

1 ROB BONTA
Attorney General of California
2 ROBERT L. MEYERHOFF (State Bar No. 298196)
Deputy Attorney General
3 300 South Spring Street, Suite 1702
Los Angeles, California 90013
4 Telephone: (213) 269-6177
Facsimile: (916) 731-2144
5 Email: Robert.Meyerhoff@doj.ca.gov

6 CYNTHIA J. LARSEN (State Bar No. 123994)
ORRICK, HERRINGTON & SUTCLIFFE LLP
7 400 Capitol Mall, Suite 3000
Sacramento, California 95814-4497
8 Telephone: (916) 447-9200
Facsimile: (916) 329-4900
9 Email: clarsen@orrick.com

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

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

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

16 INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

17 Applicant,

18 v.

19 CASTLEPOINT NATIONAL INSURANCE
20 COMPANY, and DOES 1-50, inclusive,

21 Respondents.

Case No. CPF-16-515183

Reservation No. [N/A]

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

Date: December 30, 2021

Time: 9:30 a.m.

Dept: 302

Judge: Hon. Ethan P. Schulman

ELECTRONICALLY

FILED

Superior Court of California,
County of San Francisco

12/03/2021

Clerk of the Court

BY: EDNALEEN ALEGRE

Deputy Clerk

1 I, Joseph Holloway, hereby declare:

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

7 2. I am currently the Chief Executive Officer of the Commissioner's Conservation
8 and Liquidation Office ("CLO") and I am a Special Deputy Insurance Commissioner. I am also
9 the Liquidation Manager for CastlePoint National Insurance Company in Liquidation
10 ("CastlePoint"). I served in the role as the on-site Conservation Manager for CastlePoint National
11 Insurance Company in Conservation during the period from July 28, 2016 through March 31,
12 2017 (the "Conservation Period") and as the Liquidation Manager for CastlePoint from April 1,
13 2017 (the "Liquidation Date") until the date hereof. Having served in these roles, I am fully
14 familiar with all aspects of the conservation and liquidation of CastlePoint.

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

22 4. I am empowered under Paragraphs 3 and 4 of the Court's March 30, 2017
23 *Liquidation Order for CastlePoint National Insurance Company* ("Liquidation Order"), and I was
24 previously empowered under Paragraph 18 of the Court's July 28, 2016 *Order Appointing*
25 *Insurance Commissioner As Conservator and Restraining Orders* ("Conservation Order"), to
26 carry out all the duties of and exercise the authority of the Insurance Commissioner (previously

27 ///

28

1 Dave Jones and now Ricardo Lara) in his statutory capacity as Liquidator (formerly Conservator)
2 of CastlePoint as delegated to me in the management of CastlePoint.

3 **2020 Status Report: Overview & Financial Report**

4 5. By early 2019, all remaining liquidation activities were transferred to and assigned
5 to the staff of the Commissioner’s Conservation and Liquidation Office in San Francisco
6 (“CLO”) and, as of March 31, 2019, the CastlePoint home office in New Jersey was closed.

7 6. The CLO accomplished the following tasks in 2020, among others: (1) continued
8 to open and/or re-open claim files for the Guaranty Associations, now totaling over 2,966 claim
9 files since the Liquidation Date through December 31, 2020; (2) billed \$7.8 million of
10 reinsurance recoverables; (3) collected reinsurance balances of approximately \$6.0 million;
11 (4) collected miscellaneous recoveries of approximately \$1,101,060; (5) filed the tax return for
12 the 2020 tax year and finalized the 2020 audit; (6) secured an additional addendum to the
13 administrative services agreements with AmTrust and National General thru December 31, 2021;
14 and (7) handled the specific matters described further herein below. A true and correct copy of
15 the 2020 Financial Report for the CastlePoint estate is attached hereto as Exhibit A and a true and
16 correct copy of the 2020 Income and Expenses Statement for the CastlePoint estate is attached
17 hereto as Exhibit B. Both exhibits were prepared under my direction.

18 **Issues Pertaining to the Claims of Eita Pruss Involving the Commissioner and**
19 **AmTrust**

20 7. As part of the Commissioner’s claims handling functions on behalf of CastlePoint,
21 during 2020 the CLO also continued to handle, and direct its attorneys at Orrick, on matters
22 regarding the proof of claim filed by Claimant Eita Pruss (“Pruss POC”) for \$5 million in 2017.¹

23 8. On June 27, 2018, the Commissioner, acting through the CLO, issued his
24 determination formally allowing the Pruss POC as a Class 2 (policyholder priority) claim under
25 California Insurance Code Section 1033(a) for \$4 million, representing the full \$5 million policy
26 limits of the CastlePoint policy less credit for \$1 million that was paid to Ms. Pruss by the New

27 _____
28 ¹ The \$5 million was claimed by Ms. Pruss from CastlePoint pursuant to a settlement in her underlying personal
injury action against certain CastlePoint insureds.

1 York Liquidation Bureau (“Commissioner’s Determination”). The Commissioner rejected the
2 claims of Ms. Pruss that she was entitled to have the \$4 million paid in cash on a priority or
3 preferential basis because of alleged misrepresentations made regarding the availability of the \$5
4 million in cash at the time of the underlying settlement by counsel for CastlePoint and
5 CastlePoint’s insureds. Since the Commissioner rejected Ms. Pruss’ request for a preferential or
6 priority payment in his Determination, the Commissioner provided notice to Ms. Pruss of her
7 rights to apply to the San Francisco Superior Court (Liquidation Court) for an order to show
8 cause pursuant to Insurance Code section 1032 as her exclusive judicial remedy to challenge the
9 Commissioner’s Determination.

10 9. On July 26, 2018, counsel for Ms. Pruss submitted for filing an application for an
11 OSC (“OSC Application”) and accompanying declaration to challenge the Commissioner’s
12 rejection of the payment of the Pruss POC on a priority or preferential basis as sought. The
13 parties engaged in related discovery and briefing stemming from a January 16, 2019 Order of the
14 San Francisco Superior Court, as modified by a March 26, 2019 Order, and the matter was heard
15 before Judge Kahn on June 4, 2019. In the meantime, Ms. Pruss had filed two lawsuits in New
16 York against AmTrust and others seeking to recover amounts in connection with the unpaid
17 settlement. The first of which (referred to as “Pruss II”) was stayed by the presiding Judge in
18 New York, thereby prompting Ms. Pruss to also file with the San Francisco Superior Court an
19 *Application for Leave to Pursue Action in New York* (“Application for Leave”) to authorize her to
20 continue to pursue the lawsuits pending in New York. The second was a plenary action for
21 breach of the settlement agreement (from the Pruss I litigation) against AmTrust and others in
22 New York (referred to as “Pruss III”), which was stayed pursuant to the January 2019 Order of
23 this Court referenced above.

24 10. Following the June 4, 2019 hearing, Judge Kahn issued Orders dated July 1, 2019
25 denying the OSC Application of Ms. Pruss and granting in part and deferring in part her
26 Application for Leave. Pursuant to the Order on the Application for Leave, the Court would
27 address at a later hearing whether the claims of Ms. Pruss against AmTrust in Pruss II and III, and
28

1 against counsel named in Pruss II, would be permitted to proceed in New York, or whether they
2 would be required to proceed before the Liquidation Court in California.

3 11. AmTrust and the Commissioner both appealed the July 1, 2019 Order on the
4 Application for Leave. Judge Kahn subsequently requested briefing regarding whether the
5 pending appeals by the Commissioner and AmTrust effect a stay of proceedings in the
6 Liquidation Court regarding Ms. Pruss' request to pursue claims asserted in Pruss II and Pruss III,
7 and if so, the scope of the stay. A hearing was held on February 6, 2020 before Judge Kahn on
8 this issue. In an Order dated March 5, 2020, the Court denied an automatic stay of proceedings
9 pending appeal but indicated that he would consider whether to grant a discretionary stay of
10 proceedings pending appeal after he issued a ruling on the proper venue for Ms. Pruss' claims
11 against AmTrust and the procedures applicable to the proceedings on those claims in light of the
12 CastlePoint conservation and liquidation proceedings. Judge Kahn held a hearing on April 1,
13 2020, in which he set a schedule for briefing on the foregoing issues and related matters, under
14 which briefing will be completed in May 2020, with a hearing thereon to be held June 9, 2020.

15 12. Additionally, on June 11, 2019, Judge Kahn issued an Order requiring the
16 participation of Ms. Pruss, AmTrust, and the Commissioner in a mandatory settlement conference
17 with Judge Ross. Judge Ross engaged the foregoing parties in settlement discussions over a
18 several month period. Ultimately, a global settlement was reached between Ms. Pruss, AmTrust
19 and the Commissioner, and the Commissioner filed his Application for Order Approving
20 Discounted Distribution to Eita Pruss as part of a global settlement which was scheduled for
21 hearing on August 3, 2020 in Department 302 before the Honorable Ethan P. Schulman. The
22 foregoing Application was granted by the Court on August 3, 2020 and the global settlement and
23 accompanying release of all claims by Ms. Pruss, were approved and ratified. The Court
24 authorized the Commissioner to pay the agreed discounted distribution amount contained in the
25 global settlement agreement to Ms. Pruss as of the date of finality of the order approving and
26 ratifying the settlement agreement. The discounted distribution was duly paid and all claims

27 ///

28

1 relating to Ms. Pruss against the CastlePoint estate or the Commissioner have been fully and
2 finally released and all proceedings involving Ms. Pruss, including appeals, have been dismissed.

3 **TruPS Claim**

4 13. In 2020, the Commissioner also continued to oversee and direct his attorneys in
5 connection with a motion brought by interested third-party Movants² on November 20, 2018. By
6 the motion, Movants requested clarification from this Court that the standing injunctions entered
7 in connection with the CastlePoint insolvency do not prohibit or stay the continued prosecution of
8 a civil action they filed in the Supreme Court of the State of New York, Index No. 655881/2017
9 against certain named defendants, including AmTrust. The motion brought by Movants was filed
10 following the agreement of the Movants, Commissioner, and defendants to a stipulation and
11 proposed order setting the briefing schedule and hearing for this matter. This matter has also
12 required a considerable amount of the time of the CLO and its attorneys.

13 14. The Movants are holders of subordinated debt instruments referred to as “TruPS”
14 (short for “Trust Preferred Securities”). The TruPS were issued by one or more companies that
15 were previously up-stream, non-insurance company affiliates of CastlePoint that were members
16 of a group of companies referred to as the “Tower Group.” CastlePoint is neither an issuer nor
17 obligor under the TruPS. CastlePoint is no longer an affiliate of the Tower Group, having
18 formally “deconsolidated” from the Tower Group pursuant to the Plan approved by the Court on
19 September 13, 2016.

20 15. In the New York action, Movants have been seeking payment on the TruPS.
21 However, because the specific Tower Group companies that issued the TruPS are likely insolvent
22 and unable to pay any of the sizable amounts due on the TruPS, the Movants named a broad array
23 of defendants (officers, directors, affiliates, and third parties) and asserted a number of alternative
24 claims and liability theories. While CastlePoint is not a defendant in the New York action, the
25 asserted claims and liability theories encroach on claims that are (or were) owned by CastlePoint
26

27 ² “Movants” comprise non-parties Alesco Preferred Funding VIII, Ltd., Alesco Preferred Funding XI, Ltd., Alesco
28 Preferred Funding XII, Ltd., Alesco Preferred Funding XIV, Ltd., Hildene Opportunities Master Fund II, Ltd., NFC
Partners, LLC, Wolf River Opportunity Fund LLC, Wolf River Partner Fund, and WT Holdings, Inc.

1 and have already been released in exchange for the significant value received by the CastlePoint
2 estate under the Plan.

3 16. Following briefing by the Movants and the New York defendants, as well as the
4 submission of the Commissioner's statement of position filed on January 15, 2019, a hearing was
5 held before this Court on March 11, 2019. At oral argument at the hearing, the Court instructed
6 counsel for the Movants and New York defendants to file supplemental briefing setting forth
7 concisely why each party contends that the prosecution of Movants' claims either would or would
8 not violate the injunction or, conversely, that those claims have been or have not been released.
9 The Court also permitted supplemental briefing on new authority offered by the New York
10 defendants. The Court invited the Commissioner to submit further analysis as well, which the
11 Commissioner provided in a supplemental statement of position on April 2, 2019.

12 17. Ultimately, the Commissioner concluded that the Movants' tort claims were either
13 released by the Commissioner,³ or unreleased claims that still belong to the Commissioner, as
14 Conservator and then Liquidator of the CastlePoint estate, and were enjoined by the Court's prior
15 orders. Any loss in investment value thereafter suffered by Movants, apart from direct breach of
16 contract claims against Issuers, were "merely incidental" to claims belonging to the
17 Commissioner for loss of assets belonging to the estate. (*Avikian v. WTC Financial Corp.* (2002)
18 98 Cal. App. 4th 1108, 1116.)

19 18. The Court issued an order on May 16, 2019 finding that all but one (breach of
20 contract) of the ten causes of action brought by Movants in New York "are barred by the
21 outstanding injunctions issued by this Court and releases approved by this Court in the underlying
22 CastlePoint liquidation proceedings." (May 16, 2019 Order at p. 2.) On May 31, 2019, the
23 Movants filed a Motion for Reconsideration of this Court's May 16, 2019 Order. A hearing was
24 held on August 13, 2019, following which the Court issued an Order denying the Motion for
25 Reconsideration. On August 27, 2019, the Movants filed a notice of appeal of the May 16, 2019
26

27 ³ The Commissioner discussed the Release Agreement in his *Statement of Position in Response to Motion for Order*
28 *Clarifying the CastlePoint Stay Does Not Apply to New York Action* at pp. 6-7, 9. See also Release Agreement,
March 30, 2017 Liquidation Order, and September 13, 2016 Plan Order.

1 and August 13, 2019 Orders. (Case No. A158645) Briefing on the appeal was submitted in 2020.
2 On June 15, 2021, the Court of Appeal, First Appellate District, issued its decision affirming in
3 part, and reversing in part, the May 16, 2019 Order. Specifically, the Court of Appeal determined
4 that causes of action relating to the alleged breach of the so-called “successor obligor provisions”
5 and to the alleged \$143 million payment from ACP Re, Ltd. to shareholders of the Tower Group
6 International, Ltd. (Bermuda) should be allowed to proceed. However, the Court of Appeal
7 determined that fraudulent conveyance causes of action and the cause of action for unjust
8 enrichment were barred by the injunctions and releases in the liquidation proceeding. The
9 decision of the Court of Appeal is now final, with no further appellate review having been sought.

10 **Public Records Act Litigation by Christopher Dion**

11 19. In the spring of 2020, the California Department of Insurance (“CDI”) and the
12 CLO received California Public Records Act (“PRA”) requests from attorney Christopher Dion,
13 who is representing himself. Mr. Dion’s PRA requests to the CLO include, among other things,
14 requests for documents of the Commissioner in his capacity as liquidator of the CastlePoint estate
15 and business records of CastlePoint. Mr. Dion, who raised no objection to the Court’s approval
16 of the plan of conservation and liquidation for CastlePoint, informed the CLO that he seeks these
17 records because the documents relate to his assertions that assets were stripped from CastlePoint
18 by the Karfunkel Group prior to conservation and that the Commissioner surreptitiously conveyed
19 valuable items to the Karfunkel Group in connection with the plan for CastlePoint. The
20 Commissioner advised Mr. Dion that these records are not public records within the scope of the
21 PRA. Dissatisfied with the CLO’s response and communications, as well as the CDI’s separate
22 communications, on May 15, 2020, Mr. Dion filed a petition for writ of mandate and complaint
23 for declaratory relief in the California Superior Court in Los Angeles against the CDI and CLO
24 for violation of the PRA (“Petition”), case number 20STCP01687. In that case, the CLO, on
25 behalf of the CastlePoint estate, responded to discovery requests, engaged in motion practice, and
26 filed its opposition brief in the foregoing writ of mandate proceeding. The hearing on Mr. Dion’s
27 petition for a writ of mandate is set for December 10, 2021 in Los Angeles Superior Court. The
28

1 position of the CLO in the writ of mandate proceeding is that: (1) documents of the CastlePoint
2 estate are private business records and are not subject to the Public Records Act and (2) in any
3 event, records sought by Mr. Dion are unavailable by reason of applicable privileges and
4 protections contained within the California Insurance Code and elsewhere. Counsel for the CLO
5 advised Mr. Dion in 2020 that the CLO agreed to temporarily suspend compliance with
6 CastlePoint estate's Court-approved records destruction procedures while the PRA litigation
7 remains undecided by the Los Angeles Superior Court.

8 **Expenses of Administration**

9 20. In 2020, the CastlePoint estate paid expenses totaling \$4,152,557.⁴ Of that total,
10 \$120,552 was paid for various office expenses. Also of that expenses total, \$995,549 was paid
11 for professional fees. Within the total for professional fees, \$535,102 was paid for legal expenses
12 (including \$442,095 for fees paid to Orrick for legal services in connection with the liquidation
13 during 2020), \$460,447 was paid for necessary consultants and contractors, and \$3,036,488 was
14 paid to the CLO for professional fees, which included in part amounts allocated to the CLO
15 Accounting Department (\$315,808), CLO Executive Department (\$152,921), CLO Claims
16 Department (\$254,655), the CLO IT Department (\$1,175,727), the CLO Reinsurance Department
17 (\$958,357), and the CLO Estate Trust Department (\$179,018). A full breakdown of all expenses
18 paid during 2020 related to the liquidation can be found at Exhibit B to the Declaration of Joseph
19 Holloway, which provides additional detail on the information found on page 2 of Exhibit A.

20 21. The Court's Liquidation Order authorizes the Commissioner, acting as Liquidator,
21 to fix and pay the administrative expenses of the liquidation from the assets of CastlePoint,
22 subject to the Court's oversight and approval as specified. (See Liquidation Order, ¶¶ 3, 15-18.)
23 These provisions were entered pursuant to California Insurance Code sections 1035 and 1036,
24 which grant the Commissioner the power to fix all administrative costs (§ 1035) and the
25 compensation of outside attorneys (§ 1036), with the approval of the Court, and to have those
26 expenses paid by the liquidation estate. The Commissioner believes that the expenses incurred,
27

28 ⁴ In 2019, the CastlePoint estate paid expenses totaling \$6,093,970.

1 which are administrative costs and legal fees, were necessary to the efficient and orderly
2 administration of CastlePoint during 2020 for the continuing liquidation of CastlePoint.

3 22. The expenses and professional fees incurred by the Commissioner during 2020
4 were typical for a receivership of this size and complexity, and were necessary, reasonable, and
5 an appropriate exercise of the Commissioner's discretion to secure and manage the CastlePoint
6 estate and to protect its creditors to the fullest extent possible.

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

9 Executed on December 3, 2021, at San Francisco, California.

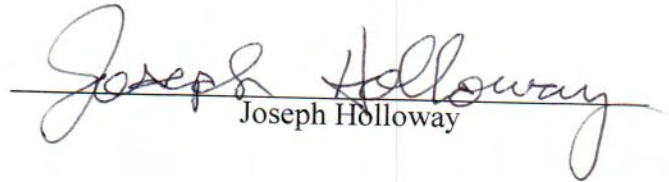
10
11 
12 Joseph Holloway
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT A

157 CastlePoint National Ins Co
STATEMENT OF ASSETS AND LIABILITIES
As of December 31, 2020

	Dec 31
	2020
ASSETS	
Cash and cash equivalents:	
Unrestricted	3,295,600
Participation in pooled investments, at market	209,543,700
Non-pooled short-term investments, at market	
Unrestricted	97,600
Restricted	59,251,400
Accrued investment income	2,914,400
Statutory deposits held by other states	67,463,800
Recoverable from reinsurers	245,276,100
Receivable from affiliates	324,000
Other receivable	15,448,200
Deposits and other assets	1,800,000
Total Available Assets	605,414,800
LIABILITIES	
Secured claims	105,500
Accrued administrative expenses	7,029,700
Claims against policies, including guaranty associations, before distributions	1,056,396,200
Early access and other Class 2 distributions	(251,520,000)
All other claims	67,796,900
Total Estimated Liabilities	879,808,300
 NET ASSETS (DEFICIENCY)	 <u>(274,393,500)</u>

157 CastlePoint National Ins Co
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
For Twelve Months December 31, 2020

	<u>2020</u>
BEGINNING NET ASSETS	(276,558,039)
REVENUES	
52003 Salvage/Subrogation Recoveries	1,054,367
54003 Miscellaneous Income	46,794
TOTAL REVENUES	<u>1,101,160</u>
EXPENSES	
Legal	
62001 DOI Legal	2,053
62002 DOJ Legal	66,699
62003 Other Legal Expense	466,351
Total Legal Expenses	<u>535,102</u>
Consultants and Contractors	
63002 Accounting & Auditing	40,162
63003 Software Contractor Expense	99,264
63004 Actuarial Expense	-
63005 Temporary Help Expense	176
63007 Other Professional Fees	307,629
63008 Tax Consulting and Compliance	13,215
Total Consultant Expenses	<u>460,447</u>
Compensation & Benefits	
64001 Salaries & Wages Expense	-
64004 Employee Benefits Expense	-
Total Compensation & Benefits	<u>-</u>
Office Expenses	
65002 Postage	349
65004 Office Supplies	-
65005 Insurance	6,850
65006 Parking	40
65007 Misc Licenses, Fees and Taxes	62
65015 Storage Rent	96,896
65016 Record Retrieval	434
65018 Travel & Company Meetings	508
65019 Delivery	355
65021 Utilities	80
65027 Bank Charges	14,950
Total Office Expenses	<u>120,522</u>
70002 Allocated Expenses	3,036,486
<i>Direct Admin Exp only</i>	<i>1,116,071</i>
Total Admin Expenses	<u>4,152,557</u>
Losses	
61001 Direct Loss & LAE	-
61002 Assumed Loss & LAE	3,564,694
61004 Ceded Loss & LAE	309,998
65023 Bad Debt Expense	20,778
83002 Expense For Other Claims	1,828,951
61006 Commutations	(58,163)
Total Loss Expenses	<u>5,666,257</u>
<i>Total non-Admin Expenses</i>	<i>5,666,257</i>
TOTAL EXPENSES	<u>9,818,814</u>

157 CastlePoint National Ins Co
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
For Twelve Months December 31, 2020

		2020
	INVESTMENTS	
53001.1	Taxable Interest-Pool	2,347,066
53001.2	Taxable Interest-Non Pool	3,666,991
53001.3	Taxable Interest-Other	1,101,791
53002	Interest Earned-Non Taxable	(180,131)
	Total Investment Income	6,935,718
68001	Investment Expense	(356,809)
68003	Interest Expense	(35,034)
	Total Investment Expenses	(391,842)
82001	LT Realized Gn/Ls-Pool	(26,601)
82002	ST Realized Gn/Ls-Pool	2,094,427
82005	Mark to Market-Pool	(1,734,096)
82006	G/L on Sale LT Non Pool Sec	559,445
82007	G/L on Sale ST Non Pool Sec	(174,879)
82008	G/L Non Pool Reap of Sec	105,951
82009	Gn/Ls on Transfer to Pool	1,999,141
	Net G/L on Securities	2,823,387
	NET INVESTMENT INCOME	9,367,263
	NET INCOME (LOSS)	649,608
	Loading Balance/Net Asset Adj	1,514,882
	ENDING NET ASSETS	(274,393,549)

157 CastlePoint National Ins Co
STATEMENT OF CASH FLOWS
For Twelve Months Ended December 31, 2020

	<u>2020</u>
<u>Cash flows from operating activities</u>	
Net income	649,608
Decrease (increase) in statutory deposits held by other states	(1,345,133)
Decrease (increase) in recoverable from reinsurers	7,740,067
Decrease (increase) in other receivable	3,529
Increase (decrease) in general creditor claims	(1,208,523)
Adjustments to Net Assets / Loading balance	1,514,882
Net cash flow from operating activities	<u>7,354,431</u>
<u>Cash flows from investing activities</u>	
Decrease (increase) in accrued investment income-Non Restricted	196,147
Decrease (increase) in accrued investment income-Restricted	389,144
<u>Cash flows from financing activities</u>	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>7,939,722</u>
Cash, Cash Equivalents, and Restricted Cash at beginning of period	<u>264,248,486</u>
Cash, Cash Equivalents, and Restricted Cash at end of period	<u>272,188,208</u>

EXHIBIT B

CastlePoint National Insurance Com
INCOME AND EXPENSES

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2020
INCOME								
Salvage/Subrogation Recoveries	17,476	73,200	134,510	17,847	13,092	25,270	5,655	1,054,367
Other Revenue	553	605	175	88	510	193	18,018	46,794
Net Investment Income	2,936,803	763,283	273,723	1,145,778	(1,533,210)	749,814	4,284,000	9,367,263
Total Income	2,954,833	837,088	408,408	1,163,713	(1,519,609)	775,277	4,307,674	10,468,423
OPERATING EXPENSES								
Legal and Consulting	61,616	115,227	82,314	129,341	224,542	16,450	60,154	995,549
General and Administrative	10,524	9,639	12,476	8,056	8,698	8,688	9,077	120,522
Allocated Overhead Expenses	271,828	235,252	244,132	234,832	236,509	214,973	193,648	3,036,486
Total Operating Expenses	343,968	360,118	338,922	372,229	469,749	240,110	262,879	4,152,557
Net Income after Operating Expenses	2,610,865	476,970	69,486	791,484	(1,989,358)	535,167	4,044,795	6,315,865
LOSSES AND OTHER EXPENSES								
Incurred Losses and Claims Expense	(509,902)	(382,989)	216,092	(126,791)	1,767,155	1,045,620	6,133,340	5,666,257
Losses and Other Expenses	(509,902)	(382,989)	216,092	(126,791)	1,767,155	1,045,620	6,133,340	5,666,257
Changes to Net Assets	3,120,766	859,959	(146,606)	918,275	(3,756,513)	(510,453)	(2,088,546)	649,608
Details								
REVENUES								
Recoveries								
52003 Salvage/Subrogation Recoveries	17,476	73,200	134,510	17,847	13,092	25,270	5,655	1,054,367
Total Recoveries	17,476	73,200	134,510	17,847	13,092	25,270	5,655	1,054,367
Other Revenue								
54003 Miscellaneous Income	553	605	175	88	510	193	18,018	46,794
Total Other Revenue	553	605	175	88	510	193	18,018	46,794
TOTAL REVENUES	18,030	73,805	134,685	17,934	13,602	25,463	23,673	1,101,160
EXPENSES								
Legal								
62001 DOI Legal	-	814	-	-	100	-	-	2,053
62002 DOJ Legal	1,650	-	27,940	-	94	-	33,110	66,699
62003 Other Legal Expense	1,734	32,206	45,306	123,948	143,142	10,536	24,089	466,351
Total Legal Expenses	3,384	33,020	73,246	123,948	143,336	10,536	57,199	535,102
Consultants and Contractors								
63002 Accounting & Auditing	3,382	789	-	-	-	-	-	40,162
63003 Software Contractor Expense	-	14,080	-	-	-	-	-	99,264
63005 Temporary Help Expense	-	-	-	-	-	-	-	176
63007 Other Professional Fees	54,850	67,339	9,068	5,393	67,991	5,914	2,955	307,629
63008 Tax Consulting and Compliance	-	-	-	-	13,215	-	-	13,215
Total Consultant Expenses	58,233	82,208	9,068	5,393	81,206	5,914	2,955	460,447
Office Expenses								
65002 Postage	9	11	4	3	32	43	150	349
65005 Insurance	-	-	-	-	-	-	-	6,850
65006 Parking	-	-	40	-	-	-	-	40
65007 Misc Licenses, Fees and Taxes	-	-	-	-	-	-	-	62
65015 Storage Rent	9,002	8,209	8,209	7,635	8,210	7,635	8,209	96,896
65016 Record Retrieval	-	-	-	-	11	390	-	434
65018 Travel & Company Meetings	83	-	-	20	-	-	-	508
65019 Delivery	16	57	35	9	76	-	80	355
65021 Utilities	-	-	-	-	-	-	80	80
65027 Bank Charges	1,414	1,361	4,188	390	369	620	558	14,950
Total Office Expenses	10,524	9,639	12,476	8,056	8,698	8,688	9,077	120,522
Allocated Expenses								
70002 Allocated Expenses	271,828	235,252	244,132	234,832	236,509	214,973	193,648	3,036,486
Total Net Allocated Expenses	271,828	235,252	244,132	234,832	236,509	214,973	193,648	3,036,486
<i>Direct Admin Exp only</i>								
	72,140	124,866	94,790	137,397	233,241	25,137	69,231	1,116,071
Total Admin Expenses	343,968	360,118	338,922	372,229	469,749	240,110	262,879	4,152,557
Losses								
61002 Assumed Loss & LAE	998,842	1,722	625,104	723	245,767	1,045,037	245,767	3,564,694
61004 Ceded Loss & LAE	(1,514,143)	(385,904)	(409,012)	(127,513)	(289,379)	-	5,653,248	309,998
65023 Bad Debt Expense	0	-	-	(0)	(0)	0	292,489	20,778
83002 Expense For Other Claims	5,399	1,193	-	-	1,810,768	583	-	1,828,951
61006 Comutations	-	-	-	-	-	-	(58,163)	(58,163)
Total Loss Expenses	(509,902)	(382,989)	216,092	(126,791)	1,767,155	1,045,620	6,133,340	5,666,257
Total non-Admin Expenses	(509,902)	(382,989)	216,092	(126,791)	1,767,155	1,045,620	6,133,340	5,666,257
TOTAL EXPENSES	(165,933)	(22,871)	555,014	245,438	2,236,905	1,285,730	6,396,219	9,818,814

