2011 ANNUAL REPORT
CONSERVATION AND LIQUIDATION OFFICE

Conservation and Liquidation Office

Section 1 – The Conservation and Liquidation Office

Page

Background

The California Insurance Commissioner ("Commissioner"), an elected official of the State of California, acts under the supervision of the Superior Court when conserving and liquidating insurance enterprises. In this statutory capacity, the Commissioner is charged with the responsibility for taking possession and control of the assets and affairs of financially troubled insurance enterprises domiciled in California. An impaired enterprise subject to a conservation or liquidation order is referred to as an estate.

The Commissioner, through the state Attorney General's office, applies to the Superior Court for a conservation order to place a financially troubled enterprise in conservatorship. Under a conservation order, the Commissioner takes possession of the estate's financial records and real and personal property, and conducts the business of the estate until a final disposition regarding the estate is determined. The conservation order allows the Commissioner to begin an investigation that will determine, based on the estate's financial condition, if the estate can be rehabilitated, or if continuing business would be hazardous to its policyholders, creditors, or the public.

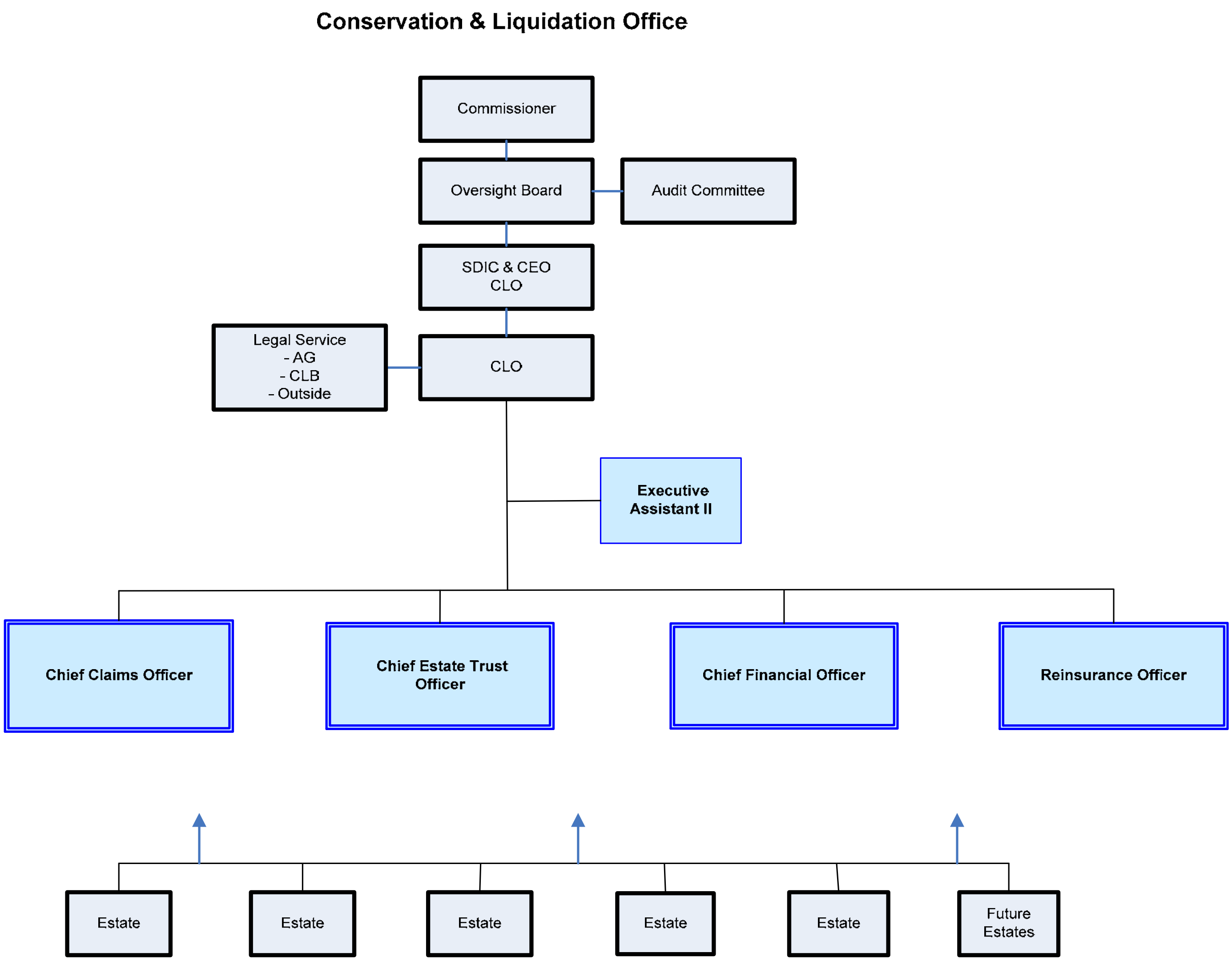
If, at the time the conservation order is issued or anytime thereafter, it appears to the Commissioner that it would be futile to proceed with the conservation of the financially troubled estate, the Commissioner will apply for an order to liquidate the estate's business. In response to the Commissioner's application, the Court generally orders the Commissioner to liquidate the estate's business in the most expeditious fashion.

In order to discharge the Commissioner's responsibilities as conservator or liquidator, the Commissioner appoints special deputy insurance commissioners as agents to act on his or her behalf. The Commissioner formed the Conservation & Liquidation Office ("CLO") to fulfill the Commissioner's responsibilities as conservator, receiver and liquidator.

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance, which was managed by State employees. The CLO is based in San Francisco, California.

As of December 31, 2011, the CLO was responsible for the administration of 22 insurance estates.

Organizational Structure



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The current Committee members are Ms. Nettie Hoge, Chief Deputy Commissioner, Mr. Adam Cole, Deputy Commissioner and General Counsel, and Mr. Al Botallico, Deputy Commissioner-Financial Surveillance. The Committee meets on a quarterly basis throughout the year and members have a 100% attendance record.

During 2011, the Oversight Board and Audit Committee held four regularly scheduled meetings.

2011 Organizational Goals and Results

On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is then presented to the Oversight Board Committee for approval. The CLO's Mission Statement is as follows:

> On behalf of the Insurance Commissioner, the CLO acts to rehabilitate and/or liquidate, under court supervision, troubled insurance enterprises. The CLO operates as a fiduciary for the benefit of claimants, handling the property of the failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

The 2011 Business Plan was a continuation of the objectives of the 2010 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2011, there were 22 open estates under management by the CLO. The open estates consist of 19 Property & Casualty Estates and three Life/Health Estates. The CLO goal in 2011 was to close three estates and distribute $382 million.

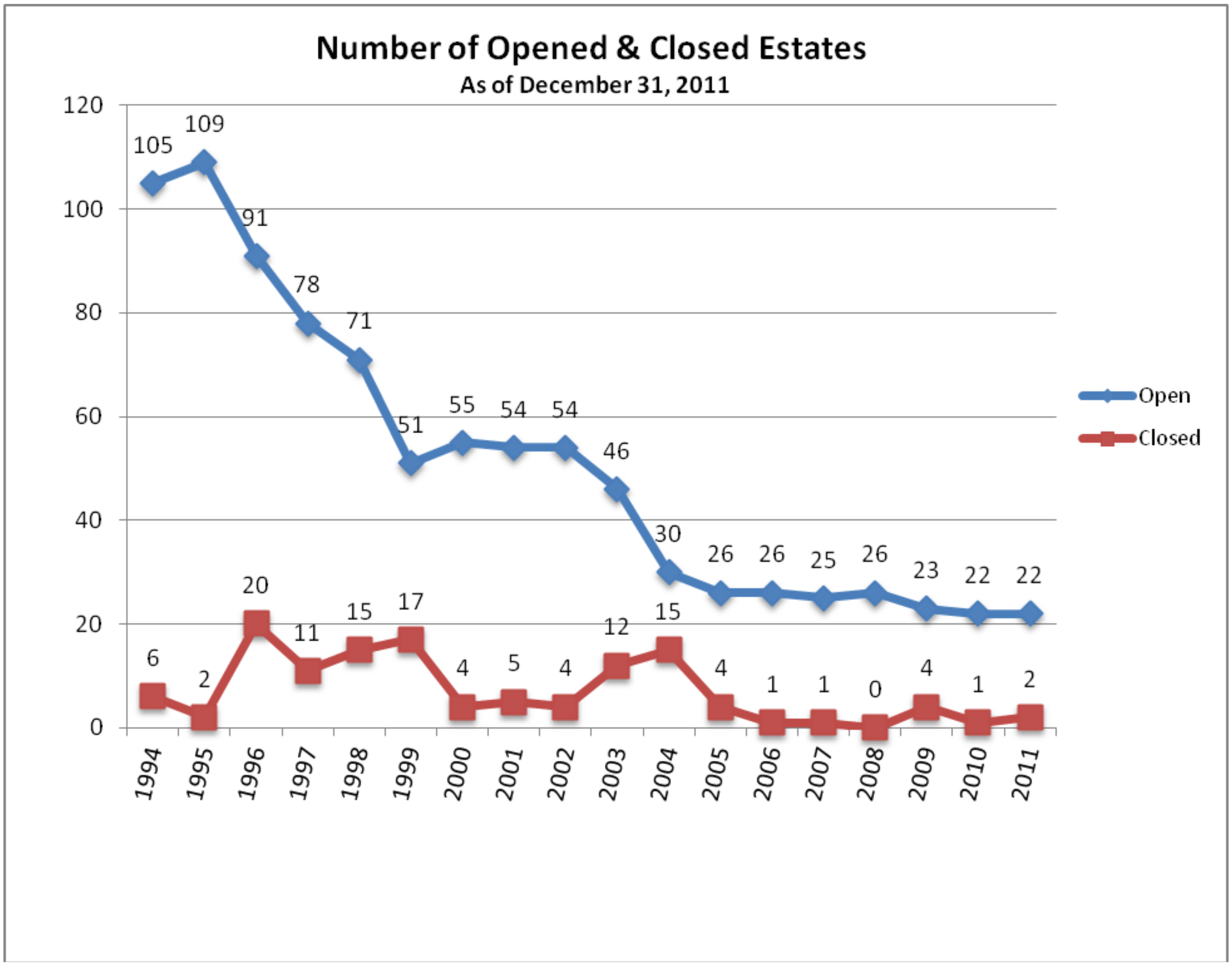
In addition to the Business Plan, there are individual work plans and cross-departmental estate teams for each estate. The individual Estate teams provide a written update on a quarterly basis.

The 2011 goals and results were as follows:

1. Closings

GOAL	RESULTS
Close 3 Estates: 1) Citation General 2) Municipal Mutual 3) Sable Ins. Co.	Two of the three estates were closed during 2011. One estate targeted for closure, Municipal Mutual, is scheduled to close during the first quarter of 2012.

