XAVIER BECERRA
Attorney General of California
LUCY F. WANG (State Bar No. 199772)
Acting Supervising Deputy Attorney General
455 Golden Gate, Suite 11000
San Francisco, California 94102-7004
Telephone: (415) 510-4400
Facsimile: (415) 703-5480
Email: Lucy.Wang@doj.ca.gov

CYNTHIA J. LARSEN (State Bar No. 123994)
ORRICK, HERRINGTON & SUTCLIFFE LLP
400 Capitol Mall, Suite 3000
Sacramento, California 95814-4497
Telephone: (916) 447-9200
Facsimile: (916) 329-4900
Email: clarsen@orrick.com

Attorneys for Applicant Ricardo Lara,
Insurance Commissioner of the State of California
in his Capacity as Liquidator of
CastlePoint National Insurance Company

EXEMPT from filing fees per Govt. Code § 6103

SUPERIOR COURT OF THE STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA, Applicant, v. CASTLEPOINT NATIONAL INSURANCE COMPANY, and DOES 1-50, inclusive, Respondents.	Case No. CPF-16-515183 Reservation No. 06180813-06 **DECLARATION OF JOSEPH HOLLOWAY IN SUPPORT OF INSURANCE COMMISSIONER'S APPLICATION FOR ORDER APPROVING FINANCIAL REPORT, EXPENSES OF ADMINISTRATION, AND ESTATE ADMINISTRATION MATTERS** **Date:** **August 13, 2019** **Time:** **9:30 a.m.** **Dept:** **302** **Judge:** **Hon. Ethan P. Schulman**

I, Joseph Holloway, hereby declare:

1. I make this declaration in support of the Insurance Commissioner's *Application for Order Approving Financial Report, Expenses of Administration, and Estate Administration Matters* ("Application"). The following facts are known by me to be true and correct of my own personal knowledge, except as to those that I have expressed as being based upon my information and belief. If called as a witness to testify thereon, I could and would competently do so.

2. I am currently the Liquidation Manager for CastlePoint National Insurance Company in Liquidation ("CastlePoint"). I served in the role as the on-site Conservation Manager for CastlePoint National Insurance Company in Conservation during the period from July 28, 2016 through March 31, 2017 (the "Conservation Period") and as Liquidation Manager for CastlePoint from April 1, 2017 until the date hereof. Having served in these roles, I am fully familiar with all aspects of the conservation and liquidation of CastlePoint.

3. I have a Bachelor of Arts degree in Accounting from North Carolina State University and hold the designation of Certified Financial Examiner from the Society of Financial Examiners. From 1985 to 2005, I worked as an examiner, regulatory specialist, and chief forensic accountant for the North Carolina Department of Insurance. Since 2005, I have worked for the Commissioner's Conservation and Liquidation Office ("CLO"). I have over 35 years of experience working with insurance companies experiencing financial difficulties, including companies in supervision, conservation, rehabilitation, and liquidation.

4. I am empowered under Paragraph 3 and 4 of the Court's March 30, 2017 *Liquidation Order for CastlePoint National Insurance Company* ("Liquidation Order"), and I was previously empowered under Paragraph 18 of the Court's July 28, 2016 *Order Appointing Insurance Commissioner As Conservator And Restraining Orders* ("Conservation Order"), to carry out all the duties of and exercise the authority of Insurance Commissioner Dave Jones previously and now Ricardo Lara, in his statutory capacity as Liquidator, formerly Conservator, of CastlePoint, and Special Deputy Insurance Commissioner David Wilson as either may delegate to me in the management of CastlePoint.

2018 Status Report Overview & Financial Application

5. During 2018, a portion of the liquidation activities continued to be conducted at the home office of CastlePoint in New Jersey, with oversight by the Commissioner as Liquidator, to preserve the institutional knowledge held by the legacy employees of CastlePoint located in New Jersey and New York. However, by early 2019, the remaining liquidation activities were transferred to and assigned to the staff of the Commissioner's Conservation and Liquidation Office in San Francisco ("CLO") and, as of March 31, 2019, all remaining activities were transferred to San Francisco and the CastlePoint home office was closed.

6. The CLO and/or the CastlePoint home office accomplished the following tasks in 2018, among others: (1) Opened and/or re-opened over 2,335 claim files for the Guaranty Associations for the period of liquidation through December 31, 2018; (2) Closed the sale of an affiliated receivable for $7,900,000; (3) Collected reinsurance balances of approximately $3,700,000; (4) Collected miscellaneous recoveries of approximately $5,700,000; (5) Mailed more than 15,000 additional proofs of claim ("POC's") to cover outstanding checks to Class 2 and Class 7 creditors; (6) Filed the tax return for the 2017 tax year and finalized the 2017 audit; (7) Replicated the CastlePoint reinsurance calculator in the CLO office in San Francisco; (8) Transitioned the reinsurance billings from New Jersey to the CLO office in San Francisco; and (9) Transitioned the accounting function from New Jersey to the CLO office in San Francisco.

7. Attached hereto as **Exhibit A** is a series of charts detailing the expenses paid by the CLO during 2018.

8. Attached hereto as **Exhibit B** is a report titled "CastlePoint National Insurance Company in Liquidation Selected Financial Information and Analysis December 31, 2018" ("2018 Financial Report").

Claims Brought by Eita Pruss and the TruPS Movants

9. As part of the Commissioner's claims handling functions on behalf of CastlePoint, the CLO also handled, and directed its attorneys at Orrick on, a proof of claim filed in 2017 by Claimant Eita Pruss ("Pruss POC") for $5 million. The $5 million was claimed by Ms. Pruss

from CastlePoint pursuant to a settlement in her underlying personal injury action against certain CastlePoint insureds. Starting in late 2016, and continuing to present, the claim of Ms. Pruss has required a considerable amount of the time of the CLO and its attorneys.

10. The Commissioner also oversaw and directed its attorneys in connection with a motion brought by interested third-party Movants who are holders of certain Trust Preferred Securities (as defined in the Application) on November 20, 2018, which has also required a considerable amount of the time of the CLO and its attorneys.

Expenses of Administration

11. In 2018, the CastlePoint estate paid expenses totaling $5,677,105. Of that total, $1,733,231 was paid in payroll and benefits to CastlePoint employees, while $3,307,790 was paid to the CLO for professional services (of which $211,426 is for legal fees paid to Orrick for legal services in connection with the liquidation during 2018). Other significant sources of fees paid to the CLO for professional services include for CLO claims administration ($1,522,457), reinsurance administration (709,448), management expenses ($170,769), and INS Consultants ($376,950). A full breakdown of all expenses paid during 2018 related to the liquidation can be found in Exhibit A.

12. The expenses and professional fees incurred by the Commissioner during 2018 were typical for a receivership of this size and complexity, and were necessary, reasonable, and an appropriate exercise of the Commissioner's discretion to secure and manage the CastlePoint estate and to protect its creditors to the fullest extent possible.

13. As of the Conservation Date, July 28, 2016, CastlePoint had 26 employees and an annual payroll of $3.93 million. Since then, the Liquidator has reduced the number of employees and payroll costs. By March 31, 2017, only 10 CastlePoint employees remained and annual payroll had been cut to $1.85 million. By March 31, 2018, only 7 employees remained, and the annual payroll had been cut to $1.35 million. As of December 31, 2018, only 6 employees remained, and the annual payroll had been cut to $1.32 million. Page 4 of Exhibit A (labelled

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Chart IV), shows the general reduction in payroll through the Conservation Period and into the liquidation up until December 31, 2018.

Request for Approval of Records Retention and Destruction Plan

14. With the insolvency of CastlePoint, the Commissioner inherited over 10,000 boxes of CastlePoint files. (A limited number of boxes have been added to storage following the Conservation Date.) The cost to store these boxes, some of which date as far back as 1997, is substantial and reduces the remaining value of the estate each month. We seek approval of the Court to implement a records retention and destruction plan pursuant to which all boxes over seven years old, and that have not been accessed from storage in the past seven years, may be destroyed, and box destruction may continue on an ongoing basis consistent with this plan. By implementing this plan, we will substantially reduce an ongoing and substantial cost to the estate.

15. It is unknown whether CastlePoint previously had a records retention policy in place. It appears that CastlePoint either did not have a policy or was not actively implementing the policy.

16. There are presently approximately 10,427 boxes of CastlePoint documents being held in storage by GRM Information Management Services, Inc. ("GRM") in New Jersey. According to the most recent invoice covering April 2019, storage costs are now more than $27,500 per month. A copy of this invoice is attached hereto as **Exhibit C**. At this rate, annual storage costs will exceed $330,000. The costs paid by the CLO to GRM are reflected within the "CLO-Claims" line item on Chart III of Exhibit A.

17. In connection with the free claims administration services provided by AmTrust, AmTrust paid storage costs through the Liquidation Date. As of April 1, 2017, the Commissioner on behalf of the estate assumed responsibility for these costs. In connection with the Addendum to Commercial Lines Agreement by and between CastlePoint and AmTrust dated August 15, 2018, the Commissioner reimbursed AmTrust for storage costs incurred after April 1, 2017, which totaled approximately $408,000.

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18. The vast majority of these boxes, approximately 9,022 of the 10,427, were created over seven years ago and have not been accessed in over seven years. There is no inventory listing the contents of the boxes, but we expect that the boxes contain claim files, litigation files, and old insurance policies. There is only general information regarding the contents of the boxes written on the outside of the boxes themselves. To make the boxes useful in any capacity, there would need to be an electronic, box-level inventory that includes such details as policy years/numbers and claim numbers. Such an expensive exercise would be a waste of the assets of the estate given the unlikely event that information in one of the boxes will be needed at this point in the insolvency of CastlePoint.

19. In an abundance of caution, we do not seek to destroy any boxes that were accessed within the past seven years regardless of the date they were originally added into storage.

20. While we take pause with respect to the destruction of legacy insurance policies, we believe that there is an extremely remote risk that (1) there is a claimant with an incurred loss that is thus far unreported, (2) is actually covered under an old policy in one of these boxes, *and* (3) would not be paid if the boxes were destroyed. Indeed, it would be virtually impossible to find such a policy in any event absent the creation of a cost-prohibitive inventory. We must balance this remote concern with the known and material cost to continue to store the current quantity of boxes.

21. We plan to destroy all boxes that were created before, or last accessed before, June 1, 2012, and then continue with the document destruction accordingly on an ongoing basis. GRM estimates that it can only destroy approximately 500 boxes per week, so once the instruction is given to GRM, the reduction of boxes in storage may take several months to complete. We plan to start this process as soon as possible following the approval of the Court.

Request for Approval of Handling of Outstanding (Uncashed) Checks

22. During the course of administering the CastlePoint liquidation, we identified approximately $15 million in checks that had been issued by CastlePoint prior to the conservation

that had not been cashed. We have determined that the reissuance of these checks for the full amount would create an impermissible preference pursuant to the Conservation and Liquidation Orders entered by this Court and California Insurance Code Section 1034 as the recipient of the re-issued check would thereby automatically receive 100% of the amount owed to them. A preference exists where it enables a creditor to get a greater percentage of his claim than other creditors in the same class.

23. Accordingly, we voided the checks in the general ledger and mailed proof of claim forms (POC's) for the outstanding checks. Pursuant to the POC process, recipients may submit the completed POC along with support for their filing, which will be handled as a Class 2 or Class 7 claim as appropriate in the normal course of the liquidation, and thereby payable at the same time that other similarly situated class members receive any disbursements on their claims. As discussed below, we do not expect any payments to be made on Class 7 claims.

24. We mailed over 15,000 POCs over the course of three mailings in connection with the approximately $15 million in outstanding checks. To date, we have received approximately 127 POCs totaling approximately $2,625,253 in response to our mailing of POCs for uncashed checks. We suspect that a number of the outstanding checks were actually cashed by recipients prior to conservation but were not voided and appropriately accounted for in the system by CastlePoint, so the issue may therefore be largely clerical. Absent the filing of a POC, the check payee has no right to the underlying funds, and thus such underlying funds remain the property of the estate.

Request for Approval of Treatment of *De Minimis* Claims (Under $100)

25. In connection with the mailings of the POC's for uncashed checks discussed above, we identified approximately 10,499 outstanding checks that would be classified as Class 2 claims for amounts less than $100, and approximately 596 outstanding checks that would be classified as Class 7 claims for amounts less than $100. Given the hourly billing rate charged by the CLO, we do not believe that it is an appropriate use of the time and assets of the estate to solicit POCs for claims of less than $100, and then incur the resulting expenses associated with

the review and processing of such claims, all of which work would be charged against the assets of the estate. The CLO billing rate for claims handling is over $200 per hour, therefore even 30 minutes spent on the solicitation or evaluation of a *de minimis* claim would not be cost effective.

26. The CLO did not include POC's for checks under $100 in the three mailings. We therefore seek ratification of the decision to classify potential claims for outstanding checks under $100 as *de minimis* and not to mail POC forms soliciting such claims. We note that in response to earlier POC mailings following the liquidation, and not in connection with the uncashed checks, we have received POC's in return for less than $100. The CLO has entered these POC's into its accounting system, and these claims will be paid (pro rata) in the future to the extent assets are available. We are not seeking approval to avoid processing any POC's that are actually submitted, including for amounts under $100.

Request for Approval of Deferral of the Review and Determination of Class 7 Claims

27. The remaining assets of the CastlePoint estate must be awarded and distributed in accordance with the statutory priorities set forth in Insurance Code section 1033. Class 7 claims are general creditor claims with a low priority status in liquidation. It is a virtual certainty that there will be no funds available in the CastlePoint liquidation to make any pro-rata payments on allowed Class 7 claims, and thus we are not currently making claims determinations with respect to any Class 7 claims received to date.

28. Based on the current evaluation of the insolvent estate of CastlePoint, including its known assets and liabilities, we have determined that it is extremely unlikely that there will be sufficient assets to pay Class 7 liabilities prior to the eventual closure of the estate. Rather, we expect that the assets of the estate will be exhausted by Class 1 claims for administrative expenses and Class 2 policyholder claims. Pursuant to currently available information and projections, we expect that the estate will have assets sufficient to pay roughly 50 cents on the dollar for each approved Class 2 claim. We anticipate that Class 7 claimants will ultimately be sent a letter advising them that there are no assets to distribute to their class.

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29. We believe that it is appropriate to defer the evaluation and determination of Class 7 POCs until such time, if ever, that we anticipate having sufficient funds to distribute any percentage of recovery to this class. Accordingly, we seek approval of the Court to avoid the unnecessary time and expense of evaluating claims that will likely not be paid.

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

Executed on June 19, 2019, at San Francisco, California.

Joseph Holloway

Joseph Holloway

EXHIBIT A

CHART I

Summary of Expenses Paid during Liquidation Period
(Jan 1 through Dec 31, 2018)

1,733,231	30.5%	Payroll & Benefits
60,265	1.1%	IT Charges (Detail)
3,307,790	58.3%	CACLO (See Detail)
51,581	0.9%	Financial Professional Services
116,556	2.1%	Collection fees (contingency firms for AR)
200,504	3.5%	Investment Advisory Fees
13,137	0.2%	Bank Fees
194,042	3.4%	Investment Expenses
5,677,105	100%	Total Expenses

CHART II

IT and Telecom Charges
(Jan 1 through Dec 31, 2018)

MIS INSURANCE SERVICES, LLC	24,500	Workers Comp Audit Billings
V GROUP, INC	14,179	IT Consulting services to support Tower finance apps.
TRIGYN TECHNOLOGIES	12,362	Temp labor to support Tower apps.
INSIGHT GLOBAL	3,924	IT desktop support for finance team
VISIONET	1,989	IT Consulting services and solutions
BCM ONE, INC.	1,540	Phone Services
OTHER IT SERVICES	1,772	Various IT Services incl temp labor,software and data
TOTAL IT AND SYSTEMS CHARGES	60,265	

CHART III

CA BREAKOUT OF PROFESSIONAL SERVICES
(Jan 1 through Dec 31, 2018)

Orrick- Legal	211,426
INS Consultants	376,950
Travel and Incidentals	182,613
CLO-Reinsurance	709,448
CLO-Claims	1,522,457
CLO-Data and IT	32,581
CLO-Management	170,769
CLO- Admin and Miscellaneous Staffing	101,547
Total Consultant Fees	**3,307,790**

CNIC Runoff

Chart IV

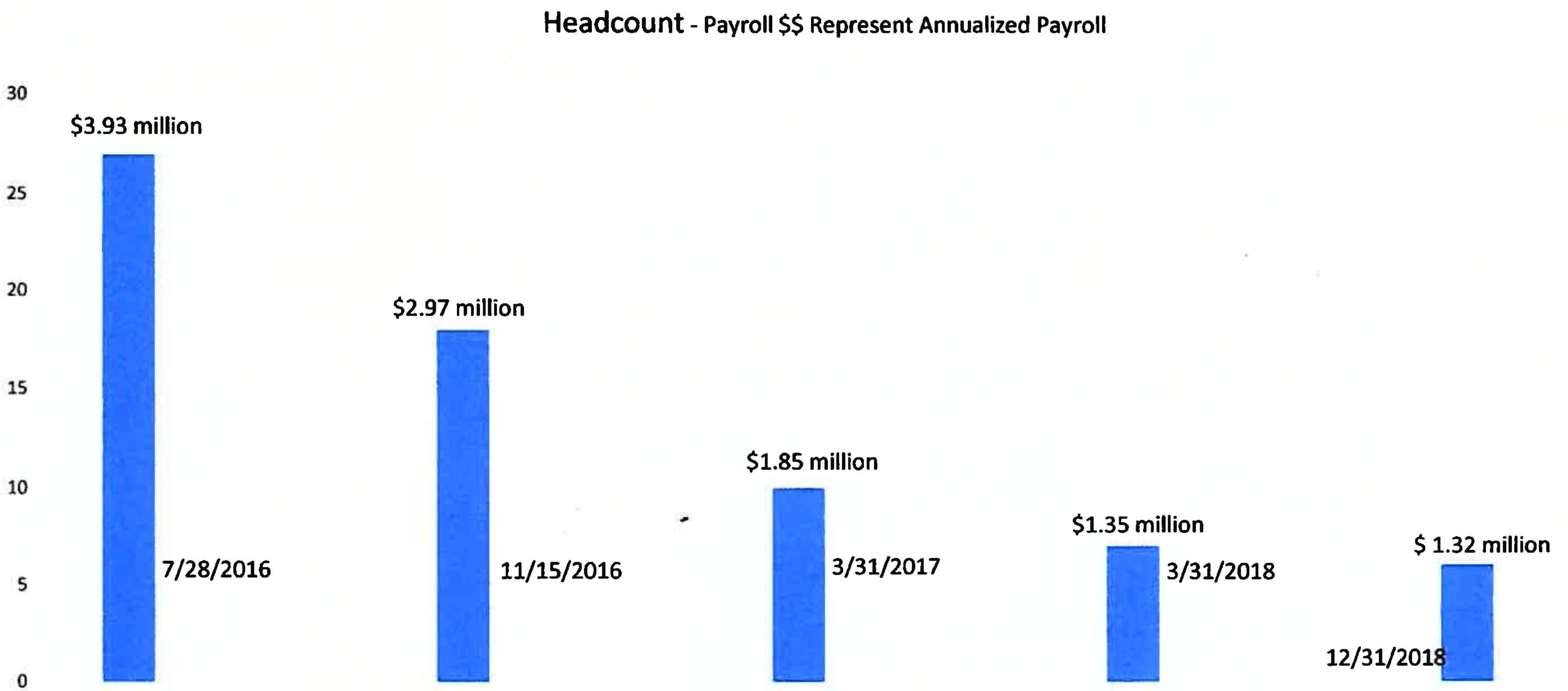

EXHIBIT B

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

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CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

Overview

CastlePoint National Insurance Company (CNIC or the Company) is the surviving entity from a merger with Tower Insurance Company of New York, CastlePoint Insurance Company, Hermitage Insurance Company, Massachusetts Homeland Insurance Company, North East Insurance Company, Preserver Insurance Company, Tower National Insurance Company, York Insurance Company of Maine and CastlePoint Florida Insurance Company (pre-merger affiliates). The merger agreement was structured so that CNIC will have responsibility for all of Tower's direct insurance business. CNIC and the pre-merger affiliates (except for CastlePoint Florida Insurance Company) were members of Tower's US Pool. Subsequent to the completion of the merger, on July 28, 2016, CNIC was placed into conservation by the Superior Court of the State of California and subject to the oversight of the California Insurance Commissioner. The Company is owned by Tower Group, Inc., which in turn is owned by Tower Group International Ltd. (Tower). Tower was acquired by ACP Re, Ltd. (ACPRe) on September 15, 2014 and was contributed to a special purpose trust formed in Bermuda in September 2016 as more fully described below.

Pursuant to the July 28, 2016 Order Appointing Insurance Commissioner as Conservator and Restraining Orders (the Conservation Order), the California Insurance Commissioner was appointed as the statutory Conservator of the Company. The Commissioner also filed a Conservation and Liquidation Plan for the Company which was approved September 13, 2016. As part of the Conservation and Liquidation Plan, ACP Re commuted its aggregate stop loss reinsurance retrocession agreement with two affiliated companies who in turn provided aggregate stop loss reinsurance protection to CastlePoint Reinsurance Company (CPRe), (a Bermuda reinsurance company that was an affiliate of CNIC) and those companies' aggregate stop loss to CPRe were also cancelled, terminated and commuted. Concurrent with the execution of these agreements, CPRe commuted all of its reinsurance agreements with CNIC and the pre-merged companies, with consideration to CNIC being all of net tangible assets of CPRe, such that after the commutation CPRe has no further obligation to CNIC. Finally, CNIC received a cash payment of $200 million from the owners of ACPRe in exchange for their agreement to the commutation agreements. CNIC used these funds to pay losses and other expenses of the estate while in conservation. Finally, pursuant to the Conservation and Liquidation Plan, ACP Re transferred its ownership interest in the stock of all of the remaining Tower companies to a purpose trust formed in Bermuda and as of September 2016 has no control over CNIC or ownership of any other of the Tower companies.

In accordance with the Conservation and Liquidation Plan, two Administrative Services Agreements were executed with AmTrust Financial Services Inc. and with National General Holdings Company for the continuity of claims servicing and payment processing for a period of 24 months. Such agreements were modified and extended to terminate on June 30, 2019.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

On March 30, 2017, the Superior Court of the State of California issued a Liquidation Order (the Order), effective April 1, 2017, for the Company. The Order directs the Liquidator to liquidate and wind up the business of CastlePoint and to act in all ways and exercise all powers necessary for the purpose of carrying out this Order and the Liquidation provision of the California Insurance Co, Insurance Sections 1010 et seq. On April 1, 2017 all direct claims of CastlePoint (and the merged entities) that arose under policies of insurance that are protected by State Guaranty Funds were transferred to the State Guaranty Funds that have jurisdiction over the claims. All claims issued under direct policies of insurance that are not protected by State Guaranty Funds were transferred back to the insured's under the policies, and such insured's are eligible to file a proof of claim with the Liquidator. Such proofs of claim forms were mailed to insured's and all other potential creditors in the second quarter of 2017, with a final claims bar date of December 31, 2017. Proofs of claim filed by those direct insured's without Guaranty Fund protection and approved by the Liquidator will receive the same creditor classification as those claims filed by the State Guaranty Funds.

Other creditors, including claims that arose from policies of reinsurance issued by the Company are subordinated to the claims of the Guaranty Funds and the direct claims of insured's not protected by Guaranty Funds.

The accompanying balance sheets are presented as of December 31, 2018 and December 31, 2017. The statement of operations and statement of cash flows are presented for the twelve-month period ended December 31, 2018 and 2017.

The Liquidator continues to investigate the account balances contained within this statement and will adjust the balances as more information becomes available.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

Statutory Balance Sheets
(Unaudited)

($ in thousands)	December 31, 2018	December 31, 2017	Increase (Decrease)
Admitted Assets			
Cash and invested assets			
Unrestricted assets	$ 163,150	$ 143,181	$ 19,969
Restricted assets			
Pledged to states	96,156	97,747	(1,591)
Pledged for reinsurance	65,941	78,052	(12,111)
Funds at Lloyds and other invested assets	1,255	1,538	(283)
Total restricted assets	163,352	177,337	(13,985)
Total cash and invested assets	**326,502**	**320,518**	**5,984**
Investment income due and accrued	1,965	2,108	(143)
Amounts recoverable from reinsurers	6,562	4,450	2,112
Funds held by or deposited with reinsured companies	14	772	(758)
Advances to Insurance Guarantee Associations	232,475	227,576	4,899
Miscellaneous assets	17,329	29,351	(12,022)
Total admitted assets	**$ 584,847**	**$ 584,775**	**$ 72**
Liabilities, capital and surplus			
Liabilities			
Reserve for losses and loss adjustment expenses	$ 731,194	$ 811,287	$ (80,093)
Reinsurance payable on paid losses and LAE	13,987	9,131	4,856
Ceded reinsurance premiums payable	(594)	(358)	(236)
Funds held by company under reinsurance treaties	11,189	18,434	(7,245)
Payable to Guaranty Funds	93,637	6,112	87,525
Miscellaneous liabilities	20,268	24,069	(3,801)
Total liabilities	**869,681**	**868,675**	**1,006**
Capital and surplus			
Common capital stock	4,200	4,200	-
Gross paid in and contributed surplus	524,741	524,742	(1)
Unassigned deficit	(813,775)	(813,153)	(622)
Special surplus funds from retroactive reinsurance	-	311	(311)
Total capital and surplus	(284,834)	(283,900)	(934)
Total liabilities, capital and surplus	**$ 584,847**	**$ 584,775**	**$ 72**

(Unaudited)

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

Notes to Statutory Balance Sheets

Assets

Total cash and invested assets were $326.5 million at December 31, 2018 compared to $320.5 million at December 31, 2017. All investment amounts are carried at market, which the Liquidator believes represents realizable value. The increase in cash and invested assets is due to the sale of CPRe in 2018 for $7.9 million (see more information on this in the discussion on other assets, below) and to collections of reinsurance and investment income that have outpaced the cash expenses incurred in managing the liquidation for the twelve-month period ended December 31, 2018.

Investment income due and accrued decreased by $0.1 million, to $2.0 million at December 31, 2018 as compared to $2.1 million at December 31, 2017.

Reinsurance recoverable was $6.6 million at December 31, 2018, compared to $4.5 million at December 31, 2017. None of these balances are currently in dispute, but one reinsurer is not current with their payments. Reinsurance contracts do not relieve CNIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to CNIC.

Funds held by or deposited with reinsured companies were $0 million at December 31, 2018 and $0.8 million at December 31, 2017.

Advances to Insurance Guarantee Associations represent funds transferred by the Company to certain of the state insurance guarantee associations in accordance with the laws of such states. Such amounts are considered early access distributions.

Miscellaneous Assets
(Unaudited)

($ in thousands)	December 31, 2018		December 31, 2017		Increase (Decrease)	
Tangible value of CPRe due to Estate	$	-	$	8,400	$	(8,400)
Involuntary fair plan assumed		9,719		9,719		-
Workers' compensation fund assessment		3,555		5,741		(2,186)
Receivable from residual market pools		1,122		3,209		(2,087)
Other		2,933		2,282		651
Total	**$**	**17,329**	**$**	**29,351**	**$**	**(12,022)**

Miscellaneous assets were $17.3 million at December 31, 2018 compared to $29.4 million at December 31, 2017. The amounts receivable from CPRe represent CPRe's net tangible assets due to CNIC under the terms of the commutation agreement with CPRe. CNIC sold its rights to receive the tangible value of CPRe to a third party, and this sale closed during the third quarter 2018 with CNIC receiving $7.9 million in proceeds. Involuntary fair plan assumed assets represent balances that may be returned to CNIC from various state involuntary pools. CNIC is no longer an active participant in the pools. Workers' compensation fund assessments represent amounts due from funds, it is expected that the company will receive the remainder of these funds in 2019. Included in other assets are $2.2 million at December 31, 2018 and December 31, 2017 representing funds held for the benefit of CNIC by State National Insurance Company under an old reinsurance agreement.

Liabilities

The Company's net loss and LAE reserves were $731.2 million at December 31, 2018 compared to $811.3 million at December 31, 2017. The balances represent the net reserves transferred to the State Insurance Guarantee Associations for all claims valued as of March 31, 2017, the date the Company went into liquidation, reduced by payment data reported by the insurance guarantee associations and payments made by the Liquidator, primarily for LAE and for certain workers' comp indemnity benefits. The Company received June 2018 data from the guarantee funds in the fourth quarter of 2018, which was used to reduce the Company's reserves. The Company expects to receive information from all of the guarantee associations on a lagged basis and will disclose in its financial statements the period for which it has received guarantee fund payment information. Further, the Company will also receive additional information on claims that are not covered by Guarantee Associations, and such amounts will likely increase the Company's ultimate obligation to policyholders.

Reinsurance payable on paid losses and LAE were $14.0 million at December 31, 2018 and $9.1 million at December 31, 2017. Under the Conservation and Liquidation Plan, the Company is no longer making payments on assumed business and is only permitting its cedants to draw down any available collateral against their balances being held by CNIC.

Ceded reinsurance premiums payable were ($0.6) million at December 31, 2018 and ($0.3) million at December 31, 2017.

Funds held by the Company were $11.2 million at December 31, 2018 and $18.4 million at December 31, 2017. The decrease of $7.2 million is primarily due to losses paid on a quota share treaty. Such payments were made from ceding companies drawing down available collateral against their balances.

The Company had no balances payable to parent and affiliates at December 31, 2018 and at December 31, 2017.

Payable to Guaranty funds of $93.6 million at December 31, 2018 and $6.1 million at December 31, 2017 represents claim payments made by various state insurance guaranty funds to claimants under policies issued by CastlePoint. The Company has recorded losses paid through June 2018 by the state insurance guaranty funds at December 31, 2018.

Miscellaneous liabilities were $20.3 million at December 31, 2018 and $24.1 million at December 31, 2017. Included in this balance are outstanding checks of $14.6 million at December 31, 2018 and $16.9 million December 31, 2017.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

Notes to Statutory Balance Sheets, continued

Capital and Surplus Accounts

The following table sets forth the changes in policyholders' surplus for the twelve months ended December 31, 2018 and 2017:

Changes in Policyholders' Surplus
(Unaudited)

($ in thousands)	Twelve months ended December 31, 2018		Twelve months ended December 31, 2017	
Policyholders' surplus, beginning period	$	(283,900)	$	(281,909)
Net income		1,808		1,756
Change in net unrealized capital gains (loss)		(4,268)		(3,802)
Change in non-admitted assets		-		(391)
Change in provision for reinsurance		1,526		-
Aggregate write-ins for gains and losses in surplus		-		446
Policyholders' surplus, ending period	**$**	**(284,834)**	**$**	**(283,900)**

Surplus decreased by $0.9 million from year end 2017 as bond market values have decreased due to rising interest rates.

Changes in Non-Admitted Assets
(Unaudited)

($ in thousands)	Twelve months ended December 31, 2018		Twelve months ended December 31, 2017	
Premium receivable	$	-	$	(850)
Other assets		-		459
Total change in non-admitted assets	**$**	**-**	**$**	**(391)**

Since the Company was placed into liquidation, there has been an elimination of the remaining agent balances. In the first quarter of 2017, the Company reversed the TPA advance allowance, as such advances were returned upon transfer of the claims to state guarantee associations.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis
December 31, 2018

Statements of Operations

(Unaudited)

($ in thousands)	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Premium earned	$ -	$ (168)
Losses incurred and loss adjustment expenses incurred	-	430
Other underwriting expenses incurred	5,445	6,725
Net underwriting loss	(5,445)	(7,323)
Net investment income earned	13,549	9,022
Net realized capital gain (loss)	(6,056)	(105)
Net investment gain	7,493	8,917
Other income (loss)	(240)	162
Net income	**$ 1,808**	**$ 1,756**

Notes to Statements of Operations

Other underwriting expenses

Other underwriting expenses for the twelve months ended December 31, 2018 and 2017 were $5.4 million and $6.7 million respectively. The table below details charges by components.

Other Underwriting Expenses
(Unaudited)

($ in thousands)	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Commission and BB&A	$ -	$ 1,403
Salaries and employee benefits	1,733	2,873
Rent & depreciation	643	163
Professional services	4,381	3,951
Other (income)	(1,312)	(1,665)
Total	**$ 5,445**	**$ 6,725**

Notes to Statements of Operations, continued

Since the Company has been in liquidation, no further commissions or BB&T are being incurred. The charge for the first quarter 2017 was primarily associated with $2.0 million of sliding scale ceded commission for the Company's reinsurance covers recorded during the three months ended March 31, 2017. The decrease in salaries and employee benefits since liquidation were due to the reduction in the employee head count. Other (income) were comprised of various state premium tax refunds and returns of assessments which were not accrued when the Company was placed into conservation.

Net investment income and net realized capital gains (losses)

Net investment income earned was $13.5 million and $9.0 million for the twelve months ended December 31, 2018 and 2017, respectively. Investment income includes amounts recorded from assets advanced to Insurance Guarantee Associations, and such income increases the amount advanced to the Insurance Guarantee Associations.

Net realized capital losses were $6.1 million for the twelve months ended December 31, 2018 as compared to net realized capital loss of $0.1 million for the twelve months ended December 31, 2017. Capital losses in the first quarter 2018 included a write down of a private placement bond to realizable value ($3.5 million) and a $0.5 million charge to reduce the value of the net tangible equity of CPRe.

Selected Financial Information and Analysis
December 31, 2018

Statutory Statements of Cash Flow

(Unaudited)

($ in thousands)		**Twelve months ended December 31, 2018**		**Twelve months ended December 31, 2017**
Cash from Operations				
Benefit and loss related payments	$	7,815	$	(74,196)
Commission and other expenses paid		(5,287)		(19,992)
Premiums collected net of reinsurance		675		(2,975)
Net investment income		13,692		11,658
Miscellaneous income (expense)		-		(281)
Net cash provided by (used in) operations		**16,895**		**(85,786)**
Net cash provided by (used in) investments		(46,771)		(43,117)
Net cash provided by miscellaneous sources		4,311		28,263
Net change in cash and cash equivalents		**(25,565)**		**(100,640)**
Cash and cash equivalents Beginning of year		78,804		179,444
Cash and cash equivalents, end of period	**$**	**53,239**	**$**	**78,804**

Notes to Statutory Statements of Cash Flows

CNIC used cash of $25.6 million and $100.6 million for the twelve months ended December 31, 2018 and 2017, respectively. In 2018, CNIC increased invested assets from year-end 2017, which was the most significant use of cash flow. Cash balances decreased in 2017 due to transfers of cash for early advances of indemnity benefits and the reinvestment of cash balances that were on deposit at certain states. The Company has been in liquidation effective April 1, 2017, and as such expects its future cash outflows will be limited to operating expenses and to distributions to State Guarantee Associations. The decrease in cash used in the twelve months ended December 31, 2018, compared to the same period in 2017 is due to the Company paying its own claim liabilities in the first quarter 2017, prior to liquidation.

The investment assets of $326.5 million at December 31, 2018 ties to the amount that would be included in the Company's statutory presentation of assets. A reconciliation to the accompanying balance sheet is presented below ($000):

Bonds	$ 272,008
Cash	53,239
Other Invested assets	1,255
Total	**$ 326,502**

EXHIBIT C

GRM

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INVOICE

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PO BOX 26894
San Francisco, CA 94126-0894

Invoice	2122727
Date	04/30/2019
Account	01102254
PO#	
Period	04/01/2019 - 04/30/2019
Amount	**$27,528.58**

SURCHARGE	**RATE**	**QUANTITY**	**AMOUNT**
NY STORAGE TAX	0.0888	25,135.97	$2,230.82
TOTAL		**25,135.97**	**$2,230.82**

STORAGE: 05/01/2019 through 05/31/2019	**RATE**	**QUANTITY**	**AMOUNT**
1 Cubic Foot Box	1.1222	50.00	$56.11
2 Cubic Foot Box	2.2444	783.00	$1,757.37
3 Cubic Foot Box	3.2064	31.00	$99.40
4 CUBIC FOOT BOX	3.1300	1.00	$3.13
5 Cubic Foot Box	3.8171	5.00	$19.09
Archive Box	1.2669	557.00	$705.64
Check Deposit Box	1.1222	14.00	$15.71
Legal Box	2.5038	8,889.00	$22,255.98
Legal Transfile Box	2.5038	42.00	$105.16
Letter Box	2.1524	55.00	$118.38
TOTAL		**10,427.00**	**$25,135.97**

TRACKING: 04/01/2019 through 04/30/2019	**RATE**	**QUANTITY**	**AMOUNT**
Tracking File Folder	0.0240	5,460.00	$131.04
TOTAL		**5,460.00**	**$131.04**

RECURRING SERVICES	**RATE**	**QUANTITY**	**AMOUNT**
Account Maintenance Fee	30.7500	1.00	$30.75
TOTAL		**1.00**	**$30.75**

Total amount due: $27,528.58