CastlePoint National Insurance Com
 INCOME AND EXPENSES

		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2020
INVESTMENTS									
Investment Income									
53001	Interest Earned-Taxable	886,703	523,681	597,210	229,460	452,788	910,356	548,019	7,115,849
53002	Interest Earned-Non Taxable	(96,535)	-	-	-	-	-	(98,960)	(180,131)
	Total Investment Income	790,168	523,681	597,210	229,460	452,788	910,356	449,059	6,935,718
Investment Expenses									
68001	Investment Expense	(30,448)	(29,578)	(31,149)	(35,202)	(21,623)	(39,474)	(29,998)	(356,809)
68003	Interest Expense	(36,055)	(2,757)	(852)	(467)	11	653	370	(35,034)
	Total Investment Expenses	(66,503)	(32,336)	(32,001)	(35,670)	(21,612)	(38,821)	(29,629)	(391,842)
Gain (Loss) on Securities									
82001	LT Realized Gn/Ls-Pool	(2,111)	845	(22,714)	(6,478)	(50,462)	28,252	(14,465)	(26,601)
82002	ST Realized Gn/Ls-Pool	10,276	79,644	(1,461)	2,808,489	(2,358,635)	39,708	(261,231)	2,094,427
82005	Mark to Market-Pool	(59,980)	9,984	(13,040)	(2,045,114)	1,161,835	(132,003)	132,182	(1,734,096)
82006	G/L on Sale LT Non Pool Sec	(5,140)	(6,001)	(6,024)	(57,679)	(5,952)	(5,859)	(6,709)	559,445
82007	G/L on Sale ST Non Pool Sec	(21,650)	(32,626)	(35,550)	(1,070)	-	-	-	(174,879)
82008	G/L Non Pool Reap of Sec	2,291,745	220,092	(212,697)	(1,733,080)	(723,393)	(51,819)	4,014,794	105,951
82009	Gn/Ls on Transfer to Pool	-	-	-	1,986,921	12,220	-	-	1,999,141
	Net G/L on Securities	2,213,139	271,938	(291,486)	951,988	(1,964,386)	(121,721)	3,864,570	2,823,387
NET INVESTMENT INCOME		2,936,803	763,283	273,723	1,145,778	(1,533,210)	749,814	4,284,000	9,367,263
NET INCOME (LOSS)		3,120,766	859,959	(146,606)	918,275	(3,756,513)	(510,453)	(2,088,546)	649,608