Number of Opened & Closed Estates as of 12/11

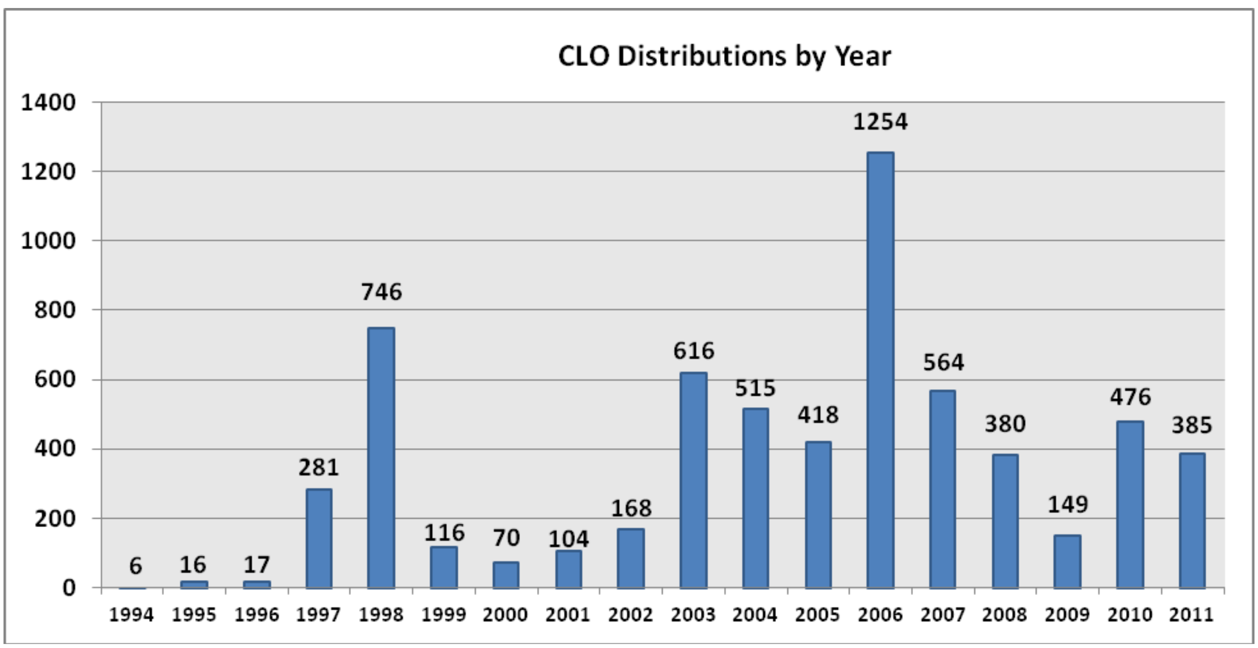


Since 1994, there have been approximately 122 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 45 "regular" insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

2. Distributions

	2011 Actual ($ Millions)	2011 Goal ($ Millions)
Early Access and Interim Distributions		
SNICIL	$253.9	$240
Western Employers (stat deposit release)	1.2	0
Fremont Indemnity	39.9	60
HIH America	50.4	60
Pacific National	19.0	5
	364.4	**365**
Final Distributions		
Municipal Mutual	0.0	4
Enterprise	0.0	5
Sable	0.6	1
National Automobile*	0.8	1
Alistar	18.8	5
Paula*	0.2	1
	20.4	**17**
Total Distributions:	**$384.8**	**$382**

* Estate re-opened and closed within the current year to allow for a supplemental distribution of remaining monies.



CLO Investment Policy

The CLO has a formal investment policy, as approved by its Oversight Board, requiring that investments be investment grade fixed income obligations of any type. These investments may be issued or guaranteed by (1) the U.S. and agencies, instrumentalities, and political sub-divisions of the U.S., and (2) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over-the-counter markets in the U.S. None of the portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's, or by another nationally recognized statistical rating organization. In addition, the duration must be maintained within +/- 12 months of the Barclays Capital U.S. Government/Credit 1-3 Yr., which was 19 months at December 31, 2011.

The investments are managed in equal parts by two professional money management firms and are warehoused at the Union Bank of California.

At December 31, 2011, the CLO had $593.5 million of estate marketable investment securities under management.

For the year ending December 31, 2011, the average portfolio balance was approximately $741.5 million. The portfolio earned an interest yield of 2.6% and a net yield after security gains/losses and mark-to-market adjustments of 1.8%.

Administrative Expenses

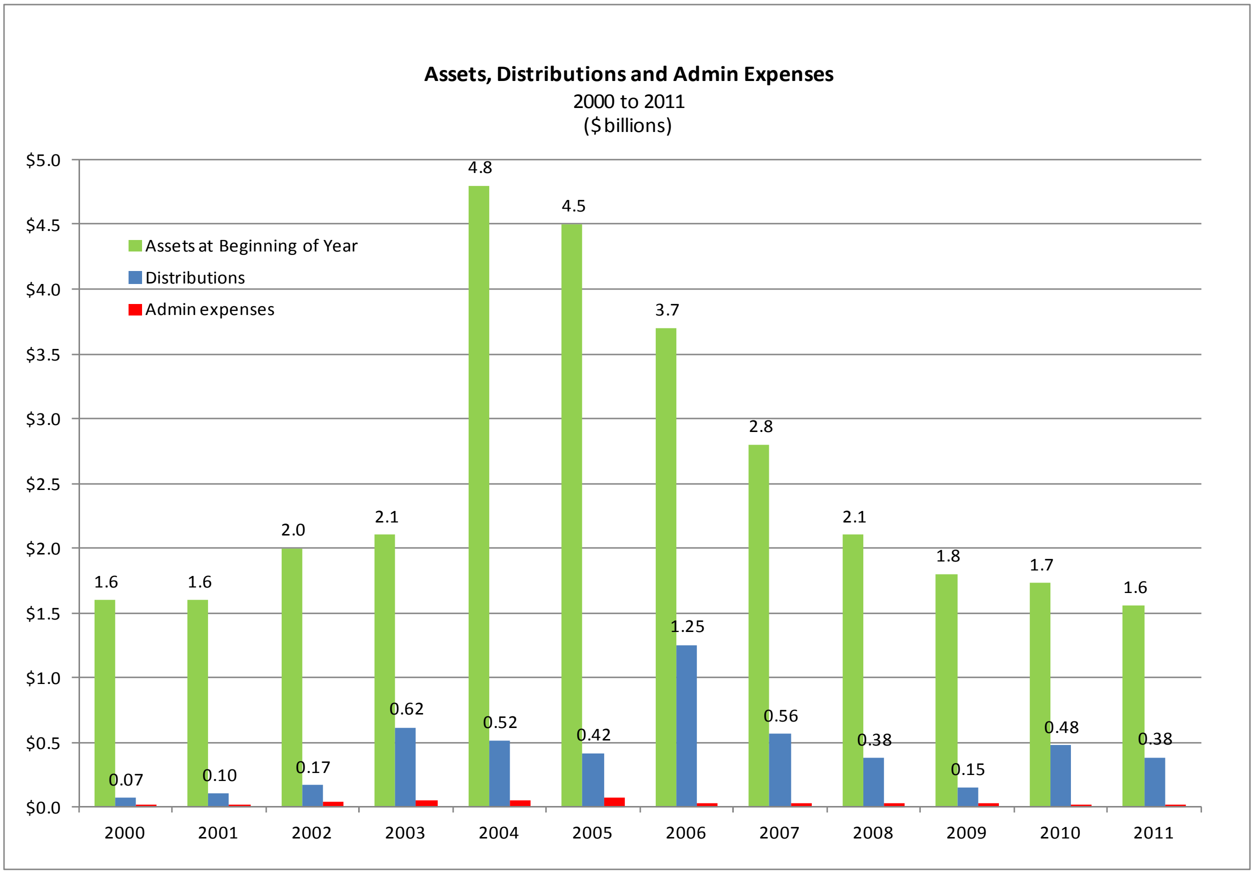
Administrative expenses consist of both direct and indirect expenses. [1]

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, office expenses, and depreciation of property and equipment.

Indirect expenses that are not incurred on behalf of a specific estate are allocated using an allocation method based on the ratio of employee hours directly charged to a specific estate to total direct hours charged to all estates, and in some instances direct contract hours charged. For example, if employees charged 200 hours to a specific estate and in total 2,000 hours was incurred by all estates, that specific estate would be allocated 10% (200 hours divided by 2,000 total hours charged to all estates). Indirect expenses include CLO employee compensation, rent and other facilities charges and office expenses.

In accordance with California Insurance Code Section 1035, the Commissioner may petition funds from a general appropriation of the State of California Insurance Fund if an estate does not have sufficient assets to pay for administrative expenses.

[1] See "CLO Financial Results" section of this report on the budget and actual expenditures for 2011 for direct and indirect expenses.



The chart above displays the Conservation & Liquidation Office assets at beginning of year, distributions, and administrative expenses from the year 2000 to 2011. The table below lists these figures.

Year	Assets ($ billions)	Distributions ($ millions)	Admin. Expenses ($ millions)
2000	$1.6	$70	$21
2001	$1.6	$104	$24
2002	$2.0	$168	$40
2003	$2.1	$616	$53
2004	$4.8	$515	$50
2005	$4.5	$416	$76
2006	$3.7	$1,254	$32
2007	$2.8	$564	$24
2008	$2.1	$380	$29
2009	$1.8	$149	$29
2010	$1.7	$476	$22
2011	$1.6	$385	$21

CLO Compensation

The CLO is not part of the State's civil service system. All employees are at-will. The CLO does not have a bonus plan or pay incentive compensation. To that end, the CLO has established policies and procedures that are more akin to the private marketplace.

Compensation Methodology

The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, two published survey sources were used. These survey sources are described below:

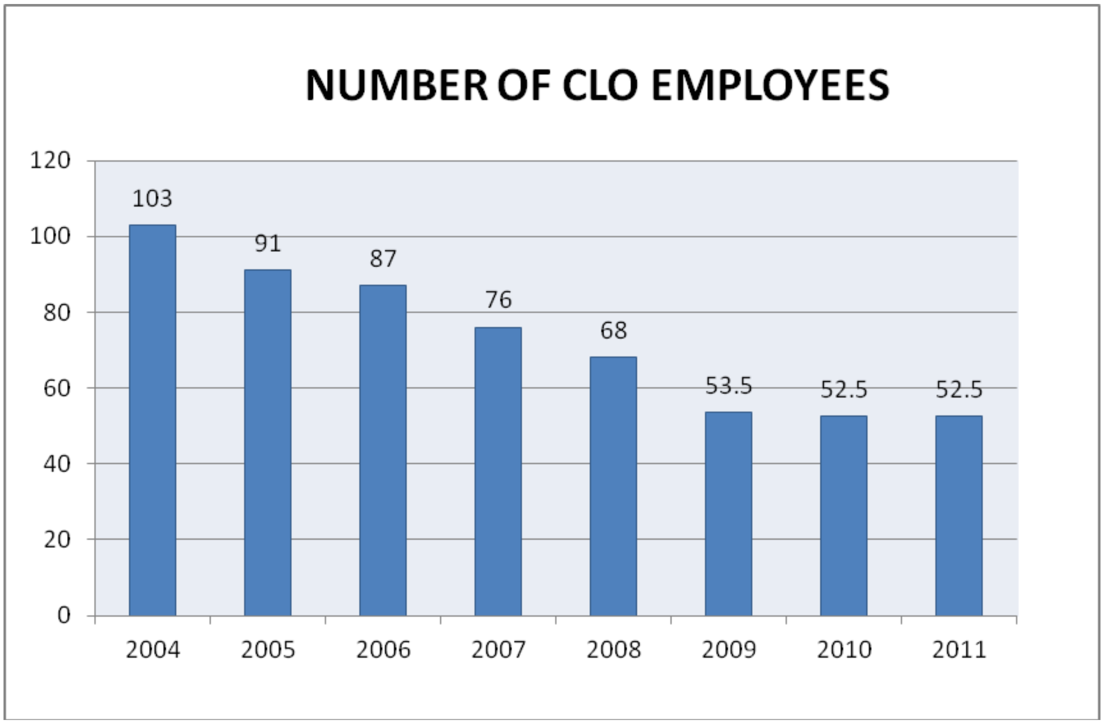
- Comp Analyst: Large survey representing thousands of companies across the U.S. which include hundreds of jobs. This subscription survey collects marketplace compensation data from many sources, and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.
- Economic Research Institute: Large survey representing thousands of companies across the U.S. which includes hundreds of jobs. This subscription survey collects marketplace compensation data from many sources and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment, organizations similar in size to the CLO, and located in San Francisco.

A summary of the compensation procedures follows:

- A written job description is developed for each position.
- Salary grades are derived from comparable external market data.
- Salary ranges are identified (low, middle, and high) based on market comparisons obtained by an outside independent compensation consultant.
- Salary ranges are updated periodically.
- The creation of a "new job position" is sent to an outside consultant for external evaluation.
- All employees receive an annual compensation review.

CLO employment and total salaries for employees are summarized below:

	31-Dec-11	31-Dec-12 (Budget)
Number of CLO employees at beginning of year	52.5	52.5
Total compensation and benefits for CLO employees	$ 7,320,176	$ 7,902,788



The chart above shows the number of CLO full-time employees from 2004 to 2011.

