

1 ROB BONTA
Attorney General of California
2 MICHAEL D. GOWE
Supervising Deputy Attorney General
3 JACK C. NICK
Deputy Attorney General
4 State Bar No. 160196
300 South Spring Street, Suite 1702
5 Los Angeles, CA 90013-1230
Telephone: (213) 269-6173
6 E-mail: jack.nick@doj.ca.gov
*Attorneys for Applicant, Insurance Commissioner of
7 the State of California*

ELECTRONICALLY
FILED
Superior Court of California,
County of San Francisco

12/06/2023
Clerk of the Court
BY: WILLIAM TRUPEK
Deputy Clerk

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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN FRANCISCO

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

13 Applicant,

14 v.

15
16 **GREAT STATES INSURANCE COMPANY,
a California domiciled insurance company,**

17 Respondent.
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Case No. CPF01320047

**DECLARATION OF COMPLIANCE
BY SCOTT PEARCE CONFIRMING
THE DISTRIBUTION OF SURPLUS
RESERVES PURSUANT TO COURT
ORDER AND CLOSING THE
ESTATE OF GREAT STATES
INSURANCE COMPANY**

21 **DECLARATION OF SCOTT PEARCE**

22 I, Scott Pearce, declare as follows:

23 1. I am the Chief Estate Trust Officer with the California Insurance Commissioner's
24 Conservation & Liquidation Office (CLO). I joined the CLO as an Estate Trust Officer in
25 February 2003 and became a Senior Estate Trust Officer in May 2005. I have been the Estate
26 Trust Officer for Great States Insurance Company (Great States) since July of 2007. I make this
27 declaration in my official capacity as the Chief Estate Trust Officer

1 for the CLO.

2 2. I am responsible for the management of financially impaired or insolvent insurance
3 companies (referred to as “estates”) from the time of conservation or liquidation until the court
4 discharges the Insurance Commissioner of his or her duties as Conservator or Liquidator. I serve
5 as a fiduciary, and in this capacity, I lead and direct a support team consisting of individuals who
6 work in the areas of Accounting, Claims, Reinsurance, Legal, Finance, Information Technology,
7 Human Resources, and Administration. Once the California Insurance Commissioner identifies
8 an insurance company as financially impaired or at risk of mismanaging its assets, he files an
9 application with the court for conservation or liquidation of the company.

10 3. I am responsible for the management and books and records of Great States, and I
11 have overall custody and control thereof. I have reviewed the CLO files for Great States, which
12 are maintained in the normal course of business.

13 4. I am authorized to make this declaration on behalf of applicant Insurance
14 Commissioner of the State of California, in his capacity as Liquidator of Great States. The
15 following statements are based on my personal knowledge, acquired through my direct
16 involvement in the Great States liquidation. At the same time, I refer to certain facts and events
17 in this declaration on information and belief and on records prepared by personnel at the CLO and
18 kept in the ordinary course of CLO’s business. If called upon to testify, I could and would testify
19 competently to the facts herein, except as to matters stated on information and belief, and as to
20 those matters, I believe them to be true.

21 5. On August 30, 2019, this Court issued its order Approving Payment of Liquidator’s
22 Administrative Expenses, Approving the Final Distribution of Assets, and Closing the Estate
23 (Order). A true and correct copy of the Order is attached hereto as **Exhibit A**.

24 6. Pursuant to paragraph three (3) of the Order, the Commissioner was authorized to
25 forgo the pro rata distribution to Class 2 (non-IGA) claimants whose distribution amount is less
26 than \$25.00.

1 7. The Commissioner made his final distribution of assets pursuant to paragraph two (2)
2 of the Order on September 12, 2019. Distributions were made to the applicable state insurance
3 guaranty associations (IGAs) in the total amount of \$20,821,009.48, including \$11,475,093.45 to
4 an escrow account established by the Industrial Commission of Arizona and the Arizona Property
5 Casualty Insurance Guaranty Fund (Arizona IGA). There were also distributions to the non-IGA
6 claimants on September 12, 2019 in the amount of \$102,802.25.

7 8. Paragraph three (3) of the Order authorized the Commissioner to retain \$364,564 in
8 an administrative budget to pay for any future closing and administrative costs to prepare and
9 release the distribution. The total amount incurred for administrative closing costs was less than
10 the amount budgeted pursuant to the Order. Also, Great States received tax refunds in 2019-2022.
11 The surplus from the administrative budget and the tax refunds resulted in a surplus distribution
12 to the IGAs on August 11, 2022 in the amount of \$548,489.74, including \$192,526.67 to the
13 Arizona IGA. There was also an August 11, 2022 surplus distribution to the non-IGAs in the
14 amount of \$908.71.

15 9. Paragraph four (4) of the Order authorized disbursements that were either
16 undeliverable or distributed but non-negotiated checks to be transferred to the Insurance Fund.
17 \$66,935.27 in disbursements were transferred to the Insurance Fund pursuant to paragraph four
18 (4) as part of the final distribution of assets on September 12, 2019. An additional disbursement of
19 surplus reserves in the amount of \$601.55 were transferred to the Insurance Fund pursuant to
20 paragraph four (4) on August 11, 2022.

