  
1010 B. Street, Ste 350  
San Rafael, CA 94901

Jeffrey M. Vucinich, Esq.  
Clapp Moroney Bellagamba & Vucinich  
1111 Bayhill Dr., Ste 300  
San Bruno, CA 94111

Peter F. McAweeney  
Morgan, Lewis & Bockius LLP  
One Market, Spear Street Tower  
San Francisco, CA 94105-1126

Edward D. Chapin, Esq.  
Chapin Wheeler, LLP  
550 West C Street, Ste 2000  
San Diego, CA 92101

Brian P. Brosnahan, Esq.  
Kasowitz, Benson, Torres & Friedman LLP  
101 California Street, Suite 2300  
San Francisco, CA 94111