As estates have closed resulting in reduced workloads, and as a result of internal operating efficiencies, the number of full-time employees decreased by 51% compared to December 31, 2004.

CLO Financial Results

For Years Ended December 31, 2011 and December 31, 2010

Cash received	December 31, 2011		December 31, 2010
	Actual	Budget	
Litigation and reinsurance recoveries	$195,829,200	N/A[2]	$553,998,900
Investment income, net of expenses	$13,240,700	N/A[3]	23,876,200
Total:	**$209,069,900**		**$577,875,100**

[2] Litigation and reinsurance recoveries are not susceptible to budgeting due to the irregular timing of their occurrence.

[3] Investment income is not budgeted due to the large changes in investment balances that occur throughout the year, as well as changes in investment return rates.

	December 31, 2011		December 31, 2010
	Actual	Budget	
Distributions	**$384,770,000**	**$382,000,000**	**$476,114,600**

Administrative – Estate Direct Expenses

Estate Direct Expenses	December 31, 2011		December 31, 2010
	Actual	Budget	
Legal expenses	$7,937,700	$11,227,800	$9,202,000
Consultants and contractors	2,063,400	1,874,200	2,177,600
Office expenses	2,027,700	1,461,900	1,538,000
Compensation and benefits	116,500	0	80,100
Total	12,145,300	$14,563,900	$12,997,700

Administrative – CLO Overhead Expenses

CLO overhead expenses	December 31, 2011		December 31, 2010
	Actual	Budget	
Compensation and benefits	$7,320,200	$7,259,000	$6,875,000
Office expenses	1,905,200	1,911,500	1,967,500
Consultants and contractors	167,800	174,000	185,500
Legal expenses	14,000	49,200	23,200
Total	$9,407,200	$9,393,700	$9,051,200

Administrative Totals	December 31, 2011		December 31, 2010
	Actual	Budget	
Estate Direct Expense Total	$12,145,300	$14,563,900	$12,997,700
CLO Overhead Expense Total	9,407,200	$9,393,700	$9,051,200
Total:	**$21,552,500**	**$23,957,600**	**$22,048,900**

Estates Open Longer Than Ten Years

After the entry of an order placing an impaired California insurer into conservation and/or liquidation, the Insurance Commissioner and the CLO have the statutory responsibility to marshal and resolve the assets and liabilities of the failed entity.

The time required to close an insolvency proceeding is largely determined by the amount and complexity of the assets to be monetized and distributed to claimants. In addition, the length of an insolvency is equally affected by the amount of time required to make a final determination of an estate's liability.

Most of the insolvencies that remain open for more than ten years have some combination of on-going litigation; complicated tax exposure; potential collection of additional material assets; and challenges associated with the evaluation of liabilities. Until both sides of the insolvent estate's balance sheet are resolved (assets collected and liabilities fixed), the insolvency proceeding will remain open. In addition, estates are subject to federal tax reporting and escheatment requirements after the final distribution.

The estates listed below have been in liquidation for ten years or more.

Executive Life & ELIC Opt Out Trust:

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The damages phase of the Commissioner's lawsuit against Altus has not been scheduled at this time. The Estate and associated trust will be required to complete any escheatment of unclaimed funds post-final distribution. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $731 million from litigation and distributed $737 million to claimants. Assets presently in the Estate are held to fund ongoing litigation.

Frontier Pacific Insurance Company:

The Estate has an estimated $18.3 million in current and future reinsurance recoveries as of December 31, 2011. These balances are due from approximately 29 reinsurers. Frontier Pacific is a difficult estate due to continuing issues with its NY parent ranging from comingling of data to the lack of cooperation. There are significant issues that will need to be resolved. Frontier Pacific's remaining reinsurance programs are labor intensive to administer, but known case reserves are relatively small. The Estate has scheduled an interim distribution in the second quarter of 2012 for approximately $25 million.

Golden Eagle:

The Estate is in long-term run off. Although all policyholder claims have been 100% reinsured and policyholder claims are being paid timely, Golden Eagle remains liable to the policyholders should the reinsurer not be able to fulfill their obligations. The reinsurance program is structured to handle all remaining claims exposure. Until all claims are resolved or paid out, and all reinsurance collected, the Estate must remain open. The CLO acts in a pure monitoring capacity to ensure that the reinsurance structure continues to pay all claims.

Great States:

The Estate continues to seek a resolution on the AHA Surety Bond matter. The Estate continues to collect funds derived from the billings of paid workers compensation claim. The estate continues to rely upon CIGA for certain claim documentation to complete the billing to the surety. In an effort to resolve the remaining liability the parties will discuss updating certain actuarial studies and explore commutation possibilities. The balance of the remaining reinsurance program is in the commutation negotiation phase and requires certain releases from the participating guarantee associations. To date the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

HIH America Compensation & Liability:

The Estate's remaining reinsurance program involving upper layer treaties is being reviewed for potential collectability. The upper layer exposure has proven to be a challenge to negotiate and commute at a fair value with reinsurers, as evaluating the applicability of future penalty payments and reserves has been difficult. The Estate will await substantiation of the exposure and probability of recovery before booking the asset. To date, all Insurance Guarantee Associations have received a payment of 52 percent of their paid losses and the non-IGAs have received 45 percent of their approved claims.

Mission/ Mission National/ Enterprise:

All policyholder claims have been paid in full in accordance with the 2006 distribution plan. Significant reinsurance recoveries remain due to the estates from other insolvency proceedings. The estates continue to support the pending audit of the Covanta consolidated tax group. Upon conclusion of the audit and subject to the findings, the tax reserves will be released and distributed to remaining creditors. The Mission Trusts are working to submit disclosures to the Federal authorities seeking to identify and resolve any potential Federal claims associated with the policies issues by the Mission companies. The Mission Trusts suspended all distribution activity in 2011 and will continue to hold distributions until the estate has a more definitive determination of any Federal exposure to address. The Trusts are also assessing compliance requirements associated with policy coverage resulting in potential Medicare reporting obligations and identifying any continuing compliance issues.

Superior National Insurance Companies in Liquidation ("SNICIL"):

SNICIL resolved a long-term reinsurance dispute with U.S. Life in 2010, but there is another $165,000,000 of collectible reinsurance still on the books. Nearly all of the collectible reinsurance involves long tail Workers Compensation business; thus, the strategy is to attempt to commute the remaining balances. This will continue to require a significant amount of time and effort to commute all of the reinsurance contracts and programs.

Western Employers:

Western Employers wrote coverage on very long-tail exposures (workers compensation, asbestos, tobacco, etc.) and has been subject to extensive litigation associated with claims that exceed state guaranty fund coverage limits or were altogether not covered by the guaranty funds. Inadequate record keeping and poor file management inherited at the time of liquidation have increased the difficulty in resolving the Estate's ultimate liability and collecting final reinsurance assets. There is also potential liability to the Federal Government. The process of resolving the government's claim, primarily that of the Environmental Protection Agency, has only recently begun.

Claims History

Property and Casualty Estates

Estate	Liquidation Date	Proof Of Claims Filed	Proof Of Claims Resolved	Open POCs
Alistar	10/24/2002	355	355	0
American Sterling	10/26/2011	TBD	TBD	TBD
Frontier Pacific	11/30/2001	43,573	43,570	3
Fremont	7/2/2003	45,663	45,345	318
Golden Eagle [4]	2/18/1998		n/a (see below)	
HIH (2 estates)	5/8/2001	3,175	3,167	7
Majestic	n/a	17	0	17
Municipal Mutual	10/31/2006	14	14	0
Mission (3 estates)	2/24/1987	173,920	173,920	0
Pacific National	8/5/2003	4,448	4,447	1
Superior (5 estates)	9/26/2000	13,934	13,885	48
Western Employers	4/19/1991	9,809	9,399	410
	Total:	**294,908**	**294,102**	**804**

[4] *Golden Eagle is not subject to a finding of statutory insolvency. All claims are covered under a reinsurance agreement and are being paid by the reinsurer.*

Life Insurance Estates

Executive Life Insurance Company: Executive Life is a life insurance company and has policies rather than claims. There were 327,000 policies/contracts.

Fremont Life Insurance Company: Fremont Life transferred approximately 3,500 in-force policies to assuming insurers via reinsurance agreements. All policy administration is handled by the successor insurers. The FLIC conservation estate is a wholly owned subsidiary of the Fremont Indemnity estate.

Golden State Mutual Life Insurance Company: Golden State transferred approximately 120,000 in-force policies to an assuming insurer via a reinsurance agreement. All remaining policy liability will be assumed by NOLGHA via consensual agreement subject to court approval in 2012.

2012 Business Goals

The 2012 Business Plan is a continuation of the objectives of the 2011 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing operating efficiencies.

Entering 2012, there are 22 open estates under management by the CLO. The open estates consist of 19 Property & Casualty Estates and three Life/Health Estates. Our goal in 2012 is to close two estates and distribute $111 million.

Starting 2012, we have 52.5 full-time employees and no temporary employees. We will re-assess staffing requirements at mid-year and will make any changes deemed necessary during the second half of 2012. In addition to the organizational goals, there are individual work plans and cross-departmental Estate teams for each of the 22 estates. The individual estate teams provide a written update on a quarterly basis.

The 2012 Goals are as follows:

1. Close 2 Estates[5]
    - Alistar
    - Municipal Mutual

[5] *Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.*

2. Early Access, Interim, and Final Distributions

    Early Access Distributions:
    Frontier Pacific..$25,000,000
    Superior National Estates..40,000,000
    Fremont 40,000,000

    Final Distributions:
    Municipal Mutual...5,000,000
    Fremont Life 1,000,000

    $111,000,000

Section 2 – Estate Specific Information

Page

Conservation or Liquidation Estates Opened During the Year 2011

American Sterling Ins. Co. – September 26, 2011

Majestic Ins. Co. – April 21, 2011

Conservation or Liquidation Estates Closed During the Year 2011

Citation General Ins. Co. – June 14, 2011

Sable Ins. Co. – July 26, 2011

Current Year and Cumulative Distributions by Estate (in $000) [6]

	Year Ended 12/31/2011				Cumulative to 12/31/2011				
	Policyholders	Federal and State Claims	General Creditors	Total	Policyholders	Federal and State Claims	General Creditors	Total	
Alistar Ins Co	$18,827	-	-	$18,827	$26,900	-	-	$26,900	
Citation General Ins Co	-	-	-	-	26,330	-	1,813	28,143	
Executive Life Ins Co	-	-	-	-	737,276	-	-	737,276	*
Fremont Indemnity Co	39,906	-	-	39,906	902,361	-	-	902,361	
Great States Ins Corp	-	-	-	-	10,155	-	-	10,155	
HIH America Ins Co	50,412	-	-	50,412	328,500	-	-	328,500	
Mission Ins Co	-	-	-	-	846,833	111	265,664	1,112,608	
Mission National Ins Co	-	-	-	-	499,852	-	27,077	526,929	
Enterprise Ins Co	-	-	-	-	120,573	40	5,339	125,952	
National Auto Ins Co	781	-	-	781	24,209	14	3,877	28,100	
Pacific National Ins Co	19,000	-	-	19,000	52,416	-	-	52,416	
Paula Ins Co	209	-	-	209	139,213	-	-	139,213	
Sable Ins Co	639	-	-	639	22,622	-	-	22,622	
California Comp Ins Co	194,424	-	-	194,424	840,908	-	-	840,908	
Combined Benefits Ins Co	2	-	-	2	21,482	-	-	21,482	
Superior National Ins Co	49,315	-	-	49,315	391,018	-	-	391,018	
Superior Pacific Cas Co	2	-	-	2	38,096	-	-	38,096	
Commercial Comp Cas Co	10,134	-	-	10,134	93,984	-	-	93,984	
Western Employers Ins Co	1,120	-	-	1,120	68,190	-	-	68,190	
	$384,770	$0	$0	$384,770	$5,190,918	$165	$303,771	$5,494,853	

[6] American Sterling, Fremont Life, Frontier Pacific, Golden Eagle, Golden State Mutual ,Majestic, and Municipal Mutual estates are not included on this schedule as no distributions have occurred.

