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11 Attorneys for Applicant Dave Jones,
Insurance Commissioner of the State of California
12 in his Capacity as Liquidator of
CastlePoint National Insurance Company

**EXEMPT from filing fees per Govt.
Code § 6103**

14 SUPERIOR COURT OF THE STATE OF CALIFORNIA
15 CITY AND COUNTY OF SAN FRANCISCO
16

17 DAVE JONES, INSURANCE
18 COMMISSIONER OF THE STATE OF
CALIFORNIA,

19 Applicant,

20 v.

21 CASTLEPOINT NATIONAL INSURANCE
22 COMPANY, and DOES 1-50, inclusive,

23 Respondents.
24
25
26
27
28

Case No. CPF-16-515183

Reservation No. 05020607-10

**DECLARATION OF JOSEPH
HOLLOWAY IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING FINANCIAL REPORT
AND EXPENSES OF
ADMINISTRATION**

Date: June 7, 2018

Time: 9:30 a.m.

Dept: 302

Judge: Hon. Harold E. Kahn

**ELECTRONICALLY
FILED**
*Superior Court of California,
County of San Francisco*
05/07/2018
Clerk of the Court
BY: EDNALEEN ALEGRE
Deputy Clerk

1 I, Joseph Holloway, hereby declare as follows:

2 1. I make this declaration in support of the Commissioner's *Application For Order*
3 *Approving Financial Report And Expenses Of Administration* (the "Application"). The following
4 facts are known by me to be true and correct of my own personal knowledge, except to those that
5 I have expressed as being based upon my information and belief, and if called upon to testify
6 thereto, I would and could competently do so.

7 2. I am currently the Liquidation Manager for CastlePoint National Insurance
8 Company in Liquidation ("CastlePoint"). I began serving in this role as the on-site Conservation
9 Manager for CastlePoint National Insurance Company in Conservation during the period from
10 July 28, 2016 through March 31, 2017 (the "Conservation Period"). I continued as the on-site
11 Liquidation Manager for CastlePoint during the period from April 1, 2017 through December 31,
12 2017 (the "2017 Liquidation Period"), which is the subject of this Application, and have
13 continued to serve in this role uninterrupted since that date.

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

21 4. I am empowered under Paragraphs 3 and 4 of the Court's March 30, 2017
22 *Liquidation Order for CastlePoint National Insurance Company*, and previously under Paragraph
23 18 of the Court's July 28, 2016 *Order Appointing Insurance Commissioner As Conservator And*
24 *Restraining Orders*, to carry out all the duties of and exercise the authority of Insurance
25 Commissioner Dave Jones, in his statutory capacity as Liquidator, formerly Conservator, of
26 CastlePoint, and Special Deputy Insurance Commissioner David Wilson as either may delegate to
27 me in the management of CastlePoint.

28 5. During the 2017 Liquidation Period, a portion of the liquidation activities have

1 been conducted at the home office of CastlePoint in New Jersey, with oversight by the Liquidator,
2 to preserve the institutional knowledge held by the legacy employees of CastlePoint located in
3 New Jersey and New York. The remaining liquidation activities have been transferred to and
4 assigned to the staff of the CLO in San Francisco.

5 6. During the 2017 Liquidation Period, the CLO and/or the CastlePoint home office
6 have accomplished the following tasks, among others: (1) transferred 5,977 open insurance
7 claims to 47 state insurance guaranty associations (“IGAs”), and also pre-paid two months of
8 indemnity benefits (i.e., wage replacement benefits) payable to injured workers covered under
9 CastlePoint’s workers’ compensation policies.¹ This pre-funding ensured that there would be no
10 disruption in injured workers’ receipt of these vital insurance benefits during the transition of the
11 claim files to the IGAs; (2) opened 195 new claims and re-opened 1,595 previously closed claims
12 in liquidation and assigned them to the appropriate state IGA; (3) recovered \$40 million in
13 connection with collateral posted by CastlePoint with certain Lloyd’s syndicates; (4) recovered
14 \$21 million in reinsurance receivables from CastlePoint’s reinsurers; (5) transferred the
15 investment management responsibility for \$295 million of CastlePoint’s invested assets to New
16 England Asset Management, which will realize a 2018 annualized savings of \$254,000; (6)
17 commissioned an independent review of CastlePoint’s financial statements (i.e. balance sheets
18 and reconciliation of cash receipts and disbursements during the 2017 Liquidation Period) based
19 on “agreed upon audit procedures” to be performed for the period of March 31, 2017 through
20 December 31, 2017; (7) commenced the process of replicating the CastlePoint reinsurance
21 calculator for use at the CLO to process reinsurance billings in the future; (8) mailed out 40,813
22 proof of claim forms (“POCs”), of which 1,295 POCs have been filed or deemed filed; and (9)
23 transferred \$226 million of California Workers’ Compensation statutory deposits to the California
24 Insurance Guarantee Association, as required by California law, in the form of an Early Access
25 Distribution, representing the present value of California reserves at the Liquidation Date.

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

27 _____
28 ¹ For claims in New York, the Commissioner pre-funded indemnity payments for four months because of the
volume of claims in that state and the longer statutory process for the New York Liquidation Bureau to obtain funds
necessary to take over claim payments.

1 the CLO during the 2017 Liquidation Period.

2 8. Attached hereto as **Exhibit B** is a report titled "CastlePoint National Insurance
3 Company Selected Financial Information and Analysis" dated December 31, 2017 ("Financial
4 Report"). This Financial Report is currently posted on the website of the CLO.

5 9. Over the 2017 Liquidation Period, the CastlePoint estate paid expenses totaling
6 \$4,984,415. Of that total, \$1,726,260 was paid in payroll and benefits to CastlePoint employees,
7 while \$2,426,794 was paid to the CLO for professional services (of which \$362,828 are for legal
8 fees paid to Orrick for legal services related to legal support during the 2017 Liquidation Period).
9 Other significant sources of fees paid to the CLO include for CLO claims administration
10 (\$842,385), management expenses (\$277,232), and INS Consultants (\$293,825). A full
11 breakdown of all expenses paid during the 2017 Liquidation Period is provided in Exhibit A.

12 10. These costs and expenses are typical for the administration of a receivership of this
13 size and complexity, and were necessary, reasonable and appropriate to secure and manage the
14 CastlePoint estate and to protect its creditors to the fullest extent possible.

15 11. As of the Conservation Date, July 28, 2016, CastlePoint had 26 employees and an
16 annual payroll of \$3.93 million. Since then, the Liquidator has reduced the number of employees
17 and payroll costs. As of March 31, 2017, only 10 CastlePoint employees remained and annual
18 payroll had been cut to \$1.85 million. As of March 31, 2018, only 7 employees remain and the
19 annual payroll has been cut to \$1.35 million. Page four of Exhibit A attached hereto shows the
20 general reduction in payroll through the Conservation Period and extending into and past the
21 2017 Liquidation Period.

22 Dated: May 7, 2018


23
24 
25 Joseph Holloway
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Exhibit A

Exhibit A

CHART I

Summary of Expenses Paid (April 1 through Dec 31, 2017)

1,726,260	34.6%	Payroll & Payroll Tax Related
159,145	3.2%	IT Charges (Detail)
2,426,794	48.7%	CACLO (See Detail)
53,353	1.1%	Financial Professional Services
131,463	2.6%	Collection fees (contingency firms for AR)
203,395	4.1%	Investment Advisory Fees
154,237	3.1%	Bank Fees
129,768	<u>2.6%</u>	Investment Expenses
<u>4,984,415</u>	100%	Total Expenses

IT and Telecom Charges
April 1 - Dec 31, 2017

TRIGYN TECHNOLOGIES	65,203	IT temp labor to support Tower apps.
MIS INSURANCE SERVICES, LLC	33,500	Workers Comp Audit Billings
V GROUP INC	26,568	IT Consulting Services to support Tower finance apps.
BCM ONE, INC.	17,770	Phone Services
OTHER IT SERVICES	16,104	Various IT services incl temp labor, software and data
TOTAL IT AND SYSTEMS CHARGES	<u>159,145</u>	

CHART III

**CACLO BREAKOUT OF PROFESSIONAL SERVICES
April 1 - Dec 31, 2017**

Orrick-Legal	362,828
INS Consultants	293,825
Travel and Incidentals	263,972
CLO-Reinsurance	209,850
CLO-Claims	842,385
CLO-Data and IT	117,490
CLO-Management	277,232
CLO-Admin. and Miscellaneous Staffing	59,212
Total Consultant Fees	<u>2,426,794</u>

CNIC Runoff

Chart IV

Headcount – Payroll \$\$ Represent Annualized Payroll

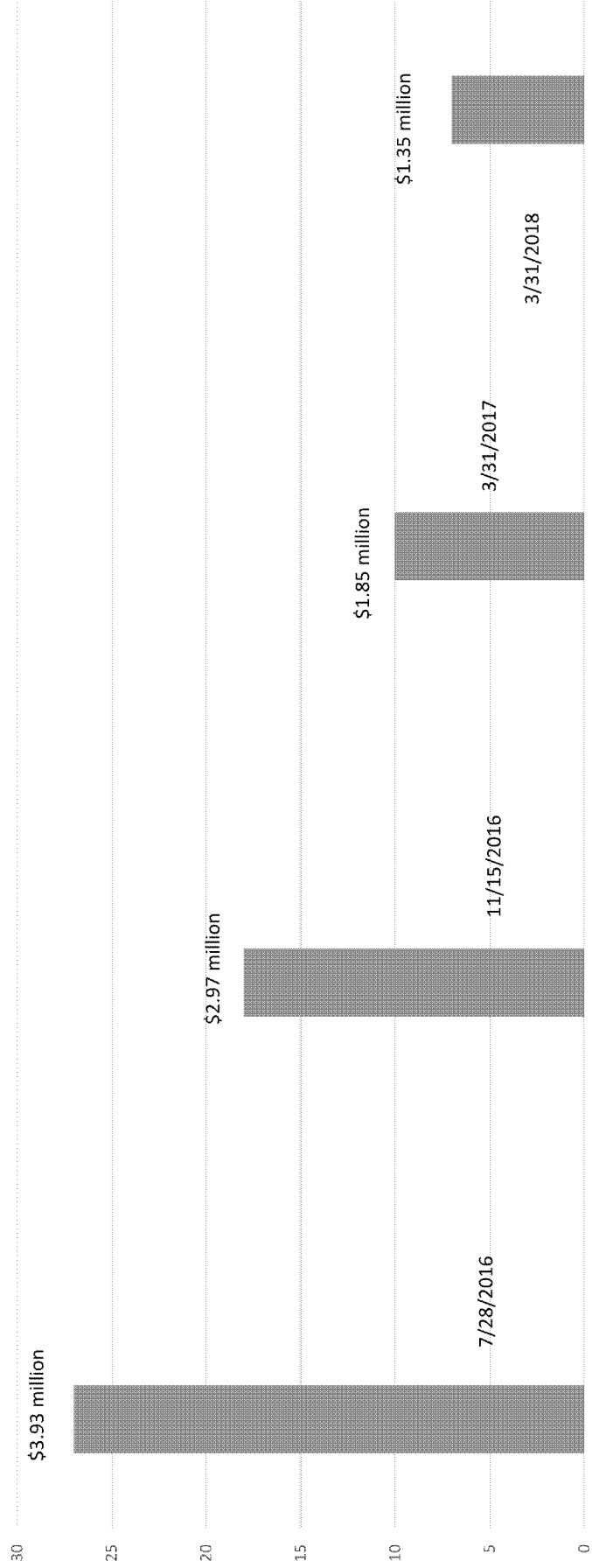


Exhibit B

Exhibit B

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

As of and for the year ended December 31, 2017 and for the period from April 1, 2017 (effective date of liquidation) to December 31, 2017

Table of Contents

Overview	1
Unaudited Condensed Statutory Balance Sheets and Notes Thereto.....	3
Unaudited Condensed Statutory Statements of Operations and Notes Thereto.....	7
Unaudited Condensed Statutory Statements of Cash Flows and Notes Thereto.....	9

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Overview

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

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

In accordance with the Conservation and Liquidation Plan, two Administrative Services Agreements were executed with AmTrust Financial Services Inc. and with National General Holdings Company for the continuity of claims servicing and payment processing for a period of 24 months.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

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

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

The accompanying balance sheets are presented as of March 31, 2017 (which was the date that the Company was moved from conservation to liquidation) and December 31, 2017. The statement of operations and statement of cash flows are presented for the year ended December 31, 2017, as well as for the nine month period ended December 31, 2017 (such period representing the time that the Company has been in liquidation).

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Statutory Balance Sheets
(Unaudited)

(\$ in thousands)	31-Dec-17	31-Mar-17	Increase (Decrease)
Admitted Assets			
Cash and invested assets			
Unrestricted assets	\$ 143,181	\$ 75,878	\$ 67,303
Restricted assets			
Pledged to states	97,747	320,689	(222,942)
Pledged for reinsurance	78,052	80,625	(2,573)
Funds at Lloyds and other invested assets	1,538	42,072	(40,534)
Total restricted assets	177,337	443,386	(266,049)
Total cash and invested assets	320,518	519,264	(198,746)
Investment income due and accrued	2,108	3,589	(1,481)
Uncollected premiums and agents' balances	-	834	(834)
Amounts recoverable from reinsurers	4,450	26,503	(22,053)
Funds held by or deposited with reinsured companies	772	772	-
Advances to CA Insurance Guarantee Association	227,576	-	227,576
Miscellaneous assets	32,717	52,533	(19,816)
Total admitted assets	\$ 588,141	\$ 603,495	\$ (15,354)
Liabilities, capital and surplus			
Liabilities			
Reserve for losses and loss adjustment expenses	\$ 814,653	\$ 829,659	\$ (15,006)
Reinsurance payable on paid losses and LAE	9,131	10,561	(1,430)
Ceded reinsurance premiums payable	(358)	1,490	(1,848)
Funds held by company under reinsurance treaties	18,434	21,832	(3,398)
Payable to Guaranty Funds	6,112	-	6,112
Miscellaneous liabilities	24,069	21,313	2,756
Total liabilities	872,041	884,855	(12,814)
Capital and surplus			
Common capital stock	4,200	4,200	-
Surplus notes	3,000	3,000	-
Gross paid in and contributed surplus	521,742	521,742	-
Unassigned deficit	(813,153)	(810,613)	(2,540)
Special surplus funds from retroactive reinsurance	311	311	-
Total capital and surplus	(283,900)	(281,360)	(2,540)
Total liabilities, capital and surplus	\$ 588,141	\$ 603,495	\$ (15,354)

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets

Assets

Total cash and invested assets were \$320.5 million at December 31, 2017 compared to \$519.3 million at March 31, 2017. As the Company was ordered into liquidation effective April 1, 2017, all investment amounts are carried at market, which the Company believes represents realizable value. The decrease is primarily due to a transfer of securities and cash to certain insurance guarantee associations for future claim payments. Transfers of \$226.7 million and \$0.9 million were made to the California Insurance Guarantee Association and the Idaho Insurance Guarantee Association respectively.

Investment income due and accrued decreased by \$1.5 million, to \$2.1 million at December 31, 2017 compared to \$3.6 million at March 31, 2017, primarily due to a lower amount of investments held at year end.

Reinsurance recoverable was \$4.5 million at December 31, 2017 compared to \$26.5 million at March 31, 2017. Balances collected during the second quarter to fourth quarter 2017 were \$22.0 million, compared to collections of \$18.3 million in the first quarter 2017. None of these balances are currently in dispute. Reinsurance contracts do not relieve CNIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to CNIC.

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

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets, continued

Assets, continued

**Miscellaneous Assets
(Unaudited)**

(\$ in thousands)	31-Dec-17	31-Mar-17	Increase (Decrease)
Tangible value of CPRe due to Estate	\$ 8,400	\$ 10,888	\$ (2,488)
Loss payment suspense	3,366	6,719	(3,353)
Involuntary fair plan assumed	9,719	9,719	-
Workers' compensation fund assessment	5,741	6,589	(848)
Receivable from residual market pools	3,209	3,209	-
Advances to TPA's	(50)	9,472	(9,522)
Receivable from AmTrust	-	(222)	222
Other	2,332	6,159	(3,827)
Total	\$ 32,717	\$ 52,533	\$ (19,816)

Miscellaneous assets were \$32.7 million at December 31, 2017 compared to \$52.5 million at March 31, 2017. The amounts receivable from CPRe represent CPRe's net tangible assets due to CNIC under the terms of the commutation agreement with CPRe. The receivable from CPRe was reduced at year-end 2017 to \$8.4 million, which represents the best estimate of the current realizable value of the receivable in 2018. CNIC is currently negotiating the sale of this receivable with an interested third party buyer, and if such transaction is completed, expects to receive the carrying value in cash before the end of the second quarter 2018. As of March 31, 2017, TPA's are no longer handling Tower's losses and returned \$9.5 million during the first nine months of liquidation that had been advanced by CNIC to pay claims. Other amounts at December 31, 2017 represent funds held for the benefit of CNIC by State National Insurance Company under an old reinsurance agreement.

Liabilities

The Company's net loss and LAE reserves were \$814.7 million at December 31, 2017 compared to \$829.7 million at March 31, 2017. The balance as of December 31, 2017 represents the net reserves transferred to the State Guaranty Funds for all claims valued as of March 31, 2017 the date the Company went into liquidation, reduced by payment data reported by the insurance guarantee associations and payments made by the Liquidator, primarily for LAE and for certain workers' comp indemnity benefits. The Company received second quarter data from certain of the guarantee funds in August and September 2017. The Company expects to receive information from all of the guarantee associations for the balance of 2017 activity in the first and second quarters of 2018, and will update its reserve position upon the receipt of such data.

Reinsurance payable on paid losses and LAE were \$9.1 million at December 31, 2017 compared to \$10.6 million at March 31, 2017. Under the Conservation and Liquidation Plan, the Company is no longer making payments on assumed business and is only permitting its cedants to draw down any available collateral against their balances.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets, continued

Liabilities, continued

Ceded reinsurance premiums payable were (\$0.3) million at December 31, 2017 compared to \$1.5 million at March 31, 2017. The balance decreased by \$1.8 million between March 2017 and December 2017.

Funds held by the Company were \$18.4 million at December 31, 2017 compared to \$21.8 million at March 31, 2017. The decrease of \$3.4 million is primarily due to losses paid on a quota share treaty.

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

Payable to Guaranty funds of \$6.1 million at December 31, 2017 represents claim payments made by affected state insurance guaranty associations to claimants under policies issued by CastlePoint.

Miscellaneous liabilities were \$24.1 million at December 31, 2017 compared to \$21.3 million at March 31, 2017. Included in this balance are outstanding checks of \$16.9 million at December 31, 2017 and March 31, 2017.

Capital and Surplus Accounts

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

Changes in Policyholders' Surplus (Unaudited)

(\$ in thousands)	Twelve months ended December 31, 2017	Nine months ended December 31, 2017
Policyholders' surplus, beginning period	\$ (281,909)	\$ (281,360)
Net income	1,756	2,288
Change in net unrealized capital gains	(3,802)	(4,353)
Change in non-admitted assets	(391)	(850)
Aggregate write-ins for gains and losses in surplus	446	375
Policyholders' surplus, ending period	\$ (283,900)	\$ (283,900)

Surplus decreased by \$2.0 million as net income was less than the change in unrealized capital losses and the change in non-admitted assets noted below.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Capital and Surplus Accounts, continued

Changes in Non-Admitted Assets

(Unaudited)

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

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

Statements of Operations

(Unaudited)

(\$ in thousands)	Twelve months ended December 31, 2017	Nine months ended December 31, 2017
Premium earned	\$ (168)	\$ (90)
Losses incurred and loss adjustment expenses incurred	430	-
Other underwriting expenses incurred	6,725	3,441
Net underwriting income (loss)	(7,323)	(3,531)
Net investment income earned	9,022	6,452
Net realized capital gain (loss)	(105)	(416)
Net investment gain (loss)	8,917	6,036
Other income (expenses)	162	(217)
Net income	\$ 1,756	\$ 2,288

Notes to Statements of Operations

Loss and loss adjustment expenses incurred

The Company reported loss and loss adjustment expenses incurred of \$0.4 million for the twelve months ended December 31, 2017, all of which were incurred prior to being placed into liquidation.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Notes to Statements of Operations, continued

Other underwriting expenses

Other underwriting expenses for the twelve months ended December 31, 2017 were \$6.7 million compared to \$3.3 million of which were incurred prior to the Company being placed into liquidation. The table below details charges by components.

	Other Underwriting Expenses (Unaudited)	
(\$ in thousands)	Twelve months ended December 31, 2017	Nine months ended December 31, 2017
Commission and BB&A	\$ 1,403	\$ (327)
Salaries and employee benefits	2,873	1,726
Rent & depreciation	163	128
Professional services	3,951	2,617
Other (income)	(1,665)	(703)
Total	\$ 6,725	\$ 3,441

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

Net investment income and net realized capital gains (losses)

Net investment income earned was \$9.0 million for the twelve months ended December 31, 2017 compared to \$2.6 million for the three months ended March 31, 2017.

Net realized capital loss were \$0.1 million for the twelve months ended December 31, 2017 compared to net capital gains of \$0.3 million for the three months ended March 31, 2017. Capital losses since liquidation include a charge of \$2.9 million to reduce the receivable balance of CPRe to its expected realizable value.

Other expenses

The benefit in other expenses represents primarily recoveries of agent balances that were previously written off.

CASTLEPOINT NATIONAL INSURANCE COMPANY, in liquidation

Selected Financial Information and Analysis

Statutory Statements of Cash Flow

(Unaudited)

(\$ in thousands)	Twelve months ended December 31, 2017	Nine months ended December 31, 2017
Cash from Operations		
Benefit and loss related payments	\$ (74,196)	\$ 16,349
Commission and other expenses paid	(19,992)	(4,215)
Premiums collected net of reinsurance	(2,975)	(936)
Net investment income	11,658	7,857
Miscellaneous income (expense)	(281)	(243)
Net cash provided by (used in) operations	(85,786)	18,812
Net cash provided by (used in) investments	(43,117)	(65,497)
Net cash provided by miscellaneous sources	28,263	14,711
Net change in cash and cash equivalents	(100,640)	(31,974)
Cash and cash equivalents Beginning of year	179,444	110,778
Cash and cash equivalents, end of period	\$ 78,804	\$ 78,804

Notes to Statutory Statements of Cash Flows

CNIC used cash of \$100.6 million for the year ended December 31, 2017 and \$68.7 million for the three months ended March 31, 2017. For the year ended December 31, 2017, the Company paid net claims of \$74.2 million, and paid \$23.2 million for other operating activities. The bulk of these claim payments were made in the first quarter, prior to the Company being placed into liquidation. The Company reduced its investments by \$43.1 million (excluding the amounts advanced to certain Guarantee Funds) and received cash from CPRe of \$8.9 million and cash from repayments of advances to TPAs of \$11.1 million. The Company is in liquidation effective April 1, 2017, and as such expects its future cash outflows will be limited to operating expense and to distributions to State Guarantee Associations.

The Cash and cash equivalents of \$78.8 million at December 31, 2017 ties to the amount that would be included in the Company's statutory presentation of assets. A reconciliation to the accompanying balance sheet is presented below (\$000):

Bonds	\$240,176
Cash	78,804
Other Invested assets	<u>1,538</u>
Total	<u>\$320,518</u>