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ENDORSED
FILED
Superior Court of California
County of San Francisco

APR 20 2011

CLERK OF THE COURT

By: _____
Deputy Clerk

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13 California in his Capacity as Conservator of Majestic
Insurance Company
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15 SUPERIOR COURT OF THE STATE OF CALIFORNIA

16 CITY AND COUNTY OF SAN FRANCISCO

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

19 Applicant,

20 v.

21 MAJESTIC INSURANCE COMPANY, and
22 DOES 1-50, inclusive,

23 Respondents.
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Case No. CPF-11-511261

**EX PARTE APPLICATION FOR
ORDER: (1) SETTING HEARING
DATE AND BRIEFING SCHEDULE
FOR CONSERVATOR'S MOTION FOR
ORDER APPROVING PLAN OF
REHABILITATION FOR MAJESTIC
INSURANCE COMPANY IN
CONSERVATION; (2) ESTABLISHING
PROCEDURES FOR HEARING; (3)
APPROVING FORM OF NOTICE BY
MAIL, AND (4) APPROVING FORM
OF PUBLICATION NOTICE**

**Date: April 21, 2011
Time: 11:00 A.M.
Dept: 301
Judge: Hon. Peter J. Busch**

EXEMPT from filing fees per Govt. Code § 6103

1 TO THE HONORABLE PETER J. BUSCH, SUPERIOR COURT JUDGE, AND
2 INTERESTED PARTIES:

3 The Insurance Commissioner of the State of California, as the statutory conservator¹
4 (“Conservator”) of Majestic Insurance Company (“Majestic”), hereby applies to the Court for
5 entry of an Order in the form lodged herewith (“proposed Order”) which: (1) sets a hearing date
6 and briefing schedule for the Conservator’s Motion (“Rehabilitation Plan Motion”) for Order
7 Approving Rehabilitation Plan (“Rehabilitation Plan”); (2) establishes procedures for the hearing;
8 (3) approves and authorizes distribution of the proposed forms of notice by mail to policyholders,
9 creditors, the shareholder, and persons interested in Majestic concerning the hearing and the terms
10 of the Rehabilitation Plan; and (4) approves and authorizes publication of the proposed forms in
11 various newspapers to ensure, to the fullest extent reasonably possible, that all interested parties
12 receive notice thereof (the proposed forms for mailing and publication, collectively, are herein
13 referred to as the “Notices”).²

14 **BACKGROUND**

15 Majestic is a monoline workers’ compensation company which has been found, after an
16 examination by the California Department of Insurance (“CDI”), to be in such a condition that the
17 further transaction of its business outside of conservation would be hazardous to its policyholders,
18 creditors and the public. Cal. Ins. Code § 1011(d). Accordingly, the Commissioner has brought
19 conservation proceedings against Majestic pursuant to section 1011, *inter alia*, of the Insurance
20 Code. Under section 1011, title and possession of Majestic’s assets are vested in the
21 Commissioner, as Conservator of Majestic. The Commissioner is authorized to conduct
22 Majestic’s business, or so much of it as he sees fit, to ensure the protection of Majestic’s
23 policyholders, creditors and the public interest. *Id. See Carpenter v. Pac. Mut. Life Ins. Co.*, 10
24 Cal. 2d 307, 331 (1937). See also Cal. Ins. Code §§ 1037(a)(h), 1043.

25 _____
26 ¹ The Commissioner has filed a Verified Application for Conservation and Proposed Conservation Order for
27 Majestic, under which the Insurance Commissioner would become Conservator of Majestic, and this application is
28 intended to be addressed following the issuance of the Conservation Order.

² True and correct copies of the Notices are attached as Exhibits A and B to the proposed Order. One form of notice
(Exhibit A) will be sent by mail to policyholders, creditors and potential creditors, Majestic’s shareholder and all
other persons and entities that may have any interest in the conservation and rehabilitation of Majestic. The second
form of notice (Exhibit B) is a summary notice of the hearing and the Rehabilitation Plan for publication.