** Since administration was transferred to CLO in 1997.*

Estates in Conservation and/or Liquidation as of December 31, 2011

Estate Name	Date Conserved	Date Liquidated
Alistar Insurance Company	04/11/02	10/24/02
American Sterling Insurance Company	09/26/11	10/26/11
California Compensation Insurance Company	03/06/00	09/26/00
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Enterprise Insurance Company	11/26/85	02/24/87
Executive Life Insurance Company	04/11/91	12/06/91
Fremont Indemnity Company	06/04/03	07/02/03
Fremont Life Insurance Company	06/05/08	*
Frontier Pacific Insurance Company	09/07/01	11/30/01
Golden Eagle Insurance Company	01/31/97	02/18/98
Golden State Mutual Life Insurance Company	09/30/09	01/28/11
Great States Insurance Company	03/30/01	05/08/01
HIH America Comp. & Liability Insurance Company	03/30/01	05/08/01
Majestic Insurance Company	04/21/11	*
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
Municipal Mutual Insurance Company	*	10/31/06
Pacific National Insurance Company	05/14/03	08/05/03
Superior National Insurance Company	03/06/00	09/26/00
Superior Pacific Casualty Company	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91

**No Conservation or Liquidation Order obtained*

Report on Individual Estates

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2011 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information.[7]

In reviewing the financial information, the following must be taken into account:

- The Statement of Assets and Liabilities have been prepared on the liquidation basis of accounting. Under the liquidation basis of accounting, assets reported on the financial statements are assets that are determined to be collectible. The liabilities may change during the course of the liquidation depending on the types of business written by the company, and as claims are reviewed and adjudicated.
- No estimates for future administrative expenses are included in the liabilities, unless the estate has been approved for final distribution and closure by the Court.
- California Insurance Code Section 1033 prescribes that claims on estate assets are paid according to a priority, except when otherwise provided in a rehabilitation plan. The probability of a valid claim being paid is dependent on the valuation of the claim, the order of preference of the claim, and the amount of funds remaining after other claims having higher preference have been discharged. Each priority class of claims must be fully paid before any distribution may be made to the next priority class. All members of a class receiving partial payment must receive the same pro-rata amount.
- For estates where available assets are insufficient to pay all policyholder claims, the CLO intentionally does not evaluate the lower priority proofs of claims, since to do so would incur unnecessary administrative time and expenses, reducing funds available for distribution to higher-priority claimants.
- Shareholders receive any remaining residual value of the estate's net assets only after the general creditors have been paid.
- Beginning Monetary Assets at takeover represent cash and investment balances at the time of liquidation or, in cases where the estate was first liquidated and managed by other parties, at the time the estate was taken over by the Conservation & Liquidation Office.

[7] *Estates under management of the CLO have an annual independent review of its financial statements. Copies of the independently reviewed financial statements can be accessed through the CLO webpage (www.caclo.org). Annual audits or reviews are waived for estates with little or no assets or activity.*

ESTATE SPECIFIC INFORMATION

Alistar Insurance Company

Conservation Order: April 11, 2002
Liquidation Order: October 24, 2002

2011 Report

Alistar Insurance Company ("Alistar") was a non-standard automobile and workers' compensation insurance company that was domiciled and wrote business in California. Alistar also wrote bail bond business, some portion of which was sold to Lincoln General Insurance prior to liquidation. The "Claims Bar Date," or the final date to submit a claim against the insolvent insurer, was July 31, 2003.

The primary work associated with the insolvency was the transfer of all open covered claims to the California Insurance Guarantee Association ("CIGA") and to run off the reinsurance program.

During 2011, the Estate's goal was to complete a commutation settlement with the last remaining reinsurer and position the Estate to make its final distribution. All goals were satisfied and the estate completed its final distribution on October 19, 2011.

The Estate's remaining objective is to escheat any unclaimed funds to the California Department of Insurance, and petition the San Francisco Superior Court to close the Estate in 2012.

Alistar Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$16,155,700	$188,400
Recoverable from reinsurers	2,962,500	-
Other assets	1,300	1,300
Total assets	19,119,500	189,700

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	8,900	9,400
Claims against policies, before distributions	48,409,600	37,595,900
Less distributions to policyholders	(8,073,200)	(26,899,800)
All other claims	111,000	111,000
Total liabilities	40,456,300	10,816,500
Net assets (deficiency)	($21,336,800)	($10,626,800)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$453,800	$221,000
Salvage and other recoveries	366,800	9,300
Total income	820,600	230,300

Expenses	2010	2011
Loss and claims expenses	5,673,900	(10,654,800)
Administrative expenses	133,000	175,100
Total expenses	5,806,900	(10,479,700)
Net income (loss)	($4,986,300)	$10,710,000

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$13,361,500
Recoveries, net of expenses	13,726,700
Distributions	(26,899,800)
Monetary assets available for distribution	$188,400

American Sterling Insurance Company

Conservation Order: September 26, 2011
Liquidation Order: October 26, 2011

2011 Report

American Sterling Insurance Company (ASIC) is a California domiciled property and casualty insurance company formally located at 28202 Cabot Road, Laguna Nigel, CA 92677. ASIC is a wholly owned subsidiary of American Sterling Corporation (ASC), a California corporation. ASIC has a wholly owned subsidiary American Sterling Productions, Ltd, which in turn has four wholly owned subsidiaries, three that appear dormant and one that holds a material real estate investment.

ASIC is licensed to write multiple classes of insurance and is required to maintain a minimum capital and surplus of $5.4 million. During 2010 ASIC wrote only liability and automobile classes of insurance in Arizona, Kansas and Nevada . ASIC is not writing business in California.

ASIC was placed under Supervision on August 1, 2011 pursuant to the Supervision Agreement between the California Insurance Commissioner (Commissioner) and ASIC. The supervision was the result, among other reasons, of recent cash flow concerns and the absence of liquid assets to ensure timely payment of claim obligations. Although ASIC reported capital and surplus of $12,965,439 as of June 30, 2011, there were little to no liquid assets and the value of the investments in real estate, receivable from shareholder and mortgages were questionable. In addition, the California Department of Insurance (CDI) received a formal request from ASIC to allow an extension to the maturity of a $7.5 million note from the primary shareholder. The note is being carried on the books at full value and is past due and ASIC is not receiving interest.

Due to a continuing lack of adequate cash flow to meet claims and overhead obligations, ASIC and its subsidiaries were placed into conservation on September 26th 2011. Control of the company was transferred to the Commissioner. After repeated assurances and promises from the company's CEO, no immediate prospect of new cash materialized. As a result, the conservator had to seek an insolvency order to trigger the state guaranty funds to honor current claims payments. ASIC and its subsidiaries were placed into liquidation on October 26, 2011.

As of December 31, 2011 all open claims had been transferred to the three participating IGAs, 30-day cancellation notices were issued at liquidation to all in force policyholders and insolvency orders were either served on key entities and principals or recorded in counties where ASIC or its subsidiaries have assets.

Proof of Claims were mailed to all known creditors with a claims bar date established at July 31, 2012.

The primary focus of the estate in 2012 is to monetize one or more of three highly illiquid assets and plan a distribution to the creditor group.

American Sterling Ins Co

ASSETS AND LIABILITIES

As of September 30, 2011 and December 31, 2011

Assets	9/30/2011 [8]	12/31/2011 [9]
Cash and investments	$104,500	($150,800)
Other assets	3,903,400	11,747,100
Total assets	4,007,900	11,596,300

Liabilities	9/30/2011	12/31/2011
Secured claims and accrued expenses	67,900	418,800
Claims against policies, before distributions	1,044,700	1,163,500
All other claims	269,200	276,700
Total liabilities	1,381,800	1,859,000
Net assets (deficiency)	$2,626,100	$9,737,300

INCOME AND EXPENSES

For Three Months Ended December 31, 2011

Income	2011
Investment income	($900)
Salvage and other recoveries	38,500
Total income	37,600

Expenses	2011
Loss and claims expenses	439,100
Administrative expenses	266,100
Total expenses	705,200
Net income (loss)	($667,600)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$104,500
Recoveries, net of expenses	(255,300)
Monetary assets available for distribution	($150,800)

[8] *9/30/11 figures are per quarterly statement filed with the CA Dept. of Ins. uisng statutory basis of accounting.*

[9] *12/31/11 figures are reported on a liquidation basis and reflect estimated recovery values for the stated assets.*

Executive Life Insurance Company

Conservation Order: April 11, 1991
Liquidation Order: December 6, 1991

2011 Report

Executive Life Insurance Company (ELIC) was placed in conservation by order of the Los Angeles County Superior Court on April 11, 1991. At the time, ELIC, which had more than 350,000 policyholders, was the largest life insurance insolvency in United States history. In the summer and fall of 1991, the Commissioner conducted an auction seeking bids to acquire the junk bond portfolio and insurance assets of ELIC. In December 1991, the Commissioner's selection of a group of French and European investors (the Altus/MAAF group) as the winning bidder, and the transaction was approved by the Conservation Court.

In March 1992, ELIC's junk bond portfolio was transferred to Altus Finance for a purchase price of approximately $3 billion. In August 1993, the Court approved a final Rehabilitation Plan under which the majority of ELIC's assets and its restructured insurance policies were transferred to a new California insurance company created by the European consortium that had won the 1991 bid. The Rehabilitation Plan became effective in September 1993. Under the terms of the Rehabilitation Plan, former ELIC policyholders were given a choice either to accept new coverage (Opt In) from Aurora National Life Assurance Company (Aurora) or to terminate their ELIC policies (Opt Out) in return for a pro rata share of ELIC's assets. The Rehabilitation Plan also provided for the establishment of various trusts, collectively known as the Enhancement Trusts, to marshal and distribute assets for the benefit of former ELIC policyholders.

The Commissioner, in his capacity as conservator, rehabilitator and liquidator of the Estate, commenced a civil action in 1999 against Altus Finance S.A. (Altus) and other defendants alleging that they had acquired the junk bond portfolio and insurance assets of ELIC through fraud. Settlements were reached with Altus and some of the other co-defendants in 2004 and 2005.

A trial against the remaining defendant in 2005 resulted in a jury verdict finding Artemis S.A., a two-thirds owner of Aurora, liable for knowing participation in a conspiracy with members of the Altus/MAAF group to defraud the Commissioner. In August 2008, the jury's verdict of liability was upheld on appeal and the case was remanded to the U.S. District Court for a new trial on the issue of damages.

In January 2011, November 2011 and February 2012, the Commissioner's attorney filed a request for a trial setting conference but no trial was set. On April 2, 2012, the case was reassigned to a new judge, the Honorable R. Gary Klausner. The Commissioner's attorney filed a request for a trial-setting conference with Judge Klausner on April 9, 2012.

The Estate is a party to a proceeding brought by certain Indenture Trustee policyholders who challenged various CLO administrative expenses for the period January 1, 1997 to June 30, 2008. The Court issued an order on December 7, 2009 approving those expenses and subsequently denied the request by the Indenture Trustee policyholders for attorneys fees. On February 4, 2010, the Indentured Trustee Policyholders filed a Notice of Appeal against the court's approval of CLO administrative expenses of ELIC for the period January 1, 1997 to June 30, 2008 (approximately $12 million), as well as the court's denial of ITP's attorney fees of $395,730.50. The ITP's appeal brief was filed in December 2010 and the Commissioner's response brief was filed January 27, 2011. The appeal matter has not been heard yet.

ELIC Opt-Out Trust

The Opt-Out Trust receives approximately 33% of ELIC assets which are distributed to approximately 27,300 former ELIC policyholders ("Opt-Outs") who elected to terminate their policies. A distribution of $211 million of Altus Litigation Funds was made to Opt-Out policyholders in February 2006. Presently the remaining assets of the Opt-Out Trust consist of (1) distributions allocated to policyholders with whom contact has been lost, in most cases due to bad addresses (funds for those for whom contact has been lost will be escheated to the last known state of residence), and (2) the settlement proceeds of Mutuelle Assurance Artisinale De France ("MAAF") (one-third of the recovery of a default judgment in the name of defendant, MAAF) which became available for distribution to Opt-Out policyholders. As the costs to effect a distribution of this size outweigh the benefits to the Opt-Outs, the Commissioner determined that MAAF funds would be distributed when the new damages phase of the NOLHGA Premise including punitive damages, if any, is concluded. The trial court had initially set a trial date of November 3, 2009 but the court vacated that date with the understanding that a new trial date would be set. The Commissioner anticipated that if the trial was held on the date it was originally set, a distribution of the MAAF funds would have occurred together with any new awards that the Commissioner would have received. Because the date of the trial was vacated and a new date has not yet been set, the Commissioner moved forward and completed a distribution of approximately $10 million of MAAF funds in September 2010. This trust however, continues to remain open to effect additional distributions to Opt-Out policyholders if the Commissioner is successful in the retrial.

