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8 *Insurance Commissioner of the State of California*

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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

14 Applicant,

15 v.

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

19 Respondent.

Case No. 320049

**NOTICE OF HEARING
ON APPLICATION AND APPLICATION
FOR ORDER AUTHORIZING
PROPOSAL FOR FOURTH EARLY
ACCESS DISTRIBUTION OF ASSETS
TO STATE INSURANCE GUARANTY
ASSOCIATIONS AND NON-COVERED
POLICYHOLDERS; DECLARATIONS
OF EDWARD HAHN AND JOHN
BATTLE IN SUPPORT THEREOF;
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT THEREOF**

Date: November 2, 2011
Time: 9:30 a.m.
Dept: 301
Judge: Honorable Peter J. Busch

1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that the hearing on the Application for Order Authorizing
3 Proposal for Fourth Early Access Distribution of Assets to State Insurance Guaranty Associations
4 and Non-Covered Policyholders filed by applicant Insurance Commissioner of the State of
5 California (Commissioner) has been set for November 2, 2011, at 9:30 a.m., or as soon thereafter
6 as counsel can be heard, in Department 301 of this Court, at 400 McAllister Street, San Francisco,
7 California.

8 The above-referenced application is based on the ground that the Commissioner, in his
9 capacity as the court-appointed liquidator of respondent HIH America Compensation & Liability
10 Insurance Company (HIH America or the Company), is statutorily required under Insurance Code
11 section 1035.5 to make timely application to this Court for approval of a proposal to disburse the
12 Company's assets, as they become available, to the California Insurance Guarantee Association
13 or other similar entities. The application is based on this notice, the application itself, the
14 attached declarations of Edward Hahn and John Battle, the Commissioner's memorandum of
15 points and authorities in support of the application and such oral argument as may be presented
16 at the hearing on the application.

17
18 Dated: September 29, 2011

Respectfully Submitted,

19 KAMALA D. HARRIS
20 Attorney General of California
21 JOYCE E. HEE
22 Supervising Deputy Attorney General

23 

24 DAVID LEW
25 Deputy Attorney General
26 *