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9 *in his Capacity as Liquidator of HIH America*
Compensation & Liability Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondents.

Case No. CPF-01-320049

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

22 Date: November 19, 2015
23 Time: 9:30 a.m.
24 Dept: 302
25 Reservation No. 10011119-03
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**ELECTRONICALLY
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*Superior Court of California,
County of San Francisco*
10/01/2015
Clerk of the Court
BY: JUDITH NUNEZ
Deputy Clerk

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

The Commissioner as Liquidator of HIH America (“Liquidator”) has completed the liquidation of HIH America, and now wishes to close the estate. All claims received as a result of the proof of claims process conducted by the Liquidator have been adjusted, all assets have been collected, and essentially all administrative tasks have been completed. Pending the approval of a final distribution of assets and retention of a closing reserve, the Liquidator has completed the administration of HIH America’s liquidation. Accordingly, pursuant to Insurance Code sections 1035.5 and 1037, the Liquidator seeks this Court’s approval for his proposal to distribute the remaining assets of HIH America, and close the HIH America estate.¹

By this application, therefore, the Liquidator seeks an Order (1) approving the final distribution of the estate assets of HIH America; (2) approving payment of the Commissioner’s expenses for the period of July 1, 2014 through May 31, 2015 in the amount of \$306,812; (3) approving the Commissioner’s reserve closing budget; and (4) closing the HIH America estate and discharging the Commissioner as Conservator and Liquidator upon the filing of a declaration that the Liquidator has distributed the assets of HIH America in accordance with this Court’s order approving final distribution.

II. BACKGROUND

HIH America was a property and casualty insurer domiciled in California, and was licensed to transact workers’ compensation insurance in the following states: California, Arizona, Colorado, Florida, Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, Nebraska, Nevada, Oregon, South Dakota, Texas, Utah and Wisconsin. This Court placed HIH America into conservation on March 30, 2001, and into liquidation on May 8, 2001, after finding HIH America to be statutorily insolvent. (See, Declaration of John Battle filed in Support of this Application (“Battle Decl.”), ¶ 4.) As Liquidator, the Commissioner has been directed to liquidate and wind

¹ All further statutory references to the California Insurance Code will be by section number only.

up the business affairs of HIH America in accordance with the applicable provisions of the Insurance Code. (Battle Decl., ¶ 5.)

A. Claims

Upon this Court's entry of the liquidation order, the Liquidator transferred all open claims to the insurance guaranty association ("IGA") for each state where HIH America wrote business. In accordance with each state's insolvency statutes, the affected IGA became responsible for administering and paying the open claims of that state's residents. In turn, the IGA of each affected state filed a claim against the HIH America estate.

As to new claims against HIH America after it went into liquidation, the Liquidator published notice to creditors that claims against the insolvent estate of HIH America had to be filed by no later than the Claims Bar Date of December 2, 2001, pursuant to section 1021. In response to the Notice, the Liquidator received approximately 2,006 timely returned Proofs of Claims ("POCs") for a total claimed amount of \$689,321,013.52. (Battle Dec., ¶ 6.)²

The Liquidator is authorized by section 1033 to make a distribution of assets on claims in a statutory insolvency proceeding in accordance with the priorities specified therein. Section 1033, subdivision (2), delineates into classes the priority for which claims and fees are to be paid in the liquidation of a California insurer. The priorities are as follows: Class 1: expenses of administration; Class 2: claims of state guaranty funds and claims for return premium; Class 3: claims having preference under the laws of the United States; Class 4: unpaid insurer examination fees due the State of California; Class 5: taxes due to the State of California; Class 6: claims having preference under the laws of the State of California; and Class 7: claims of creditors not included in Classes 1 through 6. (Battle Dec., ¶ 7.)

Based upon his analysis of the assets of the estate, the Liquidator determined early on that sufficient assets did not exist to pay claims below Class 2 claims, and creditors below Class 2 were notified that their claims would not be adjudicated. (Battle Dec., ¶ 7.)

IGA liabilities fall under Class 2. As of May 31, 2015, the approved IGA liabilities for HIH

² This amount reflects the final claims amount after all claims have been filed and adjusted.

1 America claims totaled \$613,280,947. (Battle Dec., ¶ 8.) That figure includes each IGA's actual
2 paid claims, return premium claims, administrative expenses, and discounted reserves for future
3 liabilities. With respect to return premium claims, individual IGA statutes vary in their treatment
4 of such claimants. Some states pay return premium claims in full. Other states allow limited
5 payments by the IGA. For example, return premium claimants can have their claim limited by a
6 deductible or cap. Some states do not pay any return premium claims. A Class 2 return premium
7 claim of an IGA, therefore, exists in the HIH America liquidation to the extent that a particular
8 state's IGA statute covers a return premium claim.

9 To the extent that the IGA does not pay the return premium claim, that policyholder will
10 have a non-IGA Class 2 claim in the HIH America liquidation estate. The Liquidator has
11 adjudicated all such return premium claims due non-IGA claimants and has determined the total
12 to be \$1,324,635. Additionally, there were two Wisconsin policyholders whose net worth was
13 sufficient whereby the governing Wisconsin statute required the policyholders to pay a combined
14 total of \$401,407 toward their claims. The Wisconsin policyholders thus have a non-IGA claim
15 of \$401,407 which was approved by the Liquidator. The total amount of non-IGA covered Class
16 2 policyholder claims in the HIH America liquidation estate is \$1,726,042. (Battle Dec., ¶ 8.)

17 **B. Distributions**

18 The Liquidator has released a total of \$118,844,867 in statutory deposits held by states in
19 which HIH America was transacting business. Further, the Commissioner made four early access
20 distributions to the California Insurance Guarantee Association ("CIGA") and other IGAs totaling
21 \$209,058,333, as well as distributions totaling \$596,728 to non-IGA Class 2 claimants. These
22 distributions were all made pursuant to this Court's approval obtained on June 28, 2004,
23 December 29, 2005, November 7, 2006 and November 2, 2011. (Battle Dec., ¶ 9.)

24 While the early access distribution amounts were determined based on preliminary
25 estimates of each IGA's ultimate Class 2 liability, with the imminent closure of HIH America,
26 these estimates have been subjected to a final true-up. There were eight states where early access
27 payments actually exceeded the ultimate prorated distribution amount due the state. These states
28 are Colorado, Iowa, Illinois, Indiana, Kentucky, Nebraska, Nevada and Wisconsin. These states'

1 associated IGAs entered into agreements with the Liquidator whereby each agreed to return any
2 payments that would exceed their amount due once the ultimate distribution percentage was
3 determined. The eight states voluntarily reimbursed the HIH America estate \$1,913,578. Each of
4 the eight states will thus receive relatively small final true-up amounts with this final distribution.

5 Arizona, Missouri and Oregon had statutes that required HIH America to post generous
6 statutory deposits for the benefit of those states' creditors and policyholder, during the time it
7 transacted business in those states. Such statutory deposits are not eligible to be brought back into
8 the estate for re-distribution to other IGAs. In Arizona and Oregon, HIH America's liability for
9 claims in those states exceeded the amount of the statutory deposit. In Missouri the amount of the
10 statutory deposit of \$5,029.00 only slightly exceeded HIH America's liability for claims in that
11 state, which totaled \$4,917.46. Other than the release of the statutory deposits, none of the three
12 states received any early access distribution funds, and none will be receiving any final
13 distribution amounts. (Battle Dec., ¶ 10.)

14 The Commissioner has completed a final true-up with the amounts due each IGA in the
15 final distribution, as well as for non-IGA Class 2 claimants, and those amounts are detailed in
16 Part III. A. 1., below.

17 **C. Assets**

18 The Liquidator is charged with the responsibility of marshaling assets for the insolvent HIH
19 America estate. The Liquidator has diligently pursued premium collections and payment
20 pursuant to reinsurance treaties. Reinsurance collectibles have been HIH America's largest
21 balance sheet asset. Over the course of the liquidation, the Liquidator billed and collected on paid
22 losses on each of the reinsurance contracts. In some instances, the Liquidator chose to commute
23 the reinsurance treaties, so that the estate would not remain open indefinitely to collect on
24 reinsurance claims. This was particularly necessary in light of the fact that workers'
25 compensation insurers such as HIH America tend to have long tail claims.