FEC Litigation Trust

This trust was established September 1992 between First Executive Corporation ("FEC"), the parent company of Executive Life Insurance Company ("ELIC") and the Commissioner in his capacity as conservator, rehabilitator and liquidator of ELIC. The purpose of this trust was to collect the proceeds of certain litigation claims and to distribute the proceeds to former ELIC policyholders in accordance with the terms of the trust. The distribution in 2002 paid all funds except for funds that were due ELIC policyholders that could not be located. Those funds, where policyholders were unable to be located, were escheated to the various states of domicile. We have applied and have received approval from California Insurance Fund for a transfer of funds to reimburse the trust because of budget over-run. The trust is in position for closure by June 30, 2011. At that time the Commissioner will file an application, including financials from inception to close, to the court to terminate the trust and discharge the Commissioner as trustee. FEC closed on September 29, 2011.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$46,208,200	$39,882,000
Other assets	1,605,800	1,605,800
Total assets	47,814,000	41,487,800

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	8,835,200	8,013,000
Policyholder liability	5,696,985,700	5,924,618,100
All other claims	428,800	428,800
Total liabilities	5,706,249,700	5,933,059,900
Net assets (deficiency)	($5,658,435,700)	($5,891,572,100)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$1,245,400	$708,100
Litigation recoveries	-	28,100
Miscellanoues income	650,500	-
Total income	1,895,900	736,200

Expenses	2010	2011
Post-liquidation Federal income tax	(226,500)	-
Administrative expenses	7,848,300	6,122,300
Interest on policyholder liability	227,623,300	227,750,300
Total expenses	235,245,100	233,872,600
Net income (loss)	($233,349,200)	($233,136,400)

CHANGE IN MONETARY ASSETS [10]

Beginning monetary assets at takeover	$112,111,400
Recoveries, net of expenses	665,046,500
Distributions	(737,275,900)
Monetary assets available for distribution	$39,882,000

[10] *This schedule represents changes in monetary assets from August 1, 1997, when Executive Life's estate accounting was transferred to the CLO, to December 31, 2011.*

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$10,234,000	$9,125,100
Total assets	10,234,000	9,125,100

Liabilities	12/31/2010	12/31/2011
Secured claims	7,568,800	6,662,500
Unclaimed funds payable	2,474,600	2,357,200
Reserve for administrative expenses	190,600	105,400
Total liabilities	10,234,000	9,125,100

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income and Expenses	2010	2011
Investment income	$114,000	$148,100
Administrative expenses	631,500	711,100
Net income (loss)	($517,500)	($563,000)

Fremont Indemnity Company

Conservation Order: June 04, 2003
Liquidation Order: July 02, 2003

2011 Report

Fremont was authorized as a multi-line Property & Casualty insurer, but at liquidation operated as a “Monoline” Workers’ Compensation insurer writing only Workers’ Compensation and Employer Liability coverage in 48 states. Fremont is the successor by merger of six affiliate insurers that were under the common ownership of Fremont Compensation Insurance Group, Inc. (“FCIG”), Fremont’s immediate parent company. FCIG is wholly-owned by a publicly traded holding company, Fremont General Corporation (“FGC”). Approximately 65% of Fremont’s Workers’ Compensation claims are attributable to business written in California. Most of the general liability business was assumed by a group of life insurance companies and administered through a third party administrator named Riverstone. The “Claims Bar Date”, or the final date to submit a claim against the insolvent entity, was June 30, 2004.

The Estate’s parent company, FGC, filed for protection under Chapter 11 of the federal bankruptcy code in June of 2008. As part of the FGC consolidated tax group the Estate sought to protect certain tax attributes and to ensure financial recovery or preservation of its net operating losses. Counsel for the estate filed four proofs of claims seeking recovery from the FGC bankruptcy estate. In April 2009 the Estate commenced global settlement discussions with representatives of FGC to settle all disputes between the Estate and FGC as it relates to the pending POCs. After months of negotiation the Estate agreed to settle all disputes in exchange for two approved, unsecured general creditor claims totaling $40 million in approved voting claims that are capped at $27 million in payout plus post petition interest on $5 million. In addition the estate received $9 million in cash at execution of the settlement, and agreement with FGC to help facilitate the deconsolidation of the Estate from the consolidated tax group in a matter that allows the Estate to preserve all of its net operating losses for future application (estimated to exceed $400 million).

All legal disputes have been resolved and essentially all amounts due under the global settlement with the FGC bankruptcy estate have been collected. The Estate has completed the deconsolidation process and is now a stand-alone taxpayer.

The Estate continues to bill and collect on active reinsurance treaties, as well as seeking commutations where advantageous. All on-going reinsurance processing is now being handled by the CLO San Francisco staff who will complete the balance of the run off of the reinsurance program.

The Estate released its seventh early access distribution in November 2011. The estate is planning an eighth early access distribution in 2012.

Fremont Indemnity Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$159,803,100	$122,027,000
Recoverable from reinsurers	184,855,500	132,515,500
Other assets	25,781,300	25,215,600
Total assets	370,439,900	279,758,100

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	15,644,400	15,646,200
Claims against policies, before distributions	2,980,833,000	3,062,130,500
Less distributions to policyholders	(862,454,600)	(902,360,600)
All other claims	400,084,200	349,598,400
Total liabilities	2,534,107,000	2,525,014,500
Net assets (deficiency)	($2,163,667,100)	($2,245,256,400)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$2,998,100	$2,331,900
Litigation recoveries	251,700	-
Salvage and other recoveries	10,565,500	6,865,200
Total income	13,815,300	9,197,100

Expenses	2010	2011
Loss and claims expenses	210,327,300	87,285,700
Administrative expenses	3,938,200	3,402,100
Total expenses	214,265,500	90,687,800
Net income (loss)	($200,450,200)	($81,490,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$434,855,900
Recoveries, net of expenses	589,531,700
Distributions	(902,360,600)
Monetary assets available for distribution	$122,027,000

Fremont Life Insurance Company

Conservation Order: June 05, 2008

2011 Report

Fremont Life Insurance Company ("Fremont Life"), a California domiciled life insurance company was located in Costa Mesa, California and licensed in 13 states and Guam. Fremont Life is a wholly owned subsidiary of Fremont Compensation Insurance Group Inc., whose ultimate parent is Fremont General Corporation ("FGC"). FGC filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June of 2008. On May 15, 2008, Fremont Life filed their March 31, 2008 quarterly statement with the California Department of Insurance reporting surplus of $1,967,289. The minimum required capital and surplus for Fremont Life is $4,500,000. With the subsequent bankruptcy filing by its parent FGC the California insurance regulators opted to seek a conservation of Fremont Life.

All active insurance contracts have been transferred to successor insurance companies, and the operations of Fremont Life have been discontinued. The conserved estate has the responsibility to ensure all risk associated with the remaining policies and life products are properly assumed by the successor insurers.

The Estate was able to recover most protective deposits in 2010, and is well under way to ensuring all risk has been transferred and novated. The Estate will seek to recover all remaining assets and to resolve all pending legal issues in 2012 and will work to close the conservation in late 2012 or early 2013.

Fremont Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$1,246,900	$1,169,100
Other assets	159,300	159,300
Total assets	1,406,200	1,328,400

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	3,300	7,200
All other claims	1,435,000	1,336,200
Total liabilities	1,438,300	1,343,400
Net assets (deficiency)	($32,100)	($15,000)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$73,400	$19,600
Litigation recoveries	-	-
Salvage and other recoveries	10,000	-
Total income	83,400	19,600

Expenses	2010	2011
Loss and claims expenses	12,500	12,600
Administrative expenses	141,400	88,700
Total expenses	153,900	101,300
Net income (loss)	($70,500)	($81,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$1,443,100
Recoveries, net of expenses	(274,000)
Monetary assets available for distribution	$1,169,100

Frontier Pacific Insurance Company

Conservation Order: September 7, 2001
Liquidation Order: November 30, 2001

2011 Report

Frontier Pacific Insurance Company ("FPIC"), a California domiciled property and casualty insurer, was licensed in California, Nevada, New York and South Carolina. FPIC primarily wrote surety and private passenger auto liability. In August 2001, FPIC's parent company, Frontier Insurance Company ("FIC") of New York, voluntarily entered rehabilitation under the control of the New York Liquidation Bureau. As a result of the FIC rehabilitation, substantial reinsurance recoverables due FPIC from FIC were never paid. A subsequent financial examination by the California regulators disallowed the FIC reinsurance receivable, resulting in a negative surplus on FPIC's books, and FPIC was placed into conservation on September 7, 2001. During conservation, the Commissioner determined that FPIC's financial condition was such that rehabilitation was futile and an Order of Liquidation was obtained on November 30, 2001. The "Claims Bar Date," or the final date to submit a claim against the Estate, was August 30, 2002. The FPIC claims operation was transferred to the CLO in October 2005.

FPIC and its agents (including its parent, FIC) held collateral in various forms as security for the issuance of surety bonds, including large numbers of bail bonds. The Liquidator has finalized and released security for those obligations which have expired. All items of collateral associated with bail bonds have been returned, except those associated with forfeited bonds. As for those outstanding unliquidated obligations, the Liquidator is making suitable arrangements to effect release to the appropriate parties, including escheatment. The Liquidator has reached an agreement with the New York Liquidation Bureau on a procedure for the disposition of collateral securing joint and several obligations of FPIC and FIC.

Since FPIC's liquidation in November 2001, the liquidator continues to marshal FPIC's assets to pay approved claims. In 2011, an arbitration proceeding against NICO, the main reinsurer of FPIC, not only awarded FPIC approximately $18 million, but also preserved FPIC's right to pursue a ULAE claim of approximately $3.4 million. In light of FIC's continuing inability to meet its full obligations to claimants, the New York court ordered FIC to submit a Rehabilitation Plan, which FIC plans to file in January 2012. The court invited all interested parties to file their objections to FIC's proposed Rehabilitation Plan and also invited FIC to respond to all objections by April 2012. As an interested party, the Commissioner, on behalf of FPIC's claimants, filed an objection and now awaits the court's decision.

In the meantime, the Commissioner has filed an application with the California Liquidation Court to make an interim distribution of approximately $25 million to FPIC's claimants. The court has scheduled the hearing of the application for June 2012.

Frontier Pacific Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$18,270,900	$33,725,200
Recoverable from reinsurers	40,358,200	18,318,300
Other assets	1,379,400	1,363,200
Total assets	60,008,500	53,406,700

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	2,810,000	3,656,600
Claims against policies, before distributions	53,847,100	44,077,000
All other claims	22,608,400	13,541,200
Total liabilities	79,265,500	61,274,800
Net assets (deficiency)	($19,257,000)	($7,868,100)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$512,800	$254,000
Litigation recoveries	-	4,700,000
Salvage and other recoveries	118,100	83,400
Total income	630,900	5,037,400

Expenses	2010	2011
Loss and claims expenses	7,411,400	302,900
Post-liquidation Federal tax expense	42,000	1,003,200
Administrative expenses	1,709,000	2,272,100
Total expenses	9,162,400	3,578,200
Net income (loss)	($8,531,500)	$1,459,200

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,531,900
Recoveries, net of expenses	15,193,300
Monetary assets available for distribution	$33,725,200

Golden Eagle Insurance Company

Conservation Order: **January 31, 1997**
Rehab./Liquidation Plan Approved: **August 4, 1997**
Liquidation Order: **February 18, 1998**

2011 Report

Golden Eagle Insurance Company ("Golden Eagle") is the subject of a Plan of Rehabilitation and Liquidation ("Plan") approved by the Superior Court in 1997. Under the Plan, Golden Eagle's operating assets and future business was sold to affiliates of Liberty Mutual Insurance Company. The Plan also provides for an orderly "run-off" of claims under Golden Eagle's pre-1997 insurance policies, a process which is ongoing.

