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Insurance Commissioner of the State of California

Exempt from filing fees
(Gov. Code, § 6103)

ELECTRONICALLY FILED
Merced Superior Court
2/21/2025 12:24 PM
Amanda Toste
Clerk of the Superior Court
By: Nengsy Moua, Deputy

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 COUNTY OF MERCED

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

13 Applicant,

14 v.

15
16 **MERCED PROPERTY & CASUALTY**
CO.,

17 Respondent.

Case No. 18CV-04739

**INDEX OF EXHIBITS AND EXHIBITS
TO INSURANCE COMMISSIONER'S
APPLICATION FOR ORDER TO 1)
APPROVE PAYMENT OF
ADMINISTRATIVE AND
PROFESSIONAL FEES AND EXPENSES
FOR THE PERIOD OF NOVEMBER 1,
2022 TO SEPTEMBER 30, 2024; 2)
APPROVE EXECUTED RELEASE
AGREEMENT WITH THE FEDERAL
GOVERNMENT; 3) AUTHORIZE FINAL
DISBURSEMENT OF MERCED
ASSETS; 4) ESCHEAT UNCLAIMED
FUNDS TO STATE; 5) RETAIN
CLOSING RESERVE; 6) AUTHORIZE
DISPOSAL OF LEGACY RECORDS; 7)
REMIT RESIDUAL ESTATE ASSETS
TO PARENT ENTITY; AND 8) CLOSE
THE ESTATE**

18 Date: April 2, 2025
19 Time: 8:15 a.m.
20 Dept: 8
21 Judge: Hon. Stephanie Jamieson
22 Action Filed: November 30, 2018

1 Pursuant to California Rules of Court, rule 3.1110(f), Applicant Insurance Commissioner of
2 the State of California submits this index of exhibits in support of his application for an order to:

3 1) Approve Payment of Administrative and Professional Fees and Expenses for the period of
4 November 1, 2022 to September 30, 2024; 2) Approve Executed Release Agreement with the
5 Federal Government; 3) Authorize Final Disbursement of Merced Assets; 4) Escheat Unclaimed
6 Funds to State; 5) Retain Closing Reserve; 6) Authority to Dispose of Legacy Records; 7) Remit
7 Residual Estate Assets to Parent Entity; and 8) Close the Estate.

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Exhibit Letter	Exhibit Page Number	Exhibit Description
A	MERCED 001	Merced Property & Casualty Insurance Company Administrative Expenses for the Period November 1, 2022 to September 30, 2024
B	MERCED 003	Conservation and Liquidation Office (CLO) Summary of Hours for All Companies and for Merced Property & Casualty Only (November 1, 2022 to September 30, 2024)
C	MERCED 005	Detailed CLO Allocated Hours and Fees Spreadsheet for Merced Property & Casualty (November 1, 2022 to September 30, 2024)
D	MERCED 007	Merced Property & Casualty Statement of Assets and Liabilities as of September 30, 2024
E	MERCED 009	Merced Property & Casualty Detailed Spreadsheet: Merced Final Distribution Calculation
F	MERCED 012	Executed Federal Release and Waiver Agreement

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1 Dated: February 20, 2025

Respectfully submitted,

2 ROB BONTA
3 Attorney General of California
4 LISA W. CHAO
5 Supervising Deputy Attorney General



6 CAROLINE C. LAM
7 Deputy Attorney General
8 *Attorneys for Applicant Insurance*
9 *Commissioner of the State of California*

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EXHIBIT A

Merced Property & Casualty Insurance Company

Administrative Expenses

	Nov-Dec 2022	Jan-Dec 2023	Jan - Sep 2024	November 2022 to September 2024
Legal				
62001	167	725	-	892
62002	165	21,224	110	21,499
62003	314	55	1,125	1,494
	<u>646</u>	<u>22,004</u>	<u>1,235</u>	<u>23,885</u>
Consultants and Contractors				
63002	117	22,118	27,083	49,317
63008	-	12,900	8,600	21,500
	<u>117</u>	<u>35,018</u>	<u>35,683</u>	<u>70,817</u>
Office Expenses				
65002	1	80	59	140
65007	-	50	5	55
65019	-	1,082	-	1,082
65027	-	987	-	987
65028	-	450,000	(450,000)	-
	<u>1</u>	<u>452,199</u>	<u>(449,936)</u>	<u>2,264</u>
Allocated Expenses				
70002	67,144	307,273	220,812	595,230
	<u>67,144</u>	<u>307,273</u>	<u>220,812</u>	<u>595,230</u>
	<i>764</i>	<i>509,221</i>	<i>(413,018)</i>	<i>96,967</i>
	67,907	816,494	(192,206)	692,196

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EXHIBIT B

November 2022 - September 2024 Direct Hours

Nov-22	All Companies	Merced Only	
Direct Hours Acct. 92002	1,894.50	136.02	
Dec-22	All Companies	Merced Only	
Direct Hours Acct. 92002	1,901.50	129.14	
Jan-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,263.50	131.73	
Feb-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,164.25	149.87	
Mar-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,369.75	181.44	
Apr-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,100.25	114.06	
May-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,274.75	113.98	
Jun-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,101.00	82.22	
Jul-23	All Companies	Merced Only	
Direct Hours Acct. 92002	1,865.00	82.21	
Aug-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,379.50	98.85	
Sep-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,160.25	106.60	
Oct-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,248.75	124.49	
Nov-23	All Companies	Merced Only	
Direct Hours Acct. 92002	2,007.25	88.07	
Dec-23	All Companies	Merced Only	
Direct Hours Acct. 92002	1,870.25	85.98	
Jan-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,167.50	105.26	
Feb-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,173.50	112.18	
Mar-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,249.50	121.60	
Apr-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,317.75	141.73	
May-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,146.75	111.24	
Jun-24	All Companies	Merced Only	
Direct Hours Acct. 92002	1,885.50	93.65	
Jul-24	All Companies	Merced Only	
Direct Hours Acct. 92002	1,967.75	81.24	
Aug-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,107.75	119.65	
Sep-24	All Companies	Merced Only	
Direct Hours Acct. 92002	2,090.75	107.15	
Total Direct Hours Acct. 92002	48,707.25	2,618.36	5.376

%
5.376

EXHIBIT C

	Total Incurred Hours Nov 2022 to Dec 2022	Total Charge \$
ETD/Exec	138.61 \$	34,828.71
IT	17.50 \$	4,572.03
Acctg	58.30 \$	14,798.78
Reins	0.00 \$	-
Claims	50.75 \$	12,943.18
	<u>265.16 \$</u>	<u>67,142.70</u>

	Total Incurred Hours Jan 2023 to Dec 2023	Charge
ETD/Exec	780.78 \$	177,418.04
IT	44.75 \$	9,438.75
Acctg	371.99 \$	84,315.95
Reins	18.00 \$	4,136.20
Claims	144.00 \$	31,970.27
	<u>1,359.52 \$</u>	<u>307,279.20</u>

	Total Incurred Hours Jan 2024 to Sep 2024	Charge
ETD/Exec	623.56 \$	138,739.20
IT	1.00 \$	193.31
Acctg	297.65 \$	66,323.12
Reins	0.00 \$	-
Claims	71.50 \$	15,558.25
	<u>993.71 \$</u>	<u>220,813.89</u>

2,618.39 \$ 595,235.78

EXHIBIT D

273 **273 Merced Property & Casualty Ins**
 STATEMENT OF ASSETS AND LIABILITIES
 As of September 30, 2024

	Sep 30 2024A
ASSETS	
Participation in pooled investments, at market	8,427,300
Accrued investment income	59,600
Salvage and subrogation recoverable	-
Total Available Assets	8,486,900
LIABILITIES	
Secured claims	213,600
Accrued administrative expenses	-
Claims against policies, including guaranty associations, before distributions	26,953,300
Early access and other Class 2 distributions	(26,953,300)
California and Federal claims having preference	50,000
All other claims	370,200
Total Estimated Liabilities	633,800
 NET ASSETS (DEFICIENCY)	 7,853,100

EXHIBIT E

Merced Final Distribution

PocNo	Approved Amount	Distribution to Date	Distribution Amount	% Payout
835917	\$145,708.00	0	\$145,708.00	100%
835888	\$16,548.78	0	\$16,548.78	100%
836308	\$12,816.98	0	\$12,816.98	100%
836165	\$7,367.00	0	\$7,367.00	100%
836324	\$6,813.60	0	\$6,813.60	100%
836516	\$5,597.06	0	\$5,597.06	100%
836534	\$5,413.69	0	\$5,413.69	100%
836291	\$4,816.69	0	\$4,816.69	100%
836282	\$4,517.83	0	\$4,517.83	100%
836300	\$4,278.74	0	\$4,278.74	100%
836961	\$4,188.95	0	\$4,188.95	100%
836503	\$4,049.86	0	\$4,049.86	100%
836562	\$4,040.61	0	\$4,040.61	100%
831360	\$3,944.34	0	\$3,944.34	100%
837093	\$3,876.92	0	\$3,876.92	100%
836545	\$3,837.75	0	\$3,837.75	100%
836474	\$3,789.26	0	\$3,789.26	100%
836319	\$3,709.99	0	\$3,709.99	100%
836359	\$3,682.26	0	\$3,682.26	100%
836267	\$3,672.73	0	\$3,672.73	100%
836569	\$3,621.52	0	\$3,621.52	100%
836088	\$3,526.75	0	\$3,526.75	100%
836261	\$3,305.97	0	\$3,305.97	100%
836467	\$3,285.74	0	\$3,285.74	100%
836493	\$3,261.50	0	\$3,261.50	100%
836564	\$3,261.26	0	\$3,261.26	100%
836403	\$3,218.75	0	\$3,218.75	100%
836577	\$3,176.91	0	\$3,176.91	100%
836572	\$3,161.08	0	\$3,161.08	100%
836348	\$3,124.70	0	\$3,124.70	100%
836194	\$3,093.77	0	\$3,093.77	100%
836542	\$3,068.08	0	\$3,068.08	100%
836357	\$2,988.69	0	\$2,988.69	100%
836208	\$2,848.19	0	\$2,848.19	100%
836511	\$2,828.26	0	\$2,828.26	100%
836374	\$2,825.26	0	\$2,825.26	100%
833009	\$2,822.46	0	\$2,822.46	100%
833231	\$2,817.77	0	\$2,817.77	100%
836410	\$2,781.57	0	\$2,781.57	100%
836381	\$2,724.81	0	\$2,724.81	100%
831753	\$2,683.08	0	\$2,683.08	100%
836555	\$2,672.45	0	\$2,672.45	100%
836513	\$2,611.40	0	\$2,611.40	100%
836742	\$2,521.85	0	\$2,521.85	100%
836468	\$2,507.99	0	\$2,507.99	100%
836445	\$2,477.59	0	\$2,477.59	100%
836168	\$2,456.97	0	\$2,456.97	100%
835855	\$2,456.77	0	\$2,456.77	100%
836504	\$2,451.52	0	\$2,451.52	100%

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Merced Final Distribution

This e-copy is the official court record (GC68150)

PocNo	Approved Amount	Distribution to Date	Distribution Amount	% Payout
831371	\$2,434.49	0	\$2,434.49	100%
836392	\$2,422.10	0	\$2,422.10	100%
836426	\$2,402.80	0	\$2,402.80	100%
836301	\$2,379.72	0	\$2,379.72	100%
836355	\$2,344.40	0	\$2,344.40	100%
836625	\$2,326.46	0	\$2,326.46	100%
836307	\$2,300.91	0	\$2,300.91	100%
836460	\$2,257.41	0	\$2,257.41	100%
836720	\$2,228.41	0	\$2,228.41	100%
836160	\$2,216.71	0	\$2,216.71	100%
836334	\$2,212.30	0	\$2,212.30	100%
833606	\$2,170.37	0	\$2,170.37	100%
836901	\$2,009.38	0	\$2,009.38	100%
836797	\$1,807.84	0	\$1,807.84	100%
836089	\$800.00	0	\$800.00	100%
836304	\$380.80	0	\$380.80	100%
836548	\$105.56	0	\$105.56	100%
836936	\$93.49	0	\$93.49	100%
836479	\$56.86	0	\$56.86	100%
Total Approved	\$370,203.71	Total Distribution	\$370,203.71	100%

EXHIBIT F

RELEASE AGREEMENT

This Release Agreement is entered into by the United States, the California Insurance Commissioner, individually and in his capacity as Liquidator of Merced Property and Casualty Insurance Company (“Merced”), and Joseph Holloway, Special Deputy Insurance Commissioner and Chief Executive Office of the California Insurance Commissioner’s Conservation and Liquidation Office (“Special Deputy”), and applies only to the liquidation of Merced.

I. PARTIES

The parties to this Release Agreement are the United States, the California Insurance Commissioner as Liquidator and the Special Deputy (collectively, the “Parties”).

II. RECITALS

1. The United States enters into this Release Agreement in reliance upon the information contained in the Special Deputy’s affidavit dated October 18, 2022, attached as Exhibit A to this Release Agreement (“Affidavit”).

2. As of the date of the execution of this Release Agreement by the United States, the undersigned representative of the United States is not aware of any federal claims against Merced.

III. AGREEMENT

1. Based upon the Affidavit, and subject to the exclusions in the immediately following paragraph (III.2.), the United States releases the California Insurance Commissioner, the Special Deputy and the Merced estate (together, the “Liquidating Parties”) from liability for claims under the Federal Priority Statute, 31 U.S.C. § 3713(b) (“Federal Priority Statute”), in connection with the Merced liquidation.

2. Notwithstanding any other provision of this Release Agreement, the United States release is limited to claims arising under the Federal Priority Statute for the Merced liquidation and does not release the Liquidating Parties from any other claims, including, but not limited to:

(a) any claim arising under any criminal law, criminal or civil forfeiture, or any claim for liability under 31 U.S.C. § 3713(b) arising from any such claim;

(b) any criminal, civil, or administrative claim, right, or defense arising under Title 26, U.S. Code (Internal Revenue Code), or any claim for liability under 31 U.S.C. § 3713(b) arising from any such claim;

(c) any claim or action arising under 31 U.S.C. § 3729, *et seq.* (False Claims Act), 31 U.S.C. § 3801, *et seq.* (Program Frauds Civil Remedies Act), 42 U.S.C. § 1320a-7a (Civil Monetary Penalties statute), 29 U.S.C. Ch. 18 (Employee Retirement Income Security Program), or 42 U.S.C. § 1395y(b) (Medicare as Secondary Payer), or any claim for liability under 31 U.S.C. § 3713(b) arising from any such claim;

(d) any claim arising under any other statute or common law principle governing pension benefit, fraudulent conveyance, or any other form of fraud, or any claim for liability under 31 U.S.C. § 3713(b) arising from any such claim;

(e) any United States' claim not disclosed in the Affidavit, or any claim for liability under 31 U.S.C. § 3713(b) arising from any such claim; or

(f) any obligation created by this Release Agreement.

3. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right, prior to the destruction of Merced's records in accordance with the orders of the Superior Court of the State of California, County of Merced ("Court"), during normal business hours, on a date and at a location agreed upon by the Parties,

to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the Liquidating Parties relating to the Merced estate, paper and electronic, as shall be reasonably necessary to determine the existence and amount of claims the United States may have against the Liquidating Parties arising from Merced's liquidation, or to determine the Liquidating Parties' compliance with the terms of this Release Agreement. No documents, books, or records of the Liquidating Parties relating to the estate of Merced may be destroyed unless notice is given to the United States of any motion filed with the Court requesting approval of such destruction. If approval is not requested from the Court, the Special Deputy must obtain prior written authorization from the United States before destruction of any documents, books, or records of the Liquidating Parties, paper or electronic, relating to the estate of Merced. For purposes of this paragraph, it is not a violation of this Release Agreement if the Special Deputy destroys any paper documents that were converted to electronic documents.

4. Except for the express undertakings of the Liquidating Parties and the United States in this Release Agreement, nothing in this Release Agreement shall be construed:

- (a) to establish or perfect any claims, substantive rights, or procedural rights of the United States;
- (b) to limit, restrict, diminish, or defeat any claims, substantive rights, or procedural rights of the United States;
- (c) to establish or perfect any objections or defenses, substantive rights, or procedural rights of the Liquidating Parties; or
- (d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Liquidating Parties.

5. The Parties agree that this Release Agreement shall not be effective unless and until it is approved by the Court, if approval is required, and the time for appeals of any such approval has expired.

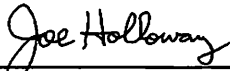
6. This Release Agreement may be executed by the Parties in any number of counterparts, including counterparts transmitted by way of email, and each of which shall be deemed to be an original and all of which, collectively, shall be deemed to be one and the same instrument. The Parties agree that an electronic signature alone may substitute for and have the same legal effect as a manual signature.

SHARON
WILLIAMS
Digitally signed by SHARON WILLIAMS
Date: 2024.11.22 12:25:53 -0500

By: Sharon C. Williams
Trial Attorney for the United States
Civil Division
Department of Justice
Attorney for the United States

The California Insurance Commissioner, individually and as Liquidator of Merced Insurance Company, and Joseph Holloway, Special Deputy Insurance Commissioner and Chief Executive Office of the California Insurance Commissioner's Conservation and Liquidation Office in his capacity as deputy liquidator of Merced Property and Casualty Insurance Company

Dated: November 22, 2024


By: Joseph Holloway
Special Deputy Insurance Commissioner and Chief Executive Office of the California Insurance Commissioners Conservation and Liquidation Office in his capacity as deputy liquidator of Merced Property and Casualty Insurance Company

DECLARATION OF JOSEPH HOLLOWAY

I, Joseph Holloway, declare as follows under penalty of perjury of the State of California:

1. I am a Special Deputy Insurance Commissioner and Chief Executive Office of the California Insurance Commissioner's Conservation and Liquidation Office (CLO). I am over the age of eighteen years. I am competent to be a witness. I have personal knowledge of the facts to which I attest. I acquired my personal knowledge in my role with the CLO. The facts in my Declaration are true.
2. I attach as Exhibit A the Order of Liquidation for Merced Property and Casualty Insurance Company (Merced Casualty) which issued on December 3, 2018. Paragraph 39 of this order sets the Claims Bar Date for proofs of claim against Merced Casualty as June 30, 2019. The United States filed that proof of claim which I attach as Exhibit B to my Declaration and incorporate into this declaration by reference.
3. The CLO directed its claims department to ascertain if any claims of the United States other than the POC filed by Ms. Sharon Williams on behalf of the United States could be located. I am advised that no such claims of the United States have been located. I am further advised and on that basis attest that no open Merced Casualty files have been located which lists claims by the United States, no demands have been received from the United States and on this basis, I conclude that no claims of the United States against Merced Casualty have been located.
4. The CLO directed its staff to search for policies or bonds issued to the United States. No policies or bonds have been located which were issued to the United States:


5. The Liquidator is submitting to Ms. Williams a DVD created by CLO which I have been advised contains a complete claims table of all located pending claims;
6. I am advised that the insurer in question issued in some cases homeowners and automobile liability coverage as to some policies, which insured policyholders for their liability in tort;
7. I am advised that the insurer in question issued in some cases homeowners and automobile liability coverage which could include coverage for liability for personal injuries;
8. Merced Casualty's records indicate that Merced Casualty following Medicare reporting prior to its liquidation, including implementing procedures to determine whether the recipients of payments on those policies were 65 years of age or older, disabled, or otherwise entitled to benefits under the Medicare program.
9. After liquidation, the California Insurance Guaranty Association handled claims adjustment for the vast majority of claims. That entity has in place procedures to ascertain if payments made pursuant to those policies related to items or services paid for by the Medicare program. The Liquidator transmitted the claims files to CIGA, which in turn had in place procedures to recognize and address Medicare claims. Some first party homeowners had claims for sums in excess of the guaranty association cap on liability. Some policyholder-priority claims were or are being adjusted by the Liquidator. As to those claims, the CLO claims staff is trained to look for Medicare-related claims and issues, and seeks to recognize any Medicare-related issues when they arise. The CLO is not aware of any unpaid Medicare claims.
10. Because most of the post-liquidation claims were handled by CIGA, and because the Liquidator is unaware of any Medicare-related claims not handled by CIGA post-

liquidation or by Merced Casualty pre-liquidation, Mr. Holloway attests that to the best of the knowledge of the Liquidator's Conservation and Liquidation Office, the Liquidator of Merced Casualty has fully complied with all reporting requirements of 42 U.S.C. § 1395y(b)(7) and (8), and all program instructions issued thereunder (presently found at <http://www.cms.gov/MandatoryInsRep/>).

11. Similarly, the California Insurance Guaranty Association dealt with Medicare matters in its role in handling covered claims. In some cases, the Liquidator approved claims in excess of the guaranty association limit of liability based on the recommendations of the adjuster for the guaranty association. In other cases, the Liquidator's CLO claims professionals have adjusted and continue to adjust policyholder-priority claims, but has not detected any unpaid Medicare issues. On that basis, the Liquidator's Conservation and Liquidation Office has reimbursed the United States pursuant to 42 U.S.C. § 1395y(b)(2)(B) for all Medicare payments that were made for items and services on behalf of Medicare beneficiaries whose medical care should have been paid for by the insurance company or whose medical care was, or should have been, paid for pursuant to policies issued by the insurance company.
12. Based on the foregoing, the Liquidator of Merced Property and Casualty Company requests that the United States issue a release to the Liquidator and to Merced Property and Casualty

Insurance Company.

I hereby executed this declaration under penalty of perjury of the laws of the State of California on this 18th day of October, 2022.



JOSEPH HOLLOWAY

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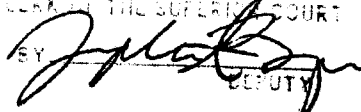
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*Attorneys for Applicant Insurance Commissioner
of the State of California*

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF MERCED

FILED
MERCED COUNTY
18 DEC -3 PM 1:20

CLERK OF THE SUPERIOR COURT
BY  DEPUTY

18CV - 04739
Judge: McCabe, Brian

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

Applicant,

v.

**MERCED PROPERTY & CASUALTY
COMPANY, a California corporation**

Respondent.

Case No.
**[PROPOSED] ORDER APPOINTING
COMMISSIONER AS LIQUIDATOR
AND RESTRAINING ORDERS**

[Ins. Code, § 1016]

Date: December 3, 2018
Time: 1:15 p.m.
Dept: 8
Judge:

The Verified Ex Parte Application of the Insurance Commissioner of the State of California ("Commissioner") for an Order Appointing Commissioner as Liquidator of Merced Property & Casualty Company ("Merced") came on regularly for hearing in Department 8 of the Merced County Superior Court.

**GOOD CAUSE APPEARING FROM THE COMMISSIONER'S VERIFIED
APPLICATION, THIS COURT MAKES THE FOLLOWING FINDINGS:**

- 1 A. Merced is insolvent.
- 2 B. It would be futile for the Commissioner to proceed as Conservator of Merced.
- 3 C. There exist sufficient factual and legal grounds for the Commissioner to liquidate and
- 4 wind up the business of Merced in a manner consistent with the provisions of this Order.
- 5 D. The California Insurance Commissioner is prepared to commence liquidation of
- 6 Merced with (i) David E. Wilson serving as the Special Deputy Insurance Commissioner and
- 7 Chief Executive Officer of the Conservation and Liquidation Office ("CLO") of the California
- 8 Department of Insurance, and specifically as the Liquidator of Merced and (ii) Scott Pearce of the
- 9 CLO, serving as the Liquidation Manager for Merced.

10 **WHEREFORE, GOOD CAUSE APPEARING, THIS COURT MAKES THE**
11 **FOLLOWING ORDERS:**

- 12 1. The Commissioner is appointed as Liquidator of Merced, as set forth in Insurance Code
- 13 section 1016, and directed to liquidate and wind up the affairs of Merced, conduct the business of
- 14 Merced, or so much as thereof may seem appropriate, pay or defer payment of all proper claims
- 15 and obligations against Merced accruing prior to or subsequent to his appointment as Liquidator
- 16 and act in all ways and exercise all powers necessary for the purpose of carrying out such order;
- 17 2. The Commissioner as Liquidator is authorized to take possession of all the assets of
- 18 Merced including books, records and property (both real and personal), accounts, safety deposit
- 19 boxes, rights of action, and all such assets that may be in the name of Merced wherever they are
- 20 situated;
- 21 3. Title to all property and assets of Merced, including deposits, securities, contracts,
- 22 rights of action, books, records, and other assets of every type and nature, including both those
- 23 presently in Merced's possession and those which may be discovered hereafter, wherever
- 24 situated, is vested in the Commissioner or his successor in office, in his official capacity as such
- 25 Liquidator, and all persons are enjoined from interfering with the Commissioner's possession and
- 26 title thereto;
- 27 4. The Commissioner as Liquidator is authorized to pay out of the funds and assets of
- 28 Merced all reasonable costs of taking possession of and liquidating Merced (including but not

1 limited to the Commissioner's pre-liquidation costs in examining Merced's financial condition,
2 and preparing to take possession and liquidate Merced), and for all reasonable costs incurred in
3 bringing and maintaining this legal proceeding and such other actions as are necessary to carry
4 out the Commissioner's functions as Liquidator and, if there are insufficient funds to pay his
5 costs, to pay them out of the Insurance Fund pursuant to Insurance Code section 1035;

6 5. The Commissioner as Liquidator is authorized to initiate such equitable or legal actions
7 or proceedings in this or other states as may appear to him necessary to carry out his functions as
8 Liquidator including foreclosing on any security interests in favor of Merced;

9 6. The Commissioner as Liquidator is authorized to appoint and employ special deputies,
10 estate managers, other professionals, clerks and assistants and to give each of them such power
11 and authority as he may deem necessary and to compensate those persons from the assets of
12 Merced as the Commissioner may deem appropriate. David E. Wilson, Special Deputy Insurance
13 Commissioner, is hereby appointed as Deputy Liquidator empowered to carry out any and all
14 duties and exercise the authority of the Liquidator as granted herein and under the Insurance
15 Code. Scott Pearce is hereby appointed as Liquidation Manager empowered to carry out any and
16 all duties and exercise the authority of the Liquidator and Deputy Liquidator and as may be
17 delegated by the Liquidator and Deputy Liquidator;

18 7. The Commissioner as Liquidator is authorized to divert, take possession of and secure
19 all mail of Merced so that the Commissioner may screen such mail and effect a change in the
20 rights to use any and all post office boxes and other mail collection facilities of Merced;

21 8. The Commissioner as Liquidator is authorized to pay all reasonable costs of operating
22 Merced (including but not limited to all direct and indirect costs, administrative expenses, general
23 overhead, allocated expenses and any other expenses associated with Merced's operations during
24 the course of liquidation) out of funds and assets of Merced and if there are insufficient funds to
25 pay his costs, to pay them out of the Insurance Fund pursuant to Insurance Code section 1035;

26 9. The Commissioner as Liquidator is authorized to invest Merced's assets in such a
27 manner as to him may seem suitable for the best interest of Merced's creditors. No investment or
28 reinvestment shall be made which exceeds the sum of \$100,000 without first obtaining

1 permission of the Court, except the Commissioner may invest or reinvest in excess of \$100,000,
2 but no more than the sum of \$2,000,000 without prior approval if such investments are made
3 pursuant to the Insurance Commissioner of the State of California Conservation & Liquidation
4 Office Investment Guidelines. A true and genuine copy of the guidelines is attached hereto as
5 Exhibit A.

6 10. The Commissioner as Liquidator is authorized, pursuant to Insurance Code section
7 1037, subsection (g), and notwithstanding the provisions of paragraph 9 above, to invest and
8 reinvest assets through an investment pool consisting exclusively of assets from conserved or
9 liquidated estates. To the extent that the Commissioner as Liquidator invests and reinvests
10 through such an investment pool, such investments and re-investments may exceed \$100,000;

11 11. The Commissioner as Liquidator is authorized, pursuant to Insurance Code section
12 1037, subdivision (d), to dispose of any excess property of Merced by any commercially
13 reasonable method including, but not limited to, sales at public auctions or sales in bulk to the
14 high bidder (provided at least three (3) independent dealers in the kind of property sold are given
15 notice of the opportunity to bid);

16 12. The Commissioner as Liquidator is authorized to assume, reject, or modify any
17 executory contracts, including without limitation, any lease, rental or utilization contract or
18 agreement (including any schedule to any such contract or agreement), and any license or other
19 arrangement for the use of computer software of business information systems to which Merced
20 is a party or as to which Merced agrees to accept an assignment of such contract; the
21 Commissioner as Liquidator is directed to effect any such assumption or rejection or modification
22 of any executory contract not later than within 120 days after issuance of this order, unless such
23 date is extended by application to and further order of this Court; all executory contracts that are
24 not expressly assumed by the Commissioner as Liquidator shall be deemed rejected and any party
25 to a contract that is rejected by the Commissioner as Liquidator shall be permitted to file a proof
26 of claim against the liquidation estate, which claim shall be treated in accordance with Insurance
27 Code section 1010, et seq.;

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1 13. Merced and all former and present officers, directors, agents, and employees of Merced
2 are directed to deliver to the Commissioner as Liquidator all assets, books, records, equipment,
3 and other property of Merced wherever situated;

4 14. All funds and assets, including certificates of deposit, bank deposits and mutual fund
5 shares of Merced, in various financial depository institutions, including banks, savings and loan
6 associations, industrial loan companies, mutual funds or stock brokerages, wherever situated, are
7 directed to be vested in the Commissioner as Liquidator and subject to withdrawal upon his order
8 only;

9 15. All persons who maintain records for Merced, pursuant to written contract or any other
10 agreement, are ordered to maintain such records and to deliver them to the Commissioner as
11 Liquidator upon his request;

12 16. All agents of Merced and all brokers who have done business with Merced are directed
13 to make remittances directly to the Commissioner as Liquidator of all funds collected or held by
14 them; this obligation to remit collected funds is continuing in nature;

15 17. All persons having possession of any lists of policyholders or escrow holders of Merced
16 are directed to deliver all such lists to the Commissioner as Liquidator; and all persons are
17 enjoined from using any such lists or any information contained therein without the consent of the
18 Commissioner as Liquidator;

19 18. Merced and its respective officers, directors, agents, servants, employees, successors,
20 assigns, affiliates, and other persons or entities under their control and all persons or entities in
21 active concert or participation with them, and each of them, are directed to turn over to the
22 Commissioner as Liquidator all records, documentation, charts and/or descriptive material of all
23 funds, assets, property (owned beneficially or otherwise), and all other assets of Merced wherever
24 situated, and all books and records of accounts, title documents and other documents in their
25 possession or under their control, which relate, directly or indirectly, to assets or property owned
26 by or held by Merced or to the business or operations of Merced;

27 19. All insurance policies issued by Merced shall be terminated and canceled effective
28 thirty (30) days following the issuance of this order, and the Commissioner as Liquidator is

1 directed to notify promptly all policyholders of such policy termination and cancellation by First
2 Class Mail at the last known address of such policyholders; and, in addition, the Commissioner as
3 Liquidator is authorized, in his sole discretion, to terminate and cancel any policies issued by
4 Merced that are not covered by the preceding sentence or that were issued by a fronting insurer
5 and reinsured in whole or in part by Merced;

6 20. All powers and authority granted to the Commissioner as Liquidator under this order
7 are in addition to and not in limitation of the powers of the Commissioner as Liquidator under the
8 Insurance Code and any other statutory or applicable case law;

9 21. The rights and liabilities of claimants, creditors, shareholders, policyholders, escrow
10 holders and all other persons interested in the assets of Merced, including the State of California,
11 are fixed as of the date of the entry of this order;

12 22. All funds and accounts in the name of Merced in various banks or any other institutions
13 wherever situated are vested in the Commissioner as Liquidator and subject to withdrawal at his
14 direction only and this order does not convert funds held in a fiduciary capacity to general assets
15 of the Liquidator;

16 23. All persons are enjoined, except with leave of court issued after a hearing in which the
17 Commissioner as Liquidator has received reasonable notice, from obtaining preferences,
18 judgments, attachments or other liens, or making any levy against Merced or its assets or
19 property, and from executing or issuing or causing the execution or issuance of any court
20 attachment, subpoena, replevin, levy, execution, or other process for the purpose of impounding
21 or taking possession of or interfering with or creating or enforcing a lien upon any property or
22 assets owned or in the possession of Merced or its affiliates if any, or the Liquidator, wherever
23 situated, and from doing any act interfering with the conduct of said business by the
24 Commissioner as Liquidator;

25 24. All persons are enjoined, except with leave of court issued after a hearing in which the
26 Commissioner as Liquidator has received reasonable notice, from accelerating the due date of any
27 obligation or claimed obligation; exercising any right of set-off; taking, retaining, retaking or
28 attempting to retake possession of any real or personal property; withholding or diverting any rent

1 or other obligation; doing any act or other thing whatsoever to interfere with the possession of or
2 management by the Commissioner as Liquidator of the property and assets, owned or controlled
3 by Merced or in the possession of Merced; or in any way interfering with the Commissioner as
4 Liquidator or interfering with the exclusive jurisdiction of this Court over Merced or its assets;

5 25. Merced, its officers, directors, governors, agents and employees are enjoined from
6 transacting any of the business of Merced, whether in the State of California or elsewhere, or
7 from disposing of or assisting any person in the transfer or alienation of the property or assets of
8 Merced until further order of this Court;

9 26. All persons are enjoined from (a) instituting, prosecuting or maintaining any action at
10 law or suit in equity (including but not limited to actions or proceedings to compel discovery or
11 production of documents or testimony and matters in arbitration) against Merced or against the
12 Commissioner as Liquidator of Merced, (b) attaching, executing foreclosure upon, redeeming of
13 or taking any other legal proceedings against, any of the property or assets of Merced, and (c)
14 interfering with the conduct of said business by the Commissioner as Liquidator, except upon
15 order from this Court obtained after reasonable notice to the Commissioner as Liquidator;

16 27. The application of all provisions of any agreement entered into by and between any
17 third party and Merced shall be stayed, including, but not limited to, the following types of
18 agreements (as well as any amendments, assignments, or modifications thereto): financial
19 guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,
20 mortgages, indemnification agreements, subrogation agreements, subordination agreements,
21 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,
22 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate
23 brokerage and rental agreements, servicing agreements, attorney agreements, consulting
24 agreements, easement agreements, license agreements, franchise agreements, or employment
25 contracts, which provide in any manner that selection, appointment or retention of a conservator,
26 or trustee by any court, or entry of an order such as hereby made, shall be deemed to be, or
27 otherwise operates as a breach, violation, event of default, termination, event of dissolution, event
28 of acceleration, insolvency, bankruptcy, or liquidation (collectively, an "Ipso Facto Provision").

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The assertion of any and all rights and remedies relating to an Ipso Facto Provision or any similar such provision shall also be stayed and barred, except as otherwise ordered by this Court, and this Court shall retain jurisdiction over any such cause of action that has arisen or may otherwise arise under any such provision;

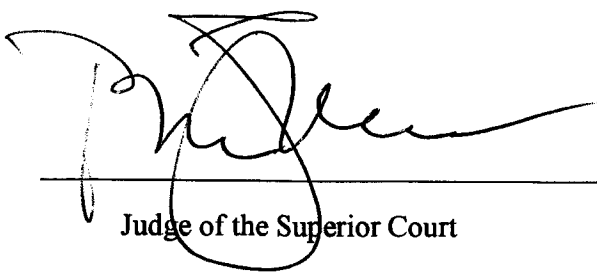
28. All persons are enjoined from interfering with the possession, title and rights of the Commissioner as Liquidator in and to the property and assets of Merced and from interfering with the conduct of the Commissioner as Liquidator in the handling and disposition of the property and assets of Merced and in the winding up of the business of Merced, except upon order of this Court obtained after reasonable notice to the Commissioner as Liquidator;

29. All persons are enjoined from the waste of the assets of Merced;

30. Any and all claims against Merced (except those policyholder claims that are already pending against Merced, which are deemed filed) including those which in any way affect or seek to affect any of the assets of Merced, wherever or however such assets may be owned or held, must be filed by no later than June 30, 2019 (the "Claims Bar Date"), together with proper proof thereof, in accordance with the provisions of Insurance Code section 1010, et seq., including, but not limited to section 1023, and any claims not filed by the Claims Bar Date shall be conclusively deemed forever waived; and

31. Upon issuance of this order, the Commissioner as Liquidator is directed to give notice to all shareholders and potential creditors of Merced of the claims procedure outlined in paragraph 30 above.

Dated: DEC 3 2018



Judge of the Superior Court

This e-copy is the official court record (GC68150)

THE FOREGOING INSTRUMENT IS A CORRECT COPY
OF THE ORIGINAL ON FILE IN THIS OFFICE.

ATTEST:
CLERK OF THE SUPERIOR COURT OF CALIFORNIA
COUNTY OF MERCED

By Melinda Deputy

DEC 08 2018

DECLARATION OF SERVICE BY ELECTRONIC MAIL

Case Name: **Insurance Commissioner of the State of California v. Merced Property & Casualty Co.**

Case No.: **18CV-04739**

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.

On February 21, 2025, I served the attached **INDEX OF EXHIBITS AND EXHIBITS TO INSURANCE COMMISSIONER'S APPLICATION FOR ORDER TO 1) APPROVE PAYMENT OF ADMINISTRATIVE AND PROFESSIONAL FEES AND EXPENSES FOR THE PERIOD OF NOVEMBER 1, 2022 TO SEPTEMBER 30, 2024; 2) APPROVE EXECUTED RELEASE AGREEMENT WITH THE FEDERAL GOVERNMENT; 3) AUTHORIZE FINAL DISBURSEMENT OF MERCED ASSETS; 4) ESCHEAT UNCLAIMED FUNDS TO STATE; 5) RETAIN CLOSING RESERVE; 6) AUTHORIZE DISPOSAL OF LEGACY RECORDS; 7) REMIT RESIDUAL ESTATE ASSETS TO PARENT ENTITY; AND 8) CLOSE THE ESTATE** by transmitting a true copy via electronic mail, addressed as follows:

Jeffrey D. Neumeyer, Esq.
Sr. Vice President, General Counsel and
Corporate Secretary
United Heritage Financial Group
Email to jneumeyer@unitedheritage.com

Brad Roeber
Executive Director
California Insurance Guarantee Association
Email to roeberb@ciga.org

I declare under penalty of perjury under the laws of the State of California and the United States of America the foregoing is true and correct and that this declaration was executed on February 21, 2025, at Los Angeles, California.

Gail Agcaoili
Declarant

/s/ Gail Agcaoili
Signature