26 Commutation agreements, with this Court's approval, were reached with General
27 Reinsurance and National Union & Fire Insurance Company. Through August 31, 2015, the
28 Liquidator has received \$150,301,766 from reinsurers, broken down as follows:

1	Hannover Re	\$ 27,791,544.68
2	General Reinsurance	\$ 104,461,803.95
3	HIH Casualty & General	\$ 1,184,235.17
4	Continental Casualty	\$ 531,091.63
5	Swiss Re	\$ 178,217.25
6	Finial Re, fka Zurich	\$ 508,766.75
7	National Union &	
8	Fire Ins. Co.	<u>\$ 15,646,107.00</u>
9	Total	\$ 150,301,766.43

10 In some instances, collection on reinsurance was not fully realizable, and the Liquidator
11 has written off \$111,400,000 as uncollectible. Specifically, HIH America had three non-
12 performing reinsurance programs: (1) reinsurance written by HIH Casualty and General Ltd.
13 (\$2.3 million); (2) reinsurance written by Reliance Insurance Company (\$33.5 million); and (3)
14 an intercompany pooling agreement with HIH America affiliates (\$75.6 million). The Liquidator
15 has determined that each of the three programs will not be collected for the following reasons.

16 HIH Casualty & General Ltd. was a subsidiary of HIH America's Australian parent, HIH
17 Insurance Limited. In March of 2001, HIH Insurance Limited and its subsidiaries were placed
18 into provisional liquidation. Pursuant to the Australian Liquidator's Scheme of Arrangement, the
19 estimated ultimate distribution percentage was 34 to 36 percent. The Commissioner has therefore
20 applied a 60 percent disallowance for its claim related to reinsurance in the Australian liquidation.
21 The remaining 40 percent claim, much of which has already been distributed, was assigned for
22 good consideration received to a third party with this Court's approval obtained on August 5,
23 2015.

24 Reliance Insurance Company is a liquidating estate in Pennsylvania. In October 2001, the
25 Commonwealth Court of Pennsylvania ordered Reliance Insurance Company into liquidation.
26 According to the Statutory Liquidator's decision, the Liquidator's proof of claim was assigned a
27 priority level E. The latter classification includes general creditor claims. Because there existed a
28 very low probability of distribution of assets to priority level E claims, the Commissioner applied

1 a 100 percent disallowance for its reinsurance claim in the Reliance estate.

2 HIH America, along with its participating affiliated insurers, Great States Insurance
3 Company and HIH America Insurance Company of Hawaii, Inc. (HIH Hawaii), entered into a
4 Reinsurance Pooling Agreement in January 1999. Pursuant to the agreement, HIH America
5 reinsured the participating insurers and retroceded back to the participating insurers certain
6 liabilities based on a contractual formula. Affiliates Great States Insurance Company and HIH
7 Hawaii were both ordered into liquidation by their respective domiciliary states, California and
8 Hawaii, in May 2001. All claims submitted under the agreement have been classified as general
9 creditor claims. Because the probability of collection of such claims is extremely low, the
10 Commissioner has applied a 100 percent disallowance with respect to the remaining pooling
11 balances due to the HIH America estate.

12 The Commissioner has collected all assets and resolved all outstanding reinsurance, a
13 major milestone that supports closure of the estate. Moreover, all legal issues have been resolved
14 and all claims have been adjusted. Therefore, this estate is ready to be closed.

15 **III. ARGUMENT**

16 **A. The Liquidator's Request that HIH America's Assets be Distributed, that** 17 **the HIH America Estate be Ordered Closed and that the Commissioner be** **Discharged as Liquidator Should be Approved.**

18 Except for those final duties relating to closure, the Liquidator has completed all
19 administrative tasks in connection with the liquidation of HIH America. The Liquidator has paid
20 all operating expenses incurred in the administration of the HIH America estate pursuant to
21 section 1035, which mandates that all expenses of estate administration shall be paid out of the
22 assets of the insolvent insurer and be approved by the court. All claims have been adjusted or
23 otherwise transferred as part of the Liquidator Order. All assets have been marshaled and all
24 administrative tasks have been completed. Moreover, all legal matters have been or will be
25 resolved. Accordingly, the Liquidator requests that a proposed final distribution of assets,
26 payment of administrative expenses for the period July 1, 2014 through May 31, 2015, and a
27 proposed closing reserve be approved, and that the estate be ordered closed.

1 **1. A Final Distribution of \$15,015,145 from the Available Assets Should**
2 **be Approved.**

3 The financial status of the HIH America estate for the period of March 31, 2001 to May
4 31, 2015 is set forth in HIH America's Statement of Assets and Liabilities and the Statement of
5 Changes to Net Assets, attached as Exhibit A to the Declaration of Raymond Minehan filed in
6 Support of this Application ("Minehan Decl."), ¶ 3.) The Statement of Assets and Liabilities
7 show that, before distributions and expenses were paid, the HIH America estate had estimated
8 available assets of \$309,830,517. The Statement of Changes to Net Assets demonstrates how
9 income recoveries, expense activities, claims and tax adjustments contributed to the total change
10 in net assets of the estate, from the inception of the liquidation to the statement date.
11 After distributions and expenses were paid, as of May 31, 2015, the remaining assets available for
12 distribution total \$15,408,542. (Minehan Decl., ¶ 3.)

13 In light of the remaining net balance, the Liquidator proposes to make a final distribution
14 of assets on claims in accordance with the priorities specified as authorized by section 1033, and
15 thereafter close the estate.

16 Excluding the expenses of Class 1 (Administrative Expenses) already paid, and after
17 allowing for a closing reserve of \$289,313, the Liquidator proposes to distribute a total of
18 approximately \$15,015,145. (Minehan Decl., ¶ 4.) The latter figure is broken down between
19 Class 2 IGAs and Non-IGA claimants as follows: \$14,655,250 to the IGAs and \$359,895 to the
20 Non-IGA Class 2 claimants.³ The amounts distributed to the Class 2 claimants --- both IGA and
21 Non-IGA --- will result in a distribution percentage of 55.42% of such claims in the liquidation.

22 The Liquidator's proposed distribution to each IGA is as follows:

23 California Insurance Guarantee	\$14,034,333.92
24 Colorado Insurance Guaranty Association	\$ 20,037.29
25 Florida Workers' Comp. Ins. Guaranty Assn.	\$ 15,252.24

26
27 ³ The actual amount available for distribution is subject to adjustment for investment
28 income and changes in the market value of investments that have been posted as of the date the
 investments are withdrawn from the investment pool.

1	Illinois Insurance Guaranty Association	\$ 222,544.33
2	Indiana Insurance Guaranty Association	\$ 5,747.17
3	Iowa Insurance Guaranty Association	\$ 81.88
4	Kentucky Insurance Guaranty	\$ 667.89
5	Michigan Property & Casualty Guaranty Assn.	\$ 307,292.55
6	Nebraska Property & Liability Ins. Association	\$ 1,153.61
7	Nevada Insurance Guaranty	\$ 9,814.90
8	South Dakota Insurance Guaranty Association	\$ 23.76
9	Texas Property & Casualty Ins. Guaranty Assn.	\$ 14,684.17
10	Utah Property & Casualty Ins. Guaranty Assn.	\$ 7,605.05
11	Wisconsin Insurance Security Fund	\$ 16,010.93 ⁴

12 A statement showing the estimated cash available for final distribution and a list of the
13 Liquidator's proposed distribution to Non-IGA Class 2 claimants is attached to the Minehan Decl.
14 as Exhibit "B." (Minehan Decl., ¶ 4.)