Prior to December 2006, the majority of the administrative aspects of the Plan were administered by the Golden Eagle Insurance Company Liquidating Trust ("The Trust"), which was created under the Plan and approved by the Superior Court as a neutral mechanism to manage the liquidation of Golden Eagle. Substantially all of the Trust's duties were fully discharged by the end of November 2006, at which point the Trust was terminated and the residual liquidation duties were assumed by the Commissioner's Conservation & Liquidation Office ("CLO"). The Trust was officially terminated and closed on November 30, 2006.

As part of the process for terminating the Trust, the Trust purchased additional reinsurance coverage from Liberty Mutual affiliates to cover the remaining covered insurance policy exposures, including liabilities under both workers' compensation and other property and casualty policies. Because payment in full of Golden Eagle's insurance liabilities are provided for under the Plan, the Liquidation Order does not contain a formal finding of insolvency, and thus the Insurance Guaranty Associations ("IGAs") have not been triggered. As a result, no bar date has been set for the filing of insurance claims covered under a Golden Eagle policy. Such claims will continue to be received, adjusted and paid in the ordinary course of the run-off of Golden Eagle's policyholder liabilities. The IGAs remain as a back-up, in the unlikely event that the claims payment assets available under the Plan are exhausted prior to the final policyholder claim payment.

Prior to its termination, the Trust was responsible for the management of the third-party claim administrator and reinsurer (affiliates of Liberty Mutual Insurance Company) that were and continue to be responsible for the adjustment and payment of covered policyholder claims under the Plan. Those oversight duties now reside with the CLO. The Trust also managed the residual assets of the Estate and administered to resolution all proofs of claims filed by general creditors. The "Claims Bar Date," or the final date to submit general creditor claims (i.e., non-policyholder claims) against the Estate, was February 27, 1998. The adjustment and payment of non-policyholder claims was completed by the Trust shortly before the Trust termination near the end of 2006.

All remaining policyholder claims are being administered and paid under the Plan's indemnity reinsurance agreement with Liberty Mutual affiliates. Given the "long-tail" nature of the claims portfolio, completing the run-off process is expected to take many more years. During 2011, the CLO continued negotiations with Liberty Mutual regarding a possible transfer of the remaining run-off claims via novation or the equivalent in order to allow the Commissioner to close the Estate. Claims continue to run off within the range of expected cost and reinsurance coverage. Until the entire remaining exposure is paid, assumed or novated, the Estate must remain open to monitor the long-term claim run-off.

Golden Eagle Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$1,888,700	$1,958,600
Total assets	1,888,700	1,958,600

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	900	400
Total liabilities	900	400
Net assets (deficiency)	$1,887,800	$1,958,200

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$58,200	$31,500
Salvage and other recoveries	-	132,700
Total income	58,200	164,200

Expenses	2010	2011
Post-liquidation Federal tax expense	-	4,000
Administrative expenses	93,900	89,800
Total expenses	93,900	93,800
Net income (loss)	($35,700)	$70,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover [11]	$2,029,000
Recoveries, net of expenses	(70,400)
Monetary assets available for distribution	$1,958,600

[11] *As of December 31, 2006, when Golden Eagle's estate accounting was transferred to the CLO.*

Golden State Mutual Life Insurance Company
Conservation Order: September 30, 2009
Liquidation Order: January 28, 2011

<u>2011 Report</u>

Golden State Mutual Life Insurance Company, (Golden State), was a mutual life and health insurance company domiciled and incorporated in California, with its principal place of business and home office located at 1999 West Adams Boulevard in Los Angeles, California. Golden State's business focus has been to provide life insurance products to the minority middle-income marketplace with a geographic emphasis in California, Texas, North Carolina, Michigan and Illinois.

As of June 30, 2009, Golden State filed its Quarterly Statement reporting assets of $93,291,509 and liabilities of $91,640,816. Thus, Golden State's surplus was $1,650,693 or $3,349,307 less than the total aggregate of the minimum paid-in capital and minimum surplus required by the Insurance Code. Consequently, Golden State was deemed statutorily impaired and placed into conservation on September 30, 2009.

The Conservator determined that the best course of action for Golden State's policyholders and creditors was for the Conservator to position Golden State for a sale, merger or an assumption of its insurance book of business by a third party.

In November 2009, the Conservator conducted a national "request for proposal" process seeking a healthy successor insurer to purchase the mutual company or assume its book of business. IA American Life Insurance Company was the successful bidder and the Superior Court approved IA's assumption of all in-force GSM policies sale on June 24, 2010.

By December, 2010 the Conservator had determined that it would be futile to proceed as Conservator since Golden State's estimated liabilities of $9,291,895 exceed its estimated remaining assets of $5,721,154 by over $3 million. A hearing on the Liquidation Motion and an Order to Show Cause why the Court should not grant the Liquidation Motion was held on January 28, 2011, and an order of insolvency was granted.

During 2011 Golden State obtained court approval and completed the transfer of the company's pension plan obligation and administration to the Pension Benefit Guaranty Corporation. After quantifying approximately $2 million in un-assumed Class 2 policy liability (convertible Group Life & LTD coverage for former employees and dependents), the estate negotiated an agreement with the National Association of Life and Health Guaranty Association (NOLGHA) whereby all un-assumed policy liability will be honored by the respective state guaranty association subject to any statutory limitations. As of December 2011 the form of replacement policy and rate structure for any excess coverage elections was still being reviewed by the CDI. Upon final approval of the form of policy and the rate schedule the estate will seek a court order authorizing the agreement and transfer of the liability.

Due to a continuing lack of available funds to distribute the estate filed a request with the court to suspend the formal proof of claim process and to extend the planned claims bar date by 12 months. The court granted a new claims bar date of December 31, 2012. The estate will revisit the POC process and bar date in June of 2012.

The Estate sold the Dallas & Detroit district offices and placed Houston and Winston Salem properties under contract subject to court confirmation during 2011. The Chicago property was placed under contract but later terminated due to the buyer's concerns over certain underground storage tanks located near the property. The Chicago property is subject to an indemnification agreement with the oil company responsible for the underground tanks. The estate is pursuing a claim under the indemnification agreement. The last property in Vallejo continues to be listed on the open market.

The liquidation estate continues to defend its ownership and control over the two paintings currently located in the lobby of the former GSM building in Los Angeles. The landlord and owner of the building has been granted relief by the liquidation court to pursue its quiet title claim to the art works. The owner asserts the paintings are fixtures of the building, the liquidator argues the paintings are personal property of the estate. As a positive gesture to the local community, the estate has loaned a significant portion of the remaining GSM art collection (excluding the lobby paintings) to the California African American Museum as part of their Places of Validation exhibit. The same pieces will remain at the museum through early 2013 as part of a GSM exhibit.

Golden State Mutual Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$1,592,700	($147,000)
Recoverable from reinsurers	-	-
Other assets	2,537,400	2,017,900
Total assets	4,130,100	1,870,900

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	1,618,800	591,400
Policyholder claims	-	2,212,900
All other claims	7,569,100	7,569,000
Total liabilities	9,187,900	10,373,300
Net assets (deficiency)	($5,057,800)	($8,502,400)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income (loss)	($605,400)	($4,100)
Cessions and premium income	15,707,200	148,600
Other income	1,070,200	34,300
Total income	16,172,000	178,800

Expenses	2010	2011
Loss and claims expenses	7,034,000	(203,300)
Administrative expenses	13,412,200	1,617,800
Total expenses	20,446,200	1,414,500
Net income (loss)	($4,274,200)	(1,235,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$72,139,200
Recoveries, net of expenses	(72,286,200)
Monetary assets available for distribution	($147,000)

HIH America Comp. & Liability Insurance Company

Conservation Order: **March 30, 2001**
Liquidation Order: **May 8, 2001**

2011 Report

HIH America Compensation Liability Insurance Company ("HIH") was domiciled in California and licensed to transact business in 31 states with California being the primary state accounting for 82% of the business written. HIH wrote only workers' compensation insurance. The "Claims Bar Date," or the final date to submit a claim against the insolvent Estate, was December 2, 2001.

Given the number of states in which HIH wrote business, a significant effort was required at the time of liquidation to properly transfer all open covered claims to the insurance guaranty community. The Estate had a significant amount of intercompany relationships with various affiliates that required a considerable amount of work to resolve such intercompany balances. Additionally, the Estate had a significant reinsurance program that was placed under a run off plan.

The reinsurance program has been essentially run-off to conclusion with the exception of an upper layer treaty being analyzed for potential future recoveries. All material assets have been collected or resolved and the Estate completed a $50 million interim distribution in December 2011. The Estate continues to collect periodic claim payments from the insolvency estate of its parent company and will work to schedule a final distribution and closing in 2012.

HIH America Comp & Liability Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$62,555,300	$12,816,700
Recoverable from reinsurers	1,507,100	1,434,600
Other assets	100	-
Total assets	64,062,500	14,251,300

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	100	71,800
Claims against policies, before distributions	748,525,900	763,878,800
Less distributions to policyholders	(278,087,900)	(328,499,900)
All other claims	927,500	927,500
Total liabilities	471,365,600	436,378,200
Net assets (deficiency)	($407,303,100)	($422,126,900)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$1,878,800	$970,600
Salvage and other recoveries	1,420,200	1,599,900
Total income	3,299,000	2,570,500

Expenses	2010	2011
Loss and claims expenses	38,868,500	16,951,300
Administrative expenses	262,300	473,800
Total expenses	39,130,800	17,425,100
Net income (loss)	($35,831,800)	($14,854,600)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$147,637,800
Recoveries, net of expenses	193,678,800
Distributions	(328,499,900)
Monetary assets available for distribution	$12,816,700

Great States Insurance Company

Conservation Order: March 30, 2001
Liquidation Order: May 8, 2001

2011 Report

Great States Insurance Company was domiciled in California and was licensed to transact business in 14 states. Great States wrote only workers' compensation insurance and concentrated in Arizona, Colorado, and Nevada. Great States wrote a minimal amount in California and Illinois. The "Claims Bar Date," or the final date to submit a claim against the Estate, was December 2, 2001.

A significant portion of the Estate's statutory deposits are held in the form of surety bonds and are released as claims arise and formal awards are issued. The entity that has issued the surety bond has off-set rights related to certain reinsurance recoveries by Great States. The process of reconciling these releases and offsets has been an on-going requirement of the Estate.

The Estate continues to seek a resolution of the surety bond issue with American Home Assurance. Absent an agreement on the development of loss reserves, the Estate will consider foregoing a settlement and seek agreeable arrangement with the California Guarantee Association to assign the surety bonds and prepare the Estate for a final distribution in 2012.

Great States Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$7,163,500	$7,083,000
Recoverable from reinsurers	10,590,600	18,326,300
Total assets	17,754,100	25,409,300

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	48,000	39,200
Claims against policies, before distributions	85,178,400	85,630,100
Less distributions to policyholders	(10,154,800)	(10,154,800)
All other claims	11,917,600	14,659,700
Total liabilities	86,989,200	90,174,200
Net assets (deficiency)	($69,235,100)	($64,764,900)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$219,000	$115,400
Salvage and other recoveries	23,700	15,800
Total income	242,700	131,200

Expenses	2010	2011
Loss and claims expenses	182,300	(4,501,200)
Administrative expenses	129,200	162,000
Total expenses	311,500	(4,339,200)
Net income (loss)	($68,800)	$4,470,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$7,889,700
Recoveries, net of expenses	9,348,100
Distributions	(10,154,800)
Monetary assets available for distribution	$7,083,000

Majestic Insurance Company

Conservation Order: April 21, 2011

2011 Report

On April 21, 2011, an Order appointing Conservator and Restraining Orders ("Conservation Order") was entered by the Superior Court of the State of California with respect to Majestic Insurance Company, a California Corporation. The California Department of Insurance (CDI) conducted an examination of Majestic for the period January 1, 2005 through December 31, 2010. CDI found Majestic's recorded loss and loss adjustment expense reserves to be deficient by approximately $40.9 million. Also, due to the increase in reserves, a premium deficiency reserve was required in the amount of $5.5 million. After these examination adjustments, Majestic's Risk-Based Capital (RBC) fell within the Mandatory Control Level RBC. The CDI Examination determined that Majestic was operating in a hazardous financial condition in accordance with California Insurance Code Section (CICS) 1011(d). These findings were incorporated into the Commissioner's application for the Conservation Order.

The Commissioner was appointed as Conservator and directed to conduct the business of Majestic. The Conservator is authorized, in his discretion, to operate the business of Majestic, or so much of the business as he deems appropriate, and to pay or defer payment of some or all proper claims, expenses, liabilities and obligations of Majestic, in whole or in part, accruing prior or subsequent to his appointment. The Conservator continued to operate Majestic's business in substantially the manner the company was operating prior to conservation, solely for the purpose of preserving Majestic's business assets and going-concern value in order to facilitate a Plan of Rehabilitation for Majestic (the "Plan").

Immediately after the entry of the Conservation Order, the Conservator filed a motion seeking court approval of the Plan. Court approval of the Plan was granted on June 2, 2011 and the transactions contemplated by the Plan closed on July 1, 2011. The Plan provided for the assumption of 100% of Majestic's workers' compensation claim liabilities by an A-rated insurance company affiliate of AmTrust North America, Inc. ("AmTrust") via a Loss Portfolio Transfer and Quota Share Reinsurance Agreement (the "Reinsurance Agreement"). Under the Reinsurance Agreement, AmTrust (through an insurance company affiliate, Technology Insurance Company) has assumed the majority of Majestic's assets and liabilities relating to its workers' compensation business. Majestic's in-force policies and expired policies with reported claims have been novated to Technology Insurance Company. The Reinsurance Agreement also provides that all reinsurance contracts providing coverage for the business written by Majestic shall inure to the benefit of AmTrust.

Pursuant to the Conservation Order, continued prosecution of the lawsuits and the filing of any other claims, lawsuits or actions against the Company outside of the conservation proceedings pending in the Superior Court of the State of California, County of San Francisco (the "Conservation Court"), is enjoined. Alternative remedies for the assertion of any and all such claims are provided for under the Conservator's Rehabilitation Plan. The Rehabilitation Plan provides that the Conservator may request the Conservation Court to establish a claims bar date for filing proofs of claim against Majestic by non-policyholder creditors. The Rehabilitation Plan further provides that the Conservator shall administer, investigate, adjust and determine all such proofs of claim in a manner consistent with California Insurance Code Sections 1010 through 1062. In accordance with these provisions of the Rehabilitation Plan, the Conservation Court has established a claims bar date of January 31, 2012 for filing non-policyholder proofs of claim with the Conservator. Prior to the claims bar date, the Conservator received a total of 86 proofs of claim which set forth claims of non-policyholder creditors in the aggregate amount of $205 million. The Conservator is reviewing all such proofs of claim for the purpose of determining such claims as provided in the Rehabilitation Plan.

Majestic Ins Co

ASSETS AND LIABILITIES[12]

As of December 31, 2011

Assets	**12/31/2011**
Cash and investments	$14,895,600
Other assets	1,877,700
Total assets	16,773,300

Liabilities	**12/31/2011**
Secured claims and accrued expenses	2,372,300
All other claims	629,500
Total liabilities	3,001,800
Net assets (deficiency)	13,771,500

INCOME AND EXPENSES

For Year Ended December 31, 2011

Income	**2011**
Investment income	$8,181,000
Other income	1,029,400
Total income	9,210,400

Expenses	**2011**
Loss and claims expenses	50,456,100
Net loss from premium write-offs	2,525,208
Total expenses	52,981,308
Net income (loss)	($43,770,908)

[12] *Assets and liabilities of Majestic Ins. Co. and its operating income and expenses have been audited using statutory basis of accounting as of 12/31/2011.*

Mission Insurance Company

Conservation Order: **October 31, 1985**
Liquidation Order: **February 24, 1987**

Mission National Insurance Company

Conservation Order: **November 26, 1985**
Liquidation Order: **February 24, 1987**

Enterprise Insurance Company

Conservation Order: **November 26, 1985**
Liquidation Order: **February 24, 1987**

2011 Report

The Mission Insurance Companies' insolvency proceedings began with a court-ordered conservation of the Enterprise entity in November of 1985 with the balance of the entities being conserved on October 31, 1985. All were placed into conservation due to their hazardous financial condition. Efforts to rehabilitate the companies did not succeed, and on February 24, 1987, the companies were ordered into liquidation. Ancillary proceedings in California for HAIC and MRC were initiated concurrent with the Missouri Insurance Director's obtaining a receivership order as the domiciliary liquidator.

In accordance with a court approved closing plan, the Mission estates completed a final policyholder distribution in 2006 whereby all policyholder claimants for Mission, Mission National and Enterprise were paid 100% of their approved claim. As of year-end 2010, the general creditors of the Mission and Enterprise estates have unsatisfied portions remaining on their approved claims.

The Mission estates participate as members of a consolidated tax group (Covanta being the parent) and, as such, are joint and severally liable for the tax exposure of the group. With guidance and advice from tax counsel, the estates have established proper tax reserves for certain open tax years. Once those tax years are closed, the estates will seek court approval to distribute the reserves to claimants or pay the Internal Revenue Service. During 2011 Covanta commenced an audit with the IRS of the consolidated group returns for a number of tax years. The Estate's expect to hear the final conclusion to the audit sometime in 2012.

The Mission estates have commenced making disclosures to the federal authorities to identify and resolve any potential exposure that could be argued as a super priority claim against the estate or the liquidator. Proper notification and disclosure will take place early in 2012 with the objective to gain certainty to the potential exposure and to allow the estates to plan final distributions thereafter. Until that time distributions will be suspended.

Mission Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$102,473,300	$103,987,600
Recoverable from reinsurers	21,586,400	21,586,400
Other assets	24,027,200	23,979,500
Total assets	148,086,900	149,553,500

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	79,370,900	79,348,700
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	198,438,500	198,438,500
Total liabilities	277,809,400	277,787,200
Net assets (deficiency)	($129,722,500)	($128,233,700)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$4,254,300	$1,659,000
Salvage and other recoveries	5,809,600	345,000
Total income	10,063,900	2,004,000

Expenses	2010	2011
Loss and claims expenses	(1,202,800)	47,700
Administrative expenses	700,100	468,400
Total expenses	(502,700)	516,100
Net income (loss)	$10,566,600	$1,487,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$133,667,000
Recoveries, net of expenses	1,082,928,600
Distributions	(1,112,608,000)
Monetary assets available for distribution	$103,987,600

Mission National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$22,458,100	$23,016,800
Recoverable from reinsurers	5,119,900	5,119,900
Other assets	90,600	89,300
Total assets	27,668,600	28,226,000

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	17,753,800	17,756,900
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(499,851,900)	(499,851,900)
All other claims	16,838,100	16,838,100
Total liabilities	130,838,500	130,841,600
Net assets (deficiency)	($103,169,900)	($102,615,600)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$679,200	$366,300
Salvage and other recoveries	-	-
Total income	679,200	366,300

Expenses	2010	2011
Loss and claims expenses	-	(258,800)
Administrative expenses	103,700	70,700
Total expenses	103,700	(188,100)
Net income (loss)	$575,500	$554,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,289,000
Recoveries, net of expenses	531,657,000
Distributions	(526,929,200)
Monetary assets available for distribution	$23,016,800

Enterprise Ins Co

ASSETS AND LIABILITIES
As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$7,015,600	$7,245,600
Total assets	7,015,600	7,245,600

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	1,240,500	1,240,500
Claims against policies, before distributions	120,573,400	120,573,400
Less distributions to policyholders	(120,573,400)	(120,573,400)
All other claims	30,780,900	30,780,900
Total liabilities	32,021,400	32,021,400
Net assets (deficiency)	($25,005,800)	($24,775,800)

INCOME AND EXPENSES
For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$22,300	$114,400
Salvage and other recoveries	-	148,400
Total income	22,300	262,800

Expenses	2010	2011
Loss and claims expenses	(5,427,800)	-
Administrative expenses	29,100	32,700
Total expenses	(5,398,700)	32,700
Net income (loss)	$5,421,000	$230,100

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$3,281,000
Recoveries, net of expenses	129,917,100
Distributions	(125,952,500)
Monetary assets available for distribution	$7,245,600

Municipal Mutual Insurance Company

Supervision Agreement Date: August 18, 2003
Liquidation Order: October 31, 2006

2011 Report

Municipal Mutual Insurance Company, an excess liability and workers' compensation insurance company doing business only in California, was placed in informal administrative supervision in August of 2003 by the California Department of Insurance. The company had ceased writing business in April of 2003 and was liquidated on October 31, 2006. All insurance claims were transferred to the California Insurance Guarantee Association ("CIGA") for administration and payment.

The Commissioner obtained an order to limit the Proof of Claim process to only the liability policies issued by Municipal Mutual and to that of CIGA. This order will allow CIGA to accept policyholder claims relating to latent exposures into the future.

Of the remaining reinsurance treaties all but one was commuted in 2011. That one treaty attached at a level that had yet to be penetrated. Since there were no current sums owing, the treaty was assigned to CIGA in order for the estate to close.

Pleadings were filed with the court in late December, 2011. The pleadings sought to distribute all remaining assets to CIGA, to confirm the reinsurance assignment to CIGA, and to close the estate. A hearing is scheduled for January 2012 at which time our motions will be heard.

Municipal Mutual Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$1,573,300	$4,894,800
Recoverable from reinsurers	5,522,700	227,100
Total assets	7,096,000	5,121,900

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	24,400	2,600
Claims against policies, before distributions	11,077,800	11,675,300
Total liabilities	11,102,200	11,677,900
Net assets (deficiency)	($4,006,200)	($6,556,000)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$49,400	$43,800
Salvage and other recoveries	62,000	2,800
Total income	111,400	46,600

Expenses	2010	2011
Loss and claims expenses	(93,600)	2,516,500
Administrative expenses	68,300	80,000
Total expenses	(25,300)	2,596,500
Net income (loss)	$136,700	($2,549,900)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$920,200
Recoveries, net of expenses	3,974,600
Monetary assets available for distribution	$4,894,800

Pacific National Insurance Company

Conservation Order: **May 14, 2003**
Liquidation Order: **August 5, 2003**

2011 Report

Pacific National Insurance Company ("PNIC") is a subsidiary of the Highlands Insurance Group. PNIC's principal business lines include workers' compensation, commercial multiple-peril, general liability, and commercial automobile insurance. PNIC wrote business exclusively in California.

In October 2002, Highlands Insurance Group and five of its non-insurance subsidiaries commenced Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court in the District of Delaware.

On May 14, 2003, the Commissioner was appointed as Conservator of PNIC and on August 5, 2003, the Superior Court appointed the Commissioner as Liquidator of PNIC. Upon liquidation, covered claims were transferred to the appropriate insurance guaranty associations. PNIC's assets consist primarily of cash and reinsurance receivables. The "Claims Bar Date," the final date to submit a claim against the Estate, was July 30, 2004.

Highlands Insurance Company ("HIC") in New Jersey, a subsidiary of Highlands Insurance Group, continues to handle routine administrative services for PNIC under an inter-company agreement. HIC was placed in conservation by the Texas Department of Insurance in November 2003. The CLO continues to work with the Texas Department of Insurance on data transfer/storage and reinsurance collections.

The Estate was successful in commuting a significant reinsurance treaty completing the transaction and recovery in time to prepare for and release a $19 million early access distribution to the California Insurance Guarantee Association in October 2011. The Estate team will work to collect the remaining reinsurance recoveries in 2012 and position the estate for closure thereafter.

Pacific National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$8,745,000	$3,995,900
Recoverable from reinsurers	21,621,300	2,918,800
Total assets	30,366,300	6,914,700

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	8,222,900	838,200
Claims against policies, before distributions	118,855,800	115,755,600
Less distributions to policyholders	(33,416,400)	(52,416,400)
All other claims	246,400	246,400
Total liabilities	93,908,700	64,423,800
Net assets (deficiency)	($63,542,400)	($57,509,100)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$456,200	$195,300
Salvage and other recoveries	47,000	765,500
Total income	503,200	960,800

Expenses	2010	2011
Loss and claims expenses	(2,553,700)	(5,278,900)
Administrative expenses	229,200	206,400
Total expenses	(2,324,500)	(5,072,500)
Net income (loss)	$2,827,700	$6,033,300

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$36,519,100
Recoveries, net of expenses	19,893,200
Distributions	(52,416,400)
Monetary assets available for distribution	$3,995,900

Superior National Insurance Companies In Liquidation ("SNICIL")
(California Compensation Insurance Company, Combined Benefits Insurance Company, Commercial Compensation Casualty Company, Superior National Insurance Company, and Superior Pacific Casualty Company)

Conservation Order: **March 6, 2000**
Liquidation Order: **September 26, 2000**

<u>2011 Report</u>

On March 6, 2000, the Los Angeles County Superior Court (the "Court") ordered and appointed the Insurance Commissioner to serve as Conservator of four workers' compensation insurance companies: Superior National Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance Company and Combined Benefits Insurance Company. On June 9, 2000, the Court ordered and appointed the Commissioner to serve as conservator of a fifth workers' compensation insurance company named Commercial Compensation Casualty Company. In his capacity as Conservator, the Insurance Commissioner obtained title to and possession of all the property and assets of the five estates, collectively identified as Superior National Insurance Companies in Liquidation ("Superior National Estates").

In September 26, 2000, Court found that each of the Superior National Estates was insolvent and that it would be futile to proceed as Conservator; on that basis, the Court terminated the Insurance Commissioner's status as conservator of the five insurers and ordered and appointed the Commissioner to serve as Liquidator of the insurers.

The charge in liquidating the Superior National Estates was to marshal assets, pay claims and resolve the vast business affairs as efficiently as possible. In this regard, the Liquidator consolidated the Superior National Estates' operations into the Conservation and Liquidation Office (San Francisco) in September 2003.

In 2011 the Superior National Estates distributed $114,477,048 to Guaranty Associations and approved policyholder class claims (Class 2) not covered by Guaranty Associations in partial satisfaction of all Class 2 Proof of Claims. The percentage paid by each estate varied based on assets available and liabilities charged to each estate:

- California Compensation paid to a level of 50% for Guaranty Associations and 43% for non-IGA covered policyholder class claims.
- Combined Benefits paid to a level of 88% non-IGA covered policyholder class claims
- Superior National paid to a level of 48% for Guaranty Associations and 41% for non-IGA covered policyholder class claims
- Superior Pacific paid to a level of 16% for non-IGA covered policyholder class claims
- Commercial Compensation paid to a level of 80% for Guaranty Associations and 73% for non-IGA covered policyholder class claims

Distributions made to the Guaranty Association were paid at a higher percentage since they were required to and had agreed in writing to return money previously distributed as may be required to pay claims of secured creditors and claims falling within the priorities of subdivision (a) of Section 1033. Since the non-IGA covered claimants are not obligated to return any distribution made, and insure that there is no excess distribution, the percentage distributed was 7% less.

Under the most optimistic estimates, SNICL has insufficient assets to fully pay the policyholder claims. Consequently, once all asset recoveries are fully monetized, the Estate will seek court approval not to review any claims below the policyholder class.

There is one potential frictional issue remaining concerning an Indemnity agreement running in favor of the parent company (in bankruptcy receivership) which will have to be addressed.

The largest remaining asset on the books of the estates are reinsurance recoverables of approximately $165,000,000 (includes IBNR). The Estates' continuing and ultimate goal is to fully resolve its reinsurance recoverables through treaty commutations since Workers Compensation claims are such long tailed claims that conceivably there could be reinsurance billing for the next 50 years. Once reinsurance has been resolved and the balance of the Oregon deposit returned to the Superior National Insurance Company estate, the Liquidator can seek closure.

California Compensation Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$194,243,900	$75,751,500
Recoverable from reinsurers	165,825,700	73,872,700
Other assets	2,700	2,200
Total assets	360,072,300	149,626,400

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	21,810,700	21,964,800
Claims against policies, before distributions	2,005,314,100	2,045,294,500
Less distributions to policyholders	(646,484,100)	(840,907,800)
All other claims	119,321,000	119,308,000
Total liabilities	1,499,961,700	1,345,659,500
Net assets (deficiency)	($1,139,889,400)	($1,196,033,100)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$3,945,900	$2,001,800
Litigation recoveries	111,463,700	-
Salvage and other recoveries	3,734,900	3,948,300
Total income	119,144,500	5,950,100

Expenses	2010	2011
Loss and claims expenses	81,262,500	60,771,200
Administrative expenses	1,571,100	1,322,800
Total expenses	82,833,600	62,094,000
Net income (loss)	$36,310,900	($56,143,900)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$165,879,200
Recoveries, net of expenses	750,780,100
Distributions	(840,907,800)
Monetary assets available for distribution	$75,751,500

Combined Benefits Ins Co

ASSETS AND LIABILITIES
As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$8,190,800	$13,297,400
Recoverable from reinsurers	6,437,100	216,400
Total assets	14,627,900	13,513,800

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	203,700	204,200
Claims against policies, before distributions	34,172,600	34,211,800
Less distributions to policyholders	(21,480,400)	(21,482,200)
All other claims	6,895,300	6,713,200
Total liabilities	19,791,200	19,647,000
Net assets (deficiency)	($5,163,300)	($6,133,200)

INCOME AND EXPENSES
For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$126,300	$211,000
Litigation recoveries	3,119,700	-
Salvage and other recoveries	188,700	276,800
Total income	3,434,700	487,800

Expenses	2010	2011
Loss and claims expenses	2,937,700	1,384,000
Administrative expenses	69,600	73,900
Total expenses	3,007,300	1,457,900
Net income (loss)	$427,400	($970,100)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$11,115,400
Recoveries, net of expenses	23,664,200
Distributions	(21,482,200)
Monetary assets available for distribution	$13,297,400

Superior National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$34,561,000	$32,851,400
Recoverable from reinsurers	99,122,600	47,099,100
Other assets	20,000	19,800
Total assets	133,703,600	79,970,300

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	4,979,000	5,045,000
Claims against policies, before distributions	860,151,000	884,667,000
Less distributions to policyholders	(341,703,100)	(391,018,100)
All other claims	28,775,900	28,745,900
Total liabilities	552,202,800	527,439,800
Net assets (deficiency)	($418,499,200)	($447,469,500)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$1,832,500	$1,332,200
Litigation recoveries	57,992,000	-
Salvage and other recoveries	3,356,900	3,495,100
Total income	63,181,400	4,827,300

Expenses	2010	2011
Loss and claims expenses	2,267,800	33,363,100
Administrative expenses	586,900	434,600
Total expenses	2,854,700	33,797,700
Net income (loss)	$60,326,700	($28,970,400)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$68,622,300
Recoveries, net of expenses	355,247,200
Distributions	(391,018,100)
Monetary assets available for distribution	$32,851,400

Superior Pacific Casualty Co

ASSETS AND LIABILITIES
As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$2,328,700	$3,608,400
Recoverable from reinsurers	34,416,100	37,177,600
Total assets	36,744,800	40,786,000

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	72,400	72,800
Claims against policies, before distributions	223,386,200	224,074,200
Less distributions to policyholders	(38,094,300)	(38,096,100)
All other claims	62,526,000	62,503,300
Total liabilities	247,890,300	248,554,200
Net assets (deficiency)	($211,145,500)	($207,768,200)

INCOME AND EXPENSES
For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$280,200	$48,600
Litigation recoveries	22,400	-
Salvage and other recoveries	708,400	110,600
Total income	1,011,000	159,200

Expenses	2010	2011
Loss and claims expenses	16,150,200	(3,519,500)
Administrative expenses	306,000	301,600
Total expenses	16,456,200	(3,217,900)
Net income (loss)	($15,445,200)	$3,377,100

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$58,666,300
Recoveries, net of expenses	(16,961,800)
Distributions	(38,096,100)
Monetary assets available for distribution	$3,608,400

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$7,216,100	$13,443,000
Recoverable from reinsurers	27,595,300	7,477,300
Other assets	900	500
Total assets	34,812,300	20,920,800

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	1,580,300	1,770,200
Claims against policies, before distributions	137,520,100	137,882,600
Less distributions to policyholders	(83,849,900)	(93,984,300)
All other claims	13,741,900	13,754,500
Total liabilities	68,992,400	59,423,000
Net assets (deficiency)	($34,180,100)	($38,502,200)

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$564,400	$357,200
Litigation recoveries	13,277,700	-
Salvage and other recoveries	421,400	608,200
Total income	14,263,500	965,400

Expenses	2010	2011
Loss and claims expenses	(1,008,100)	5,228,400
Administrative expenses	105,000	59,100
Total expenses	(903,100)	5,287,500
Net income (loss)	$15,166,600	($4,322,100)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,420,700
Recoveries, net of expenses	101,006,600
Distributions	(93,984,300)
Monetary assets available for distribution	$13,443,000

Western Employers Insurance Company

Conservation Order: April 2, 1991
Liquidation Order: April 19, 1991

2011 Report

Western Employers Insurance Company ("WEIC") began as a New York-domiciled insurer known as Leatherby Insurance Company and was re-domesticated to California in the late 1970's. The company was licensed in all 50 states and D.C. and wrote primarily workers' compensation and commercial multi-peril insurance. After four years of attempted self-liquidation, WEIC determined it could no longer continue to liquidate without the assistance of the California Department of Insurance. An order placing WEIC into liquidation was entered on April 19, 1991.

WEIC's primary objective will be to resolve all asset recoveries, principally reinsurance assets at this juncture, determine final estate liability and position the Estate for closure by 2016. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure.

On February 2, 2010, the San Francisco Superior Court set a deadline of August 31, 2010 by which all holders of claims, other than workers' compensation claims, must submit detailed claim updates which set forth the facts regarding the further developments of those claims.

Currently all claims that were submitted with the update continue to be reviewed. Two distinct problems slow the claims determination process. First, is the fact that claims must be liquidated before they can be approved, and WEIC wrote a significant number of excess and umbrella policies for environmental type exposures, and the losses continue to accumulate but have not reached an attachment point yet. Secondly, we are attempting to complete the Federal Claim Waiver process to insulate the estate from any potential of latent liability assessed by the Federal Government.

Western Employers Ins Co

ASSETS AND LIABILITIES

As of December 31, 2010 and December 31, 2011

Assets	12/31/2010	12/31/2011
Cash and investments	$125,967,700	$127,666,100
Recoverable from reinsurers	15,700,600	16,269,800
Total assets	141,668,300	143,935,900

Liabilities	12/31/2010	12/31/2011
Secured claims and accrued expenses	1,500	1,000
Claims against policies, before distributions	210,565,000	180,490,700
Less distributions to policyholders	(67,070,000)	(68,190,000)
All other claims	6,352,500	6,377,300
Total liabilities	149,849,000	118,679,000
Net assets (deficiency)	($8,180,700)	$25,256,900

INCOME AND EXPENSES

For Year Ended December 31, 2010 and 2011

Income	2010	2011
Investment income	$3,688,600	$2,101,400
Salvage and other recoveries	83,500	20,000
Total income	3,772,100	2,121,400

Expenses	2010	2011
Loss and claims expenses	27,680,900	(31,957,000)
Administrative expenses	657,700	641,000
Total expenses	28,338,600	(31,316,000)
Net income (loss)	($24,566,500)	$33,437,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$74,867,900
Recoveries, net of expenses	120,988,200
Distributions	(68,190,000)
Monetary assets available for distribution	$127,666,100

Section 3 – Cross Reference to California Insurance Code (CIC)

CIC Section 1060 - The Commissioner shall transmit all of the following to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted pursuant to Section 12922: