

ENDORSED
FILED
San Francisco County Superior Court

DEC 23 2011

CLERK OF THE COURT

By: RAYMOND WONG
Deputy Clerk

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7 *Insurance Commissioner*
of the State of California

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 COUNTY OF SAN FRANCISCO

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

14 Applicant,

15 v.

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17 **MUNICIPAL MUTUAL INSURANCE**
COMPANY,

18 Respondent.

Case No. CPF-07-507033

**DECLARATION OF EDWARD HAHN IN
SUPPORT OF INSURANCE
COMMISSIONER'S APPLICATION
FOR ORDERS APPROVING THE
FINAL REPORT AND ACCOUNTING,
ETC.**

Date: January 31, 2012
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold E. Kahn
Trial Date: NONE
Action Filed: February 14, 2007

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22 I, EDWARD HAHN, declare as follows:

23 1. I am the Vice President Finance – Estates for the California Insurance
24 Commissioner's ("Commissioner") Conservation & Liquidation Office ("CLO"). I have a
25 Master's degree in Business Administration from the University of California at Berkeley and
26 have a combined 19 years of experience in dealing with mergers and acquisitions, bankruptcy
27 accounting, and accounting for insurance companies in liquidation. I am familiar with the records
28 to which I attest, which are business records of the CLO.

1 I have been employed by the CLO since August 5, 2005. I am one of the persons
2 responsible for preparing financial statements for Municipal Mutual Insurance Company
3 ("MMIC") since the inception of its liquidation in October 2006.

4 I am familiar with the documents and files maintained by the CLO pertaining to the
5 financial matters in MMIC's liquidation.

6 2. If called upon to testify, I could competently testify to the following facts as they are
7 personally known to me, except as to those matters stated on information and belief, and as to
8 those matters, I believe them to be true.

9 3. I have attached hereto as Exhibit A the Statement of Assets and Liabilities and
10 Statement of Changes in Net Assets for MMIC.

11 In summary, these financial statements show that as of September 30, 2011, MMIC had
12 assets in the total amount of \$5,129,053 and liabilities in the total amount of \$11,651,775, which
13 results in a net deficiency of \$6,522,722.

14 From the date of liquidation to September 30, 2011, the MMIC estate incurred the
15 following expenses:

16	Legal and consulting fees:	\$96,958
17	General and administrative:	\$22,490
18	Allocated overhead:	\$430,727

19 4. As of September 30, 2011, MMIC had \$5,129,053 in available assets. Subject to this
20 Court's authorization, the Commissioner proposes to reserve \$84,155 to pay Administrative
21 Expenses (Class 1 expenses) for the next three years. These Administrative Expenses include
22 storage and eventual destruction of records, legal expenses, audit expenses, tax consultation and
23 preparation, and indirect expenses.

24 5. The current distribution of \$4.8 million plus the current value of the reinsurance

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1 recoverable from ALEA North American Insurance Company equals approximately \$5,027,088,
2 which will be the total distribution of MMIC assets to the California Insurance Guarantee
3 Association (CIGA).

4 I declare under penalty of perjury under the laws of the State of California that the
5 foregoing is true and correct and that this declaration was executed on December 21, 2011 at
6 San Francisco, California.
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9 _____
10 EDWARD HAHN

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EXHIBIT A

Insurance Commissioner of the State of California
 Conservation & Liquidation Office
Municipal Mutual Ins Co

STATEMENT OF ASSETS AND LIABILITIES
 As of September 30, 2011

	(Opening Balance)		
	Oct 31	Sep 30	
	2006	2011	<i>Change</i>
ASSETS			
Cash and cash equivalents	\$386,632	\$4,884,155	\$4,497,523
Accrued investment income	-	17,810	17,810
Recoverable from reinsurers	467,879	227,088	(240,791)
Premiums receivable	63,610	-	(63,610)
Total Available Assets	<u>918,121</u>	<u>5,129,053</u>	<u>4,210,932</u>
LIABILITIES			
Accrued administrative expenses		\$25,245	\$25,245
Claims against policies, including guaranty associations, before distributions	\$1,675,959	11,626,530	9,950,571
Total Estimated Liabilities	<u>1,675,959</u>	<u>11,651,775</u>	<u>9,975,816</u>
 NET ASSETS (DEFICIENCY)	 <u><u>(\$757,838)</u></u>	 <u><u>(\$6,522,722)</u></u>	 <u><u>(\$5,764,884)</u></u>

STATEMENT CHANGES TO NET ASSETS
 October 31, 2006 to September 30, 2011

Income	
Reinsurance collections from billings	\$1,408,531
Reinsurance commutations	3,350,000
Salvage/subrogation recoveries	201,913
Miscellaneous income	83,593
Net investment income	198,311
	<u>5,242,347</u>
Operating Expenses	
Legal and consulting	\$96,958
General and administrative	22,490
Allocated overhead expenses	430,727
	<u>550,175</u>
Losses and Other Expenses	
Incurred losses and claims expense	\$10,408,845
Federal income taxes	48,211
	<u>10,457,056</u>
 CHANGES TO NET ASSETS	 <u><u>(\$5,764,884)</u></u>

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: **Insurance Commissioner v. Municipal Mutual Insurance Company**
Case No.: **San Francisco County Superior Court Case No. CPF-07-507033**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service that same day in the ordinary course of business.

On December 23, 2011, I served the attached

**DECLARATION OF EDWARD HAHN IN SUPPORT OF INSURANCE
COMMISSIONER'S APPLICATION FOR ORDERS (1) APPROVING THE FINAL
REPORT AND ACCOUNTING, ETC.**

by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the internal mail collection system at the Office of the Attorney General at 1515 Clay Street, 20th Floor, Oakland, CA 94612-0550, addressed as follows:

Kyra Leary, Director
LDG Reinsurance Corporation
401 Edgewater Place, Suite 400
Wakefield, MA 01880

C. Guerry Collins, Esq.
Lord, Bissel & Brook
300 South Grand Avenue 8th Floor
Los Angeles, CA 90071

California Insurance Guarantee Association
P. O. Box 16860
Beverly Hills, CA 90209-3319

Suzanne Fetter
SVP of Claims and Head of Office
ALEA North America Insurance Office
55 Capital Boulevard, Corporate Ridge
Rocky Hill, CT 06067

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on December 23, 2011, at Oakland, California.

Lydia Banaga
Declarant

Lydia Banaga
Signature