15 **2. The Liquidator's Payment of \$306,812 for Administrative Expenses**
16 **for the HIH America Estate for the Period of July 1, 2014 Through**
17 **May 31, 2015, and Retention of a Closing Reserve, Should be**
18 **Approved.**

19 The Liquidator has paid all operating expenses incurred in the administration of the HIH
20 America estate pursuant to section 1035, which mandates that all expenses of estate
21 administration shall be paid out of the assets of the insolvent insurer and be approved by the
22 court. This Court has previously approved payments of expenses up to June 30, 2014. The
23 Liquidator now seeks approval of expenses paid by the Liquidator for the period July 1, 2014
24 through May 31, 2015:

23	General and Administrative Expenses:	\$ 18,213
24	Professional and Legal Fees:	\$ 33,125
25	Allocated Expenses:	<u>\$ 255,474</u>
26	Total Operating Expenses:	\$ 306,812

27 ⁴ See, Minehan Decl. at ¶ 4.
28

1 The category of “General and Administrative Expenses” includes office and storage rent,
2 the costs associated with records retrieval, and other administrative expenses. The category of
3 “Professional and Legal Fees” capture time billed to the estate by both legal staff with the
4 California Department of Insurance as well that of the Attorney General’s Office and the time of
5 tax and audit professionals. “Allocated Expenses” are those indirect CLO administrative
6 expenses that cannot be directly charged to a specific estate but were allocated to HIH America
7 under a formula based on the ratio of CLO employee hours charged directly to the specific estate
8 to total CLO hours charged directly all estates.⁵ (See, Minehan Decl., ¶ 5 and List of Operating
9 Expenses attached thereto as Exhibit C.)

10 The Liquidator estimates a reserved closing budget for HIH America of \$289,313 should
11 be sufficient to cover anticipated costs over the next three years. (Minehan Decl., ¶ 6.) This
12 reserved sum represents the estimated post-closing expenses of administration such as legal fees,
13 final audits and tax preparation fees and other final administrative expenses. A breakdown of the
14 closing budget is attached as Exhibit D to the Minehan Decl. (Minehan Decl., ¶ 6.)

15 **3. The Request for Closing the HIH America Estate and Disposing of its**
16 **Physical Records Should be Approved.**

17 The Liquidator has completed the liquidation of the HIH America estate, has resolved all
18 legal issues, has collected all of its assets, and has adjusted or otherwise resolved all of the claims
19 against it. All administrative tasks have been completed. Accordingly, the Liquidator requests
20 that this Court order that the estate of HIH America be closed and that the Insurance
21 Commissioner be discharged as Conservator and Liquidator upon the filing of a declaration that
22 the Insurance Commissioner has distributed the assets of HIH America in accordance with this
23 Court’s order approving final distribution.

24 Finally, the Liquidator requests that he be allowed to dispose of the physical records of the
25 HIH America estate. Pursuant to the previous conservation and liquidation orders, the Liquidator

26 ⁵ A more detailed explanation of the types of expenses incurred and paid was previously
27 provided by the Liquidator in the Commissioner’s December 4, 2014 filed Application for Order
28 Approving Payment of Commissioner’s Administrative Expenses in Conservation and
Liquidation of Insolvent Insurer, approved by this Court on January 28, 2015.

1 took custody and control of over 7,000 boxes of HIH America's business records and closed
2 claims files. In recent years, the Liquidator has had infrequent need to access the records he
3 maintains, while the costs associated with storing the records continues to accrue. For example,
4 for the past two years, the Liquidator has received very few requests to access such records, and
5 most of such requests could be easily addressed by accessing the Liquidator's electronic records
6 as opposed to the physical records. The costs associated with storing the physical records is
7 substantial: \$45,000 per year. In light of the fact that the Liquidator has minimal need to access
8 such records, and that the costs of storing such records is substantial, it is in the interest of the
9 estate's creditors not continue to store such records.

10 Accordingly, by this application, the Liquidator gives each IGA Notice of the Liquidator's
11 intent to dispose the physical records associated with that IGA, and an opportunity for the IGA to
12 object. In the absence of any objections by the IGAs, the Liquidator requests authorization to
13 forego additional unnecessary storage and maintenance expenses and to initiate disposal of HIH
14 America's physical records. The Liquidator will continue to maintain the estate's electronic
15 records following the estate's closure for a period of three years from the date of this Court's
16 Order, and will then destroy all electronic records, except those records necessary for examination
17 by the Department of Finance or the auditor of the Commissioner's books and records pursuant to
18 section 1061.

19 **IV. CONCLUSION**

20 The Liquidator has completed the liquidation of HIH America and should be allowed to
21 disburse the remaining assets so that this estate can be closed and the Liquidator discharged.

22 WHEREFORE, the Liquidator respectfully requests that the Court issue an order:

23 1. Approving the Liquidator's payment for general operating and administrative
24 expenses in the total amount of \$306,812 for services rendered to the HIH America estate and
25 paid from July 1, 2014 through May 31, 2015;

26 2. Authorizing the Liquidator to distribute approximately \$14,655,250 to the IGAs
27 and \$359,895 to the Non-IGA Class 2 claimants for a total final distribution of \$15,015,145, and
28 to retain the sum of \$289,313 for payment of administrative expenses incurred but not paid by the

Liquidator as of May 31, 2015, and for future administrative and closing costs;

3. Authorizing the Liquidator to initiate the destruction of physical records associated with the HIH America estate, while continuing to maintain electronic records for a period of three years following the Court's issuance of the requested Order, except for electronic records necessary for examination by the Department of Finance or state auditor, and authorizing the Liquidator to maintain in the Conservation & Liquidation Office imaged databases of all records of HIH America for a period of three years from the date of this Court's Order, and thereafter authorizing the Liquidator to destroy all records of HIH America, except for those records necessary for examination by the Department of Finance or the auditor of the Commissioner's books and records pursuant to section 1061;

4. Approving the closure of the HIH America estate, and discharging the Commissioner as Liquidator and Conservator of HIH America, upon the filing of a declaration that the Liquidator has distributed the assets of HIH America in accordance with this Court's order approving final distribution.

Dated: October 1, 2015

Respectfully Submitted,

KAMALA D. HARRIS
Attorney General of California
JOYCE E. HEE
Supervising Deputy Attorney General

/s/ Anne Michelle Burr

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Deputy Attorney General
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Insurance Commissioner
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in his Capacity as Liquidator of
HIH America Compensation & Liability
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9 *in his Capacity as Liquidator of HIH America*
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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.

Case No. CPF-01-320049

**DECLARATION OF JOHN BATTLE IN
SUPPORT IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 10011119-03

22
23
24 I, John Battle, declare:

25 1. I am employed by the Insurance Commissioner of the State of California's
26 Conservation and Liquidation Office ("CLO") as its Chief Claims Officer. I have personal
27 knowledge of the facts set forth herein and if called upon as a witness, I would testify as set forth
28

1 below.

2 2. As the Chief Claims Officer, I supervise the CLO's Claims Department. I oversee
3 the administration of all claims submitted by policyholders and creditors of the insolvent insurers
4 being liquidated or conserved by the Insurance Commissioner.

5 3. I have 47 years in handling claims, primarily in a workers compensation and
6 general liability environment. Prior to my employment with the CLO, I was employed in various
7 management capacities since 1975, and later as the Vice President for Claims for the Superior
8 National Insurance Group, Inc. and its subsidiary companies which liquidated in 2000. I have
9 worked in a liquidation environment exclusively since Superior National's liquidation. On July
10 1, 2004, I became employed by the CLO and am responsible for the claims against the insolvent
11 estate of HIH America Compensation and Liability Insurance Company ("HIH America").

12 4. The Insurance Commissioner was appointed as Conservator of HIH America by this
13 Court on March 30, 2001 and was thereafter appointed as Liquidator of HIH America by this
14 Court on May 8, 2001, pursuant to Insurance Code sections 1011 and 1016.¹

15 5. As Liquidator, the Commissioner has been directed to liquidate and wind up the
16 business affairs of HIH America in accordance with the applicable provisions of the Insurance
17 Code.

18 6. Pursuant to section 1021, the Liquidator published notice to creditors that claims
19 against the insolvent estate of HIH America had to be filed by no later than the Claims Bar Date
20 of December 2, 2001. In response to the Notice, the Liquidator received approximately 2,006
21 timely returned Proofs of Claims ("POCs") for a total claimed amount of \$689,321,013.52.