1 The Commissioner has broad authority to enter into rehabilitation agreements subject to
2 Court approval. Cal. Ins. Code § 1043. The Conservator, with Majestic, has developed a plan for
3 its rehabilitation (“Rehabilitation Plan”) which is to be the subject of the hearing this Application
4 requests. The primary components of the Rehabilitation Plan are a Rehabilitation Agreement and
5 a series of accompanying agreements between the Conservator, on behalf of Majestic, and
6 AmTrust North America, Inc. (“AmTrust”) by which AmTrust will purchase certain of Majestic’s
7 assets, obtain renewal rights for Majestic’s policies, and reinsure and administer all claims arising
8 from and covered under Majestic’s policies.³ Majestic’s assets are currently at risk of significant
9 diminution in value with each passing day. The approval of the Rehabilitation Plan and the
10 transfer at the earliest possible time of those assets to AmTrust in exchange for its agreement,
11 among other things, to reinsure, pay and administer all claims arising under Majestic’s policies is
12 in the best interest of Majestic’s policyholders, creditors, the shareholder, and all other interested
13 parties. To that end, the Commissioner, as Conservator, will be prepared to file his Rehabilitation
14 Plan Motion, together with all supporting documents, following the Court’s consideration and
15 action on this Application, on Thursday, April 21, 2011.

16 **COURT ACTIONS REQUESTED BY CONSERVATOR**

17 The Conservator requests that, by entering the proposed Order, the Court:

18 1. Set the time and date for the hearing on June 2, at 9:30 a.m. in Department 301, or
19 as soon thereafter as the Court’s calendar permits, taking into consideration the exigency of the
20 matters described herein.

21 2. Order that the Conservator file and serve the Rehabilitation Plan Motion and any
22 additional points and authorities, declarations, and other evidence concerning the Rehabilitation
23 Plan no later than April 22, 2011.

24 3. Order that any person or entity wishing to file papers in connection with the
25 Hearing or to appear at the Hearing shall, by no later than May 16, 2011, file with the Court

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27 ³ The set of agreements between Majestic and AmTrust North America, Inc. (collectively, the “Rehabilitation
28 Transaction Agreements”) that make up the core of the Rehabilitation Plan consists of (i) a Renewal Rights and Asset
Purchase Agreement, (ii) a Loss Portfolio transfer and Quota Share Reinsurance Agreement, and (iii) a Reinsurance
Administrative Services Agreement.

1 written notification and a summary of the matters to be presented as well as copies of any
2 documents to be presented (“Opposition Papers”) and shall serve such Opposition Papers by
3 email and overnight mail upon the Conservator and his counsel in the manner set forth in the
4 proposed Order.

5 4. Order that the Conservator file and serve upon the person or entity filing such
6 opposition papers any Reply thereto no later than May 26, 2011.

7 5. Order that any person or entity interested in the estate or the business, assets or
8 property of Majestic appear at the hearing to show cause, if any they have, why (i) the
9 Rehabilitation Plan, the Rehabilitation Agreement and Rehabilitation Transaction Agreements
10 and any agreement ancillary thereto should not be approved and/or ratified, and (ii) the Order of
11 Rehabilitation should not be entered.

12 6. Order that any person who fails to appear at the hearing shall be deemed to have
13 forever waived any and all objections, comments, suggestion, or other matter they may have
14 made with respect to the Rehabilitation Plan Motion, the Rehabilitation Plan, the Rehabilitation
15 Agreement, the Rehabilitation Transaction Agreements, or any agreement ancillary thereto,
16 and/or the Order of Rehabilitation.

17 7. Order that any objection, comment, suggestion or other matter that is not raised
18 before or at the hearing is forever barred.

19 8. Order that no discovery from the Conservator or his staff, or former Majestic or
20 AmTrust, be conducted with respect to the Rehabilitation Plan, including but not limited to the
21 Rehabilitation Agreement and the Rehabilitation Transaction Agreements, except upon prior
22 order of the Court after a noticed hearing and upon a showing of good cause.

23 9. Approve of the form of the Notices annexed as Exhibits A and B to the proposed
24 Order; find that the Notices are reasonably calculated to and do provide fair, reasonable and
25 adequate notice of these proceedings, the hearing, and the terms of the proposed Rehabilitation
26 Plan; and authorize the Conservator to serve, distribute or publish the Notices, as and in the
27 manner deemed appropriate by the Conservator.

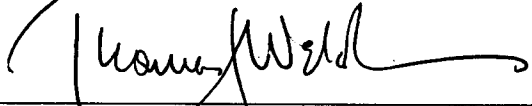
28 Entry of the proposed Order is essential to the fair and prompt consideration of the

1 Commissioner's proposed Rehabilitation Plan for Majestic and is reasonable and necessary to the
2 orderly conservation and rehabilitation of Majestic. Accordingly, the Conservator requests that
3 the Court enter the proposed Order, with such revisions as the Court deems appropriate.

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5 Dated: April 20, 2011

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JOYCE E. HEE
Supervising Deputy Attorney General
KRISTIAN D. WHITTEN
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11 By: 
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13 Attorneys for Applicant
14 Dave Jones, Insurance Commissioner of
15 the State of California in his Capacity as
16 Conservator of Majestic Insurance
17 Company

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