21 10. The final distribution of assets to the approved claimants pursuant to the Court's
22 August 30, 2019 Order was completed on September 12, 2019, while distribution of supplemental
23 reserves was completed on August 11, 2022. Pursuant to paragraph four (4) of the Order, this
24 case shall be closed upon the filing of the present declaration stating that the Commissioner has
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1 completed his distribution of Great States' assets in accordance with the Order in this matter.

2 I declare under the penalty of perjury under the laws of the State of California that the
3 foregoing is true and correct. Executed on this 4th day of December, 2023, in Los Angeles,
4 California.

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7 SCOTT PEARCE
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EXHIBIT A

1 XAVIER BECERRA
Attorney General of California
2 KAREN W. YIU
Supervising Deputy Attorney General
3 HEATHER B. HOESTEREY
Deputy Attorney General
4 State Bar No. 201254
455 Golden Gate Avenue, Suite 11000
5 San Francisco, CA 94102-7004
Telephone: (415) 703-5506
6 Facsimile: (415) 703-5480
E-mail: Heather.Hoesterey@doj.ca.gov
7 *Attorneys for Applicant*
Insurance Commissioner of the State of California

FILED
San Francisco County Superior Court

AUG 30 2019

CLERK OF THE COURT
BY: [Signature] Deputy Clerk

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN FRANCISCO

12 **INSURANCE COMMISSIONER**
13 **OF THE STATE OF CALIFORNIA,**
14 Applicant,
15 v.
16 **GREAT STATES INSURANCE COMPANY,**
17 **a California domiciled insurance company,**
18 Respondent.

Case No. CPE01320047

**[PROPOSED] ORDER APPROVING
PAYMENT OF LIQUIDATOR'S
ADMINISTRATIVE EXPENSES,
APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: August 30, 2019
Time: 9:30 a.m.
Dept: 302

Reservation No.: 06180830-12

21 The Insurance Commissioner as Liquidator and Conservator of Great States Insurance
22 Company (also "Liquidator"), has applied for an order approving the payment of administrative
23 expenses, the final distribution of assets, and the closing of the liquidated estate of Great States
24 Insurance Company ("the Great States estate"), which came on regularly for hearing on August
25 30, 2019 in Department 302 of this Court.

26 Good cause appearing, IT IS HEREBY ORDERED that:

27 1. The Liquidator's payment of \$4,584,651 for general operating and administrative
28 expenses for the Great States estate paid from April 1, 2001 through March 31, 2019 is approved;

1 2. The Liquidator is authorized to distribute approximately \$20,545,539 to the
2 applicable state insurance guaranty associations ("IGAs") including in this amount
3 \$11,378,399.91 to an escrow account established by the Industrial Commission of Arizona and
4 the Arizona Property Casualty Insurance Guaranty Fund, and to distribute \$168,979 to the Non-
5 IGA claimants under Insurance Code section 1033, subdivision (a)(2). The distributions shall be
6 made within 30 days of the signed order from the Court;

7 3. The Liquidator is authorized to retain the sum of \$364,564 as its reserve closing
8 budget for payment of administrative expenses incurred but not yet paid by the Liquidator as of
9 April 1, 2019, and for future administrative and closing costs. The Liquidator is authorized to pay
10 any excess closing and administrative costs out of the funds appropriated for the maintenance of
11 the Department of Insurance, and to the extent administrative expenses after April 1, 2019 are less
12 than the reserved closing budget of \$364,564, the Liquidator is authorized to make a pro rata
13 distribution of the excess funds to approved Class 2 claimants; however, the Liquidator is
14 authorized to forego distributing unused funds in the closing budget which do not meet the total
15 distribution dollar threshold of \$25,000; and to transfer any such funds to the Insurance Fund;

16 4. As to disbursements that are either undeliverable or as to issued checks that have not
17 been negotiated, the Liquidator is authorized to void such checks and escheat all undeliverable
18 amounts and amounts of non-negotiated checks to the Insurance Fund pursuant to Code of Civil
19 Procedure section 1517;

20 5. In the absence of any IGA objection, the Liquidator is authorized to initiate the
21 destruction of physical records of the Great States estate, while continuing to maintain electronic
22 records for a period of three years following the Court's issuance of the requested Order, except
23 for electronic records necessary for examination by the Department of Finance or state auditor;

24 6. The estate of Great States shall be closed, and the Insurance Commissioner shall be
25 discharged as Liquidator and Conservator of Great States upon the filing of a declaration that the
26 Liquidator has distributed the assets of Great States in accordance with this Court's order
27 approving final distribution. The Insurance Commissioner, his Special Deputies, the
28 Conservation and Liquidation Office, its employees, the California Department of Insurance, and

1 its personnel and the Commissioner's agents and attorneys shall be upon such filing
2 DISCHARGED from any and all claims, debts, liabilities or duties to further account for the
3 assets or liabilities of Great States through the date of the declaration, and shall have no liability
4 of any kind or nature for such claims or debts; and

5 7. The Insurance Commissioner is authorized to take any and all action necessary to
6 accomplish the purposes of the Order prayed for herein.

7 IT IS SO ORDERED:

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Dated: 8/30, 2019 Mohd B. B. B.

By: The Hon. Ulmer
JUDGE OF THE SUPERIOR COURT

RICHARD ULMER