22 7. The Liquidator is authorized by section 1033 to make a distribution of assets on
23 claims in a statutory insolvency proceeding in accordance with the priorities specified therein.
24 Section 1033 delineates into classes the priority for which claims and fees are to be paid in the
25 liquidation of a California insurer. The priorities are as follows: Class 1: expenses of
26 administration; Class 2: claims of state guaranty funds and claims for return premium; Class 3:

27
28 ¹ All further statutory references to the Insurance Code will be by section number only.

1 claims having preference under the laws of the United States; Class 4: unpaid insurer examination
2 fees due the State of California; Class 5: taxes due to the State of California; Class 6: claims
3 having preference under the laws of the State of California; and Class 7: claims of creditors not
4 included in Classes 1 through 6. Based upon his analysis of the assets of the estate, the Liquidator
5 determined early on that sufficient assets did not exist to pay claims below Class 2 claims, and
6 creditors below Class 2 were notified that their claims would not be adjudicated.

7 8. Claims by state insurance guaranty associations ("IGAs") fall under Class 2. As of
8 May 31, 2015, the approved IGA liabilities for HIH America claims totaled \$613,280,947. That
9 figure includes each IGA's actual paid claims, return premium claims, administrative expenses,
10 and discounted reserves for future liabilities. To the extent that the IGA does not pay the return
11 premium claim, that policyholder will have a non-IGA Class 2 claim in the HIH America
12 liquidation estate. The Liquidator has adjudicated all such return premium claims due non-IGA
13 claimants and has determined the total to be \$1,324,635. Additionally, there were two
14 Wisconsin policyholders whose net worth was sufficient whereby the governing Wisconsin
15 statute required the policyholders to pay a combined total of \$401,407 toward their claims.
16 The Wisconsin policyholders thus have a non-IGA claim of \$401,407 which was approved
17 by the Liquidator. The total amount of non-IGA covered Class 2 policyholder claims in the
18 HIH America liquidation estate is \$1,726,042.

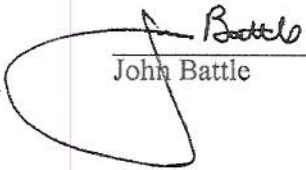
19 9. The Liquidator has released a total of \$118,844,867 in statutory deposits held by
20 states in which HIH America was transacting business. Further, the Commissioner made four
21 early access distributions to the California Insurance Guarantee Association ("CIGA") and other
22 IGAs totaling \$209,058,333, as well as distributions totaling \$596,728 to non-IGA Class 2
23 claimants. These distributions were all made pursuant to this Court's approval obtained on June
24 28, 2004, December 29, 2005, November 7, 2006 and November 2, 2011.

25 10. While the early access distribution amounts were determined based on preliminary
26 estimates of each IGA's ultimate Class 2 liability, with the imminent closure of HIH America,
27 these estimates have been subjected to a final true-up. There were eight states where early access
28 payments actually exceeded the ultimate prorated distribution amount due the state. These states

1 are Colorado, Iowa, Illinois, Indiana, Kentucky, Nebraska, Nevada and Wisconsin. These states'
2 associated IGAs entered into agreements with the Liquidator whereby each agreed to return any
3 payments that would exceed their amount due once the ultimate distribution percentage was
4 determined. The eight states voluntarily reimbursed the HHH America estate \$1,913,578. Each of
5 the eight states will thus receive relatively small final true-up amounts with this final distribution.

6 Arizona, Missouri and Oregon had statutes that required HHH America to post generous
7 statutory deposits for the benefit of those states' creditors and policyholder, during the time it
8 transacted business in those states. Such statutory deposits are not eligible to be brought back into
9 the estate for re-distribution to other IGAs. In Arizona and Oregon, HHH America's liability for
10 claims in those states exceeded the amount of the statutory deposit. In Missouri the amount of the
11 statutory deposit of \$5,029.00 only slightly exceeded HHH America's liability for claims in that
12 state, which totaled \$4,917.46. Other than the release of the statutory deposits, none of the three
13 states received any early access distribution funds, and none will be receiving any final
14 distribution amounts.

15 I declare under penalty of perjury under the laws of the State of California that the
16 foregoing is true and correct and that this declaration was executed on Sept. 25, 2015, at
17 San Francisco, California.

18 
19 John Battle
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28

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Attorneys for Applicant
8 *Insurance Commissioner of the State of California,*
9 *in his Capacity as Liquidator of HIH America*
Compensation & Liability Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO
12
13

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.

Case No. CPF-01-320049

**DECLARATION OF RAYMOND
MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015

Time: 9:30 a.m.

Dept: 302

Reservation No. 10011119-03

24
25 I, Raymond J. Minehan, declare:

26 1. I make this declaration in my official capacity as the Chief Financial Officer at the
27 California Insurance Commissioner's Conservation and Liquidation Office ("CLO"). I have
28 served as the Chief Financial Officer of the CLO since May 2005. Previously, I was a Chief

1 Financial Officer and Chief Administrative Officer at two investment banks. Prior to that, I spent
2 17 years, the last five of which as an audit partner, at Arthur Andersen & Co. I hold a Bachelor
3 of Arts degree in finance from Golden Gate University.

4 2. My duties as the CLO's Chief Financial Officer include oversight of the CLO
5 Accounting Department and the Human Resources Department. In addition, I am a member of the
6 Executive Committee of the CLO. As the CLO's Chief Financial Officer, I supervise the
7 preparation of financial statements at the CLO, which are prepared in a systematic manner in the
8 ordinary course of business, with entries being made into those financial statements at or about
9 the time that the events described occur. I am familiar with the documents and files maintained
10 by the CLO pertaining to the records of the insolvent estate of HIH America Compensation and
11 Liability Insurance Company ("HIH America") and the assets and liabilities of the HIH America
12 estate. I have personal knowledge of the matters contained in this declaration and, if called as a
13 witness to testify, I could and would competently testify to them.

14 3. Attached and incorporated herein as Exhibit "A" is a true and correct copy of the
15 "Statement of Assets and Liabilities" for HIH America. The Statement of Assets and Liabilities
16 show that, before distributions and expenses were paid, the HIH America estate had estimated
17 available assets of \$309,830,517. The Statement of Changes to Net Assets demonstrates how
18 income recoveries, expense activities, claims and tax adjustments contributed to the total change
19 in net assets of the estate, from the inception of the liquidation to the statement date. After
20 distributions and expenses were paid, as of May 31, 2015, the remaining assets available for
21 distribution total \$ 15,408,542.

22 4. The Liquidator proposes to distribute a total of approximately \$15,015,145. This
23 figure is broken down between Class 2 claims arising under Insurance Code section 1033,
24 subdivision (a)(2), i.e. insurance guarantee associations ("IGAs") and non-insurance guaranty
25 association Class 2 claimants ("Non-IGA claimants") as follows: \$14,655,250 to the IGAs and
26 \$359,895 to the Non-IGA Class 2 claimants.¹ The amounts distributed to the Class 2 claimants --

27 ¹ The actual amount available for distribution is subject to adjustment for investment
28 income and changes in the market value of investments that have been posted as of the date the

(continued...)

1 both IGA and Non-IGA—will result in a distribution percentage of 55.42% of such claims in the
2 liquidation.

3 The Liquidator's proposed distribution to each IGA is as follows:

4 California Insurance Guarantee	\$14,034,333.92
5 Colorado Insurance Guaranty Association	\$ 20,037.29
6 Florida Workers' Comp. Ins. Guaranty Assn.	\$ 15,252.24
7 Illinois Insurance Guaranty Association	\$ 222,544.33
8 Indiana Insurance Guaranty Association	\$ 5,747.17
9 Iowa Insurance Guaranty Association	\$ 81.88
10 Kentucky Insurance Guaranty	\$ 667.89
11 Michigan Property & Casualty Guaranty Assn.	\$ 307,292.55
12 Nebraska Property & Liability Ins. Association	\$ 1,153.61
13 Nevada Insurance Guaranty	\$ 9,814.90
14 South Dakota Insurance Guaranty Association	\$ 23.76
15 Texas Property & Casualty Ins. Guaranty Assn.	\$ 14,684.17
16 Utah Property & Casualty Ins. Guaranty Assn.	\$ 7,605.05
17 Wisconsin Insurance Security Fund	\$ 16,010.93

18 A statement showing the estimated cash available for final distribution and a list of the
19 Liquidator's proposed distribution to Non-IGA Class 2 claimants is attached and incorporated
20 herein as Exhibit "B."

21 5. The Liquidator has paid all operating expenses incurred in the administration of
22 the HIH America estate pursuant to section 1035, which mandates that all expenses of estate
23 administration shall be paid out of the assets of the insolvent insurer and be approved by the
24 court. This Court has previously approved payments of expenses up to June 30, 2014. The
25 Liquidator now seeks approval of expenses paid by the Liquidator for the period July 1, 2014
26 through May 31, 2015:

27 (...continued)
28 investments are withdrawn from the investment pool.

1
2 General and Administrative Expenses: \$ 18,213
3 Professional and Legal Fees: \$ 33,125
4 Allocated Expenses: \$ 255,474
5 Total Operating Expenses: \$ 306,812

6 The category of "General and Administrative Expenses" includes office and storage rent,
7 the costs associated with records retrieval, and other administrative expenses. The category of
8 "Professional and Legal Fees" capture time billed to the estate by both legal staff with the
9 California Department of Insurance as well that of the Attorney General's Office and the time of
10 tax and audit professionals. "Allocated Expenses" are those indirect CLO administrative
11 expenses that cannot be directly charged to a specific estate but were allocated to HHH America
12 under a formula based on the ratio of CLO employee hours charged directly to the specific estate
13 to total CLO hours charged directly all estates. A list of the Operating Expenses is attached and
14 incorporated herein as Exhibit C.

15 6. In determining the proposed amount to be distributed by the HHH America estate, the
16 Liquidator has retained sufficient assets to provide for the payment of estimated closing expenses
17 of administration. After taking into account the amount included for the proposed distribution, the
18 Liquidator estimates a reserved closing budget for the HHH America estate of \$289,313 should be
19 sufficient to cover anticipated costs over the next three years. This reserved sum represents the
20 estimated post-closing expenses of administration such as legal fees, final audits and tax
21 preparation fees and other final administrative expenses. A breakdown of the closing budget is
22 attached herein as Exhibit D.

23 I declare under penalty of perjury under the laws of the State of California that the
24 foregoing is true and correct and that this declaration was executed on Sept. 29, 2015
25 at San Francisco, California.

26 By: 

27 Raymond J. Minehan
28 Chief Financial Officer, CLO

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9 *in his Capacity as Liquidator of HIH America*
Compensation & Liability Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.

Case No. CPF-01-320049

**EXHIBIT A TO DECLARATION OF
RAYMOND MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015

Time: 9:30 a.m.

Dept: 302

Reservation No. 10011119-03

Insurance Commissioner of the State of California
Conservation & Liquidation Office

HIH America Comp & Liability Ins Co
STATEMENT OF ASSETS AND LIABILITIES

As of May 31, 2015

	(Opening Balance) Mar 31 2001	May 31 2015	Change
ASSETS			
Cash and cash equivalents, unrestricted	142,020,238	15,372,605	(126,647,634)
Accrued Investment Income	1,615,564	35,937	(1,579,627)
Recoverable from reinsurers	159,754,775	-	(159,754,775)
Other receivable	4,316,188	-	(4,316,188)
Other assets	2,123,751	-	(2,123,751)
Total Available Assets	309,830,517	15,408,542	(294,421,975)
LIABILITIES			
Secured claims	371,598	68,149	(303,448)
Insurance Guaranty Association (IGA) Claims	306,807,808	613,280,947	306,473,139
Non IGA Claims	1,063,117	1,726,042	662,925
Early access and other Class 2 distributions	-	(326,586,350)	(326,586,350)
California and Federal claims having preference	8,975	-	(8,975)
All other claims	2,337,933	1,990,432	(347,501)
Total Estimated Liabilities	310,589,431	290,479,220	(20,110,211)
NET ASSETS (DEFICIENCY)	(758,914)	(275,070,678)	(274,311,763)

STATEMENT OF CHANGES TO NET ASSETS

Inception to May 31, 2015

Income		
Litigation Recoveries	1,509,201	
Premiums and Other Collections	10,811,871	
Salvage/Subrogation Recoveries	18,138,250	
Other Revenue	2,598,223	
Net Investment Income	34,418,451	
		67,475,997
Less: Operating Expenses		
Legal and Professional	5,346,524	
General and Administrative	6,709,477	
Allocated Expenses	6,195,436	
Loss (Gain) on Disposition of Assets	(141,909)	
		18,109,528
Less: Losses and Other Expenses		
Incurred Losses and Claims Expense	322,446,792	
Federal Income Taxes	1,231,439	
		323,678,231
Changes to Net Assets		(274,311,763)

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7 *Attorneys for Applicant*
8 *Insurance Commissioner of the State of California,*
9 *in his Capacity as Liquidator of HIH America*
Compensation & Liability Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.

Case No. CPF-01-320049

**EXHIBIT B TO DECLARATION OF
RAYMOND MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015

Time: 9:30 a.m.

Dept: 302

Reservation No. 10011119-03

HHH Estimated Cash Available for Final Distribution

Pool balance as of 5/31/2015	15,147,622
Reinsurance Receivable as of 5/31/2015	67,397
Clawback from NV deposited on 6/26/2015	157,586
Less	15,372,605
Unclaimed Property to be Escheated	68,147
Estimated Closing Budget	289,313
	357,460
Estimated Available Cash	15,015,145

	Final				Final
	Approved POC	Prior Distribution	Distribution	Total Distribution*	Distribution %
IGA	\$ 613,280,947	\$ 325,989,622	\$ 14,655,250	\$ 339,898,426	55.42%
Non-IGA Class 2	\$ 1,726,042	\$ 596,728	\$ 359,895	\$ 956,623	55.42%
	\$ 615,006,989	\$ 326,586,350	\$ 15,015,145	\$ 340,855,049	55.42%

*The actual total distribution to IGAs including the final distribution is \$340,644,872 which includes \$746,446 of overpayment to Arizona, Missouri, and Oregon. The 3 IGAs are excluded in the final distribution.

HHH Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Payee	Approved Amount	Final Distribution Amount
99126	LENNY SZAREK INC	LENNY SZAREK, INC., C/O TODD C LYSTER, ATTY	\$ 400,000.00	\$ 221,691.82
18063	CLIMATEMP INC.	CLIMATEMP INC.	\$ 156,107.00	\$ 16,271.11
99125	CHEF AMERICA	NESTLE PREPARED FOODS CO	\$ 111,685.74	\$ 11,640.54
37545	TWENTY FIRST CENTURY RESOURCES	TWENTY FIRST CENTURY RESOURCES	\$ 109,018.00	\$ 11,363.00
22307	GENIUS SOLUTIONS MANAGEMENT CONCEPT	GENIUS SOLUTIONS MANAGEMENT CONCEPT	\$ 59,688.00	\$ 6,220.85
23950	HOMAK MANUFACTURING	HOMAK MANUFACTURING	\$ 49,097.00	\$ 5,117.01
23848	HITACHI MAGNETICS CORPORATION	HITACHI MAGNETICS CORPORATION	\$ 44,162.00	\$ 4,602.89
32002	R & M TRUCKING, INC.	R & M TRUCKING, INC.	\$ 42,627.00	\$ 4,443.14
23502	HARTZ CONSTRUCTION CO., INC.	HARTZ CONSTRUCTION CO., INC.	\$ 40,302.00	\$ 4,200.56
16523	C & D HEATING & COOLING INC.	C & D HEATING & COOLING INC.	\$ 37,699.00	\$ 3,928.90
33475	SAFFORD UNIFIED SCHOOL DISTRICT #1	SAFFORD UNIFIED SCHOOL DISTRICT #1	\$ 36,784.00	\$ 3,833.78
26224	KROESCHELL, INC.	KROESCHELL, INC.	\$ 31,837.00	\$ 3,318.01
28370	MELCO TRANSFER, INC.	MELCO TRANSFER, INC.	\$ 29,718.00	\$ 3,097.59
99123	SUBURBAN JOB LINK	SUBURBAN JOB LINK CORPORATION	\$ 28,683.06	\$ 2,990.00
27674	MAGOUIRK DRYWALL INC.	JOHN & MARY BETH MAGOUIRK	\$ 27,428.00	\$ 2,858.41
35644	SUBURBAN JOB LINK CORPORATION	SUBURBAN JOB LINK CORPORATION	\$ 25,680.00	\$ 2,676.61
15612	BEST STAFF SOLUTIONS	BEST STAFF SOLUTIONS	\$ 23,270.00	\$ 2,424.92
29900	NORTHLAND INVESTMENTS, INC.	NORTHLAND INVESTMENTS, INC.	\$ 22,859.00	\$ 2,382.13
31751	PRIORITY STAFFING, INC.	PRIORITY STAFFING, INC.	\$ 22,770.00	\$ 2,372.81
25773	KELLY PICKLE COMPANY	KELLY PICKLE COMPANY	\$ 19,075.00	\$ 1,987.93
21834	FRED RADANDT SONS, INC.	FRED RADANDT SONS, INC.	\$ 17,473.00	\$ 1,821.05
17853	CHROME CRAFT CORPORATION	CHROME CRAFT CORPORATION	\$ 15,041.00	\$ 1,568.17
21574	FLOORING RESOURCES CORPORATION	FLOORING RESOURCES CORPORATION	\$ 14,971.00	\$ 1,560.37
39275	YOURSOURCE, INC.	YOURSOURCE, INC.	\$ 14,506.00	\$ 1,511.65
32338	RAYNER COVERING SYSTEMS, INC.	RAYNER COVERING SYSTEMS, INC.	\$ 13,744.00	\$ 1,432.33
21140	FABRIONICS, INC.	FABRIONICS, INC.	\$ 12,943.00	\$ 1,349.39
25645	KALAMAZOO CONVERTING	KALAMAZOO CONVERTING	\$ 11,819.00	\$ 1,231.44
31879	PUTNAM HITCH PRODUCTS, INC. AND KWIK HIT	REX D. PUTNAM	\$ 10,876.00	\$ 1,133.80
30137	ODM TOOL AND MFG.	ODM TOOL AND MFG.	\$ 10,779.00	\$ 1,123.04
22220	GARY'S METALS, INC.	GARY'S METALS, INC.	\$ 10,223.00	\$ 1,065.89
29501	NATIONWIDE INSTALLATION	NATIONWIDE INSTALLATION	\$ 9,609.00	\$ 1,001.59

HHH Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Payee	Final	
			Approved Amount	Distribution Amount
27624	MACHINERY COMPONENTS	MACHINERY COMPONENTS	\$ 9,601.00	\$ 1,001.16
21697	FORT HOWARD STEEL, INC.	FORT HOWARD STEEL, INC.	\$ 9,286.00	\$ 967.58
37201	TOTAL ASSURANCE COMPANY	TOTAL ASSURANCE COMPANY	\$ 8,557.00	\$ 891.54
20775	EMERALD PARK HEALTHCARE CENTER	EMERALD PARK HEALTHCARE CENTER	\$ 7,981.00	\$ 832.31
35645	SUBURBAN JOB LINK CORPORATION	SUBURBAN JOB LINK CORPORATION	\$ 7,678.00	\$ 800.37
37372	TRIAD BUSINESS SOLUTIONS	TRIAD BUSINESS SOLUTIONS	\$ 7,407.00	\$ 772.18
14907	AYALA BORING CONSTRUCTION	AYALA BORING CONSTRUCTION	\$ 7,121.00	\$ 742.67
29604	NEVILLE BROTHERS DISTRIBUTING, INC.	NEVILLE BROTHERS DISTRIBUTING, INC.	\$ 6,804.00	\$ 708.98
22155	GARCO ENTERPRISES, INC.	GARCO ENTERPRISES, INC.	\$ 6,707.00	\$ 699.22
22261	GEE CARTAGE, INC.	GEE CARTAGE, INC.	\$ 6,018.00	\$ 627.35
18208	COLFAX ENVELOPE CORPORATION	COLFAX ENVELOPE CORPORATION	\$ 5,769.00	\$ 601.35
37883	VAN DRUNEN FORD CO., INC.	VAN DRUNEN FORD CO., INC.	\$ 5,483.00	\$ 571.84
31467	POLYMICRO TECHNOLOGIES, INC	POLYMICRO TECHNOLOGIES, INC	\$ 5,448.00	\$ 567.44
23341	HANK AARON ENTERPRISES	HANK AARON ENTERPRISES	\$ 5,362.00	\$ 558.78
33864	SANTOKU AMERICA, INC.	SANTOKU AMERICA, INC.	\$ 5,040.00	\$ 525.32
31466	POLY-PAK & SHIP INC	POLY-PAK & SHIP INC	\$ 4,990.00	\$ 519.61
29388	N.E.W. CONTRACTING SERVICES INC.,	BLAISE KRAUTKRAMER	\$ 4,886.68	\$ 509.34
35681	SUN COMMUNITY BANCORP LTD.	SUN COMMUNITY BANCORP LTD.	\$ 4,870.00	\$ 507.10
30333	ORNELAS CONSTRUCTION COMPANY	ORNELAS CONSTRUCTION COMPANY	\$ 4,797.00	\$ 499.64
37666	UNITED MEMORIAL HEALTH SYSTEM	UNITED MEMORIAL HEALTH SYSTEM	\$ 4,425.00	\$ 461.47
19626	DEMIMER CORPORATION	DEMIMER CORPORATION	\$ 4,350.00	\$ 452.90
15010	BADGER BASKET COMPANY	BADGER BASKET COMPANY	\$ 4,258.00	\$ 443.91
16103	BOYS & GIRLS REPUBLIC, INC.	BOYS & GIRLS REPUBLIC	\$ 4,128.00	\$ 429.86
23492	HARRY W. KUHN, INC.	HARRY W. KUHN, INC.	\$ 4,127.00	\$ 430.31
38154	VINOVA L.L.C.	VINOVA L.L.C.	\$ 3,940.00	\$ 410.66
24511	INSULATED PANEL CO.	INSULATED PANEL CO.	\$ 3,873.00	\$ 403.53
26561	LANSING HOUSING COMMISSION	LANSING HOUSING COMMISSION	\$ 3,365.00	\$ 350.98
25665	KANE COUNTY FLEA MARKET, INC.	KANE COUNTY FLEA MARKET, INC.	\$ 3,020.00	\$ 314.77
24672	J & B HAULING, INC.	J & B HAULING, INC.	\$ 2,994.00	\$ 312.36
23018	GRIER ABRASIVE COMPANY, INC.	GRIER ABRASIVE COMPANY, INC.	\$ 2,931.00	\$ 305.45
30200	OLYMPIC CAULKING CO	OLYMPIC CAULKING CO	\$ 2,918.00	\$ 304.24

HHH Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Final	
		Approved Amount	Distribution Amount
42139	RCI SYSTEMS, INC.	\$ 2,909.04	\$ 303.28
35019	SPECIAL INSURANCE SERVICES	\$ 2,888.00	\$ 300.61
38404	WARWICK PUBLISHING COMPANY	\$ 2,873.00	\$ 299.30
28797	MILWAUKEE STEEL CONVERTING CORP.	\$ 2,820.00	\$ 293.93
39355	ZITKUS PRODUCTS, INC.	\$ 2,812.00	\$ 293.49
19518	DEAN'S EGGS INC.	\$ 2,701.00	\$ 281.97
37400	TRIMQUEST L.L.C.	\$ 2,566.00	\$ 267.15
37580	UAW LOCAL 974	\$ 2,530.00	\$ 263.20
34322	SHELL VACATIONS LLC	\$ 2,520.00	\$ 262.66
14408	APPEAL FOR CHARITIES & GOODWILL	\$ 2,398.00	\$ 250.04
27751	MANAGEMENT TRAINING CORP	\$ 2,313.00	\$ 240.93
13423	ACE ELECTRIC	\$ 2,298.00	\$ 239.62
24319	ILLINOIS GLOVE COMPANY	\$ 2,059.00	\$ 214.16
35974	SWISS PRECISION MACHINING, INC.	\$ 2,000.00	\$ 208.46
34318	SHELBYVILLE ELEVATOR	\$ 1,988.00	\$ 206.81
27597	M2 INTERNATIONAL	\$ 1,937.00	\$ 201.54
26179	KOWALSKI ENTERPRISES INC	\$ 1,859.00	\$ 193.31
34321	SHELL VACATIONS LLC	\$ 1,830.00	\$ 190.24
35029	SPECIALTY ROLLED METALS LLC	\$ 1,812.00	\$ 189.26
31970	QUIG'S ORCHARD INC	\$ 1,717.00	\$ 178.61
29821	NORMS' AUTOMOTIVE CLINIC, INC	\$ 1,634.00	\$ 170.61
25698	KASCH FINE CARS INC	\$ 1,561.00	\$ 163.15
13990	ALUMINUM COIL ANODIZING CORPORATION	\$ 1,514.88	\$ 157.59
39057	WOODRUFF SERVICES	\$ 1,491.00	\$ 155.36
23144	GYMQUARTERS GYMNASTICS CENTER	\$ 1,452.00	\$ 151.74
20095	DOUBLE R MECHANICAL INSULATION	\$ 1,445.00	\$ 150.86
15582	BERTEAU LOWELL PLATING WORKS, INC.	\$ 1,423.00	\$ 148.67
13208	A PRIVATE INVESTIGATOR INC	\$ 1,418.00	\$ 147.90
99127	CRITICARE SYSTEMS INC	\$ 1,403.07	\$ 146.62
35100	SPINNER MEDICAL PRODUCTS CO.	\$ 1,394.00	\$ 145.60
99124	ILLINOIS GLOVE CO.	\$ 1,306.00	\$ 135.82

HHH Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Payee	Approved Amount	Final Distribution Amount
34366	SHEW BROTHERS INC	SHEW BROTHERS INC	\$ 1,241.00	\$ 129.80
15876	BLOOMINGDALE RESCUE & RECOVERY	BLOOMINGDALE RESCUE & RECOVERY	\$ 1,126.00	\$ 117.06
25386	JOHNSON BROS METAL FORMING CO.	JOHNSON BROS METAL FORMING CO.	\$ 1,019.00	\$ 105.76
31239	PIASA LINCOLN MERCURY, INC.	PIASA LINCOLN MERCURY, INC.	\$ 1,002.00	\$ 104.34
34000	SCHULER BUILDERS	SCHULER BUILDERS	\$ 938.00	\$ 97.87
34206	SERTANO'S DELI INC.	SERTANO'S DELI INC.	\$ 932.00	\$ 97.54
32395	RED APPLE FOOD & LIQUOR	RED APPLE FOOD & LIQUOR	\$ 900.00	\$ 93.81
21844	FRED'S MOVERS	FRED'S MOVERS	\$ 873.00	\$ 90.84
32984	ROCKFORD INSULATION, INC. AND ROCKFORD S	ROCKFORD INSULATION, INC. AND ROCKFORD SEAMLE	\$ 835.00	\$ 86.78
32001	R & M TRUCKING, INC.	R & M TRUCKING, INC.	\$ 823.00	\$ 86.13
15976	BODY LINES CO.	BODY LINES CO.	\$ 800.00	\$ 83.38
29878	NORTHBROOK GYMNASTICS TRAINING	NORTHBROOK GYMNASTICS TRAINING	\$ 800.00	\$ 83.38
14973	B.B.C. LIMO SERVICE, INC.	B.B.C. LIMO SERVICE, INC.	\$ 795.00	\$ 82.61
38308	WAGNER HEATING & VENTILATING COMPANY	WAGNER HEATING & VENTILATING COMPANY	\$ 736.77	\$ 76.34
30255	ONESTI PIZZA, INC.	ONESTI PIZZA, INC.	\$ 734.00	\$ 76.80
14007	AMANO ENZYME USA CO.,LTD.	AMANO ENZYME USA CO.,LTD.	\$ 725.00	\$ 75.82
26339	LA BEAU BROS INC/HOVE BUICK	LA BEAU BROS INC/HOVE BUICK	\$ 713.00	\$ 74.17
34516	SIKICH GARDNER & CO, LLC	SIKICH GARDNER & CO, LLC	\$ 709.00	\$ 73.95
38754	WHITMORE CONSTRUCTION CO.	WHITMORE CONSTRUCTION CO.	\$ 662.00	\$ 68.90
37374	TRICKEY'S SERVICE, INC.	TRICKEY'S SERVICE, INC.	\$ 639.00	\$ 66.15
38252	VOLLMER SECURITY SYSTEMS INC	VOLLMER SECURITY SYSTEMS INC	\$ 617.00	\$ 63.96
23342	HANK COOK GUTTERS	HANK COOK GUTTERS	\$ 609.00	\$ 63.53
27395	LOST LIMO, INC.	LOST LIMO, INC.	\$ 579.00	\$ 59.90
28820	MINOOKA COMMUNITY HIGH SCHOOL	MINOOKA COMMUNITY HIGH SCHOOL	\$ 564.00	\$ 58.59
14089	AMERICAN LEGION POST # 1080	AMERICAN LEGION POST # 1080	\$ 556.00	\$ 58.15
33360	S & S CONTRACTORS INC	S & S CONTRACTORS INC	\$ 541.00	\$ 56.84
13664	AIRLINE TOWING INC	AIRLINE TOWING INC	\$ 528.00	\$ 54.63
23142	GYMKHANA GYM CLUB INC	GYMKHANA GYM CLUB INC	\$ 519.00	\$ 53.65
36462	THE CUNEO FOUNDATION & ESTATE OF JULIA J	THE CUNEO FOUNDATION & ESTATE OF JULIA JOSEPH	\$ 510.00	\$ 52.66
32345	RDI	RDI	\$ 509.00	\$ 53.10
21393	FINE WOODWORKS INC.	FINE WOODWORKS INC.	\$ 499.00	\$ 51.56

HHH Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Final	
		Approved Amount	Distribution Amount
37759	USA #1 RESTAURANT	\$ 496.00	\$ 51.90
28657	MIDWEST PROPERTY MANAGEMENT	\$ 488.00	\$ 50.46
41064	FOX VALLEY OLDER ADULTS SERVICES	\$ 481.00	\$ 50.58
13248	A-T KLADIS CO., INC.	\$ 459.00	\$ 47.39
37077	TMW TOWING, INC	\$ 430.00	\$ 44.32
13921	ALMOST HOME INC	\$ 429.00	\$ 44.76
14921	AZTECH CONTROLS CORP.	\$ 424.00	\$ 43.99
13022	155 NORTH, INC.	\$ 392.00	\$ 41.26
23295	HAMMOND YACHT CLUB	\$ 388.00	\$ 40.04
32096	R.BAKER SCRAP, INC.	\$ 356.00	\$ 37.31
13072	4 SISTERS & A COUSIN, INC.	\$ 325.00	\$ 34.12
19557	DEKALB CLINIC PHARMACY	\$ 320.00	\$ 33.35
19533	DECATUR DAY CARE CENTER	\$ 318.00	\$ 33.24
25438	JONES CONCRETE INC	\$ 310.00	\$ 31.81
18494	CONSTRUCTION DRILLING COMPANY,	\$ 296.00	\$ 31.05
30360	OSWEGO AUTOMOTIVE INC.	\$ 289.00	\$ 30.17
38443	WAYNE DUPAGE HUNT & PONY CLUB	\$ 276.00	\$ 28.97
23250	HALE CRANE SERVICE	\$ 261.00	\$ 27.65
17832	CHRISTIAN HOMES, INC.	\$ 244.00	\$ 25.23
25894	KFR, INC	\$ 238.00	\$ 24.91
39052	WOODMOOR MANAGEMENT	\$ 232.00	\$ 24.58
20561	EDWARD D. WENGER	\$ 220.00	\$ 22.93
15781	BILLY O'S INC.	\$ 220.00	\$ 22.93
20789	EMMETT'S BLACKTOP	\$ 219.00	\$ 22.38
14421	APPLE LIMOUSINE INC.	\$ 217.00	\$ 22.27
21744	FOX VALLEY OLDER ADULTS SERVICES	\$ 202.00	\$ 20.95
18728	COUNTY LIQUORS L J & R L SCHOENBURG	\$ 189.00	\$ 19.75
34959	SOUTHERN ILLINOIS CARPENTERS TRUST FUND	\$ 185.00	\$ 19.53
16338	BRUNO'S AUTOMOTIVE PRODUCTS	\$ 173.00	\$ 17.88
24532	INTELLIGENT COMPUTER SOLUTIONS, LLC	\$ 166.00	\$ 17.00
27627	MACON CO. CHILD ADVOCACY CENTER	\$ 144.00	\$ 14.81

H1H Final Distribution - non IGA Claimants

Liq No.	Insureds Name	Payee	Approved Amount	Distribution Amount	Final
34204	SERRANO LANDSCAPING, INC.	SERRANO LANDSCAPING, INC.	\$ 127.00	\$ 13.39	
36517	THE FLAME OF COUNTRYSIDE	THE FLAME OF COUNTRYSIDE	\$ 125.00	\$ 13.28	
35933	SWAN LIMO, INC.	SWAN LIMO, INC.	\$ 120.00	\$ 12.51	
32979	ROCK-OLA MFG. CORP	ROCK-OLA MFG. CORP	\$ 115.00	\$ 11.74	
22276	GENAULDI	GENAULDI	\$ 115.00	\$ 11.74	
42025	PLASTER DEVELOPMENT COMPANY	PLASTER DEVELOPMENT COMPANY	\$ 100.00	\$ 10.42	
11405	DESERT RADIOLOGISTS	DESERT RADIOLOGISTS	\$ 100.00	\$ 10.42	
17009	CAMS CONSTRUCTION CORPORATION	CAMS CONSTRUCTION CORPORATION	\$ 100.00	\$ 10.42	
17113	CARING NURSES, INC.	CARING NURSES, INC.	\$ 100.00	\$ 10.42	
23558	HAZARD SERVICES INTERNATIONAL, INC.	HAZARD SERVICES INTERNATIONAL, INC.	\$ 100.00	\$ 10.42	
23294	HAMMOND CAULKING	HAMMOND CAULKING	\$ 100.00	\$ 10.42	
32523	RENO HEART PHYSICIANS	RENO HEART PHYSICIANS	\$ 100.00	\$ 10.42	
25672	KANTOR NEPHROLOGY CONSULTANTS, LTD.	KANTOR NEPHROLOGY CONSULTANTS, LTD.	\$ 100.00	\$ 10.42	
19980	DOM'S PATIO VILLA	DOM'S PATIO VILLA	\$ 96.00	\$ 10.21	
29495	NATIONAL TRAINING & INFORMATION CENTER	NATIONAL TRAINING & INFORMATION CENTER	\$ 85.00	\$ 9.11	
32963	ROBINS CARD & GIFT SHOP	ROBINS CARD & GIFT SHOP	\$ 77.00	\$ 7.68	
13884	ALLIANCE INC.	ALLIANCE INC.	\$ 71.00	\$ 7.35	
24318	ILLINOIS CHILDRENS ALLIANCE	ILLINOIS CHILDRENS ALLIANCE	\$ 66.00	\$ 6.58	
24592	INTERSTATE ENGINEERING	INTERSTATE ENGINEERING	\$ 65.00	\$ 7.02	
38837	WILLIAM M. FRANZ & ASSOC.	WILLIAM M. FRANZ & ASSOC.	\$ 62.00	\$ 6.36	
15854	BLAIN REHABILITATION MANAGEMENT	BLAIN REHABILITATION MANAGEMENT	\$ 62.00	\$ 6.36	
31741	PRINCETON COMMUNITY SUBSTANCE ABUSE PROG	PRINCETON COMMUNITY SUBSTANCE ABUSE PROGRAM	\$ 48.00	\$ 4.60	
19079	D & J BISTRO & RETRO BISTRO	D & J BISTRO & RETRO BISTRO	\$ 39.55	\$ 3.92	
37462	TRUCK SALES OF AMERICA	TRUCK SALES OF AMERICA	\$ 25.00	\$ 2.86	
21756	FOXX HEATING & COOLING INC	FOXX HEATING & COOLING INC	\$ 24.00	\$ 2.30	
37693	UNIVERSAL ENTERPRISES INC & NEW GROUP IN	UNIVERSAL ENTERPRISES INC & NEW GROUP INC	\$ 18.00	\$ 1.98	

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9 *in his Capacity as Liquidator of HIH America*
Compensation & Liability Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.

Case No. CPF-01-320049

**EXHIBIT C TO DECLARATION OF
RAYMOND MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015

Time: 9:30 a.m.

Dept: 302

Reservation No. 10011119-03

HIH America Comp & Liability Ins Co

Difference in Expense from June 30, 2014 through May 31, 2015

	Liquidation Jun-14	Liquidation May-15	Changes
OPERATING EXPENSES			
DIRECT ADMINISTRATIVE EXPENSES			
Legal			
DOI Legal	221,226	223,134	1,909
DOJ Legal	198,040	206,540	8,500
Other Legal Expense	1,160,110	1,160,110	-
Other Litigation Expense	41,103	41,103	-
Total Legal Expenses	1,620,478	1,630,887	10,409
Consultants and Contractors			
Accounting & Auditing	394,705	854,230	459,526
Software Contractor Expense	62,611	133,962	71,351
Actuarial Expense	128,489	278,647	150,158
Temporary Help Expense	241,293	492,296	251,004
Other Professional Fees	2,691,126	2,691,438	313
Tax Consulting and Compliance	174,697	189,933	15,236
Total Consultant Expenses	3,692,920	3,715,637	22,717
Compensation & Benefits			
Salaries & Wages Expense	4,276,375	4,276,375	-
Payroll Tax Expense	299,613	299,613	-
Pension Plan Expense	121,539	121,539	-
Employee Benefits Expense	(663,088)	(663,088)	-
Training & Education	2,826	2,826	-
Total Compensation & Benefits	4,037,265	4,037,265	-
Office Expenses			
Office Rent	205,745	411,490	205,745
Storage Rent	318,663	798,242	479,579
Record Retrieval	98,901	210,354	111,453
General & Administrative	2,030,690	1,252,020	(778,670)
Total Office Expenses	2,653,999	2,672,106	18,106
ALLOCATED EXPENSES			
General Allocated Expenses	5,787,246	6,034,167	246,922
Affiliate Allocations	29,158	29,158	-
DOI Allocated Expenses	20,346	20,346	-
Allocation of Claims System admin	103,212	111,764	8,552
Total Net Allocated Expenses	5,939,962	6,195,436	255,474
Direct Admin Exp only	12,004,663	12,055,895	51,231
Total Operating Expenses	17,944,625	18,251,331	306,705

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8 Compensation & Liability Insurance Company*
9

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO
12
13

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

16 Applicant,

17 v.

18 **HIH AMERICA COMPENSATION &**
19 **LIABILITY INSURANCE COMPANY, a**
20 **California domiciled insurance company,**

21 Respondent.
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27
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Case No. CPF-01-320049

**EXHIBIT D TO DECLARATION OF
RAYMOND MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
LIQUIDATOR'S ADMINISTRATIVE
EXPENSES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 19, 2015

Time: 9:30 a.m.

Dept: 302

Reservation No. 10011119-03

HIH Insurance Company
Estimated Administrative and Closing Budget
For July 2015 to March 2016

Description		Amount
Direct Expenses		
Administration Expenses		
Destruction of Boxes	2018	\$ 43,445
Storage	2015-2018	\$ 55,783
Department of Justice	2015	\$ 2,550
Department of Insurance Counsel	2015	\$ 2,535
External Auditor - Department of Finance	2015	\$ 22,750
Distribution Audit	2015	\$ 7,500
Tax consultants - PWC	2015	\$ 25,000
ADP	2015	\$ 500
Indirect Expenses		
Allocated Expenses: CLO department overhead costs		\$ 129,250
Total Estimated Budget		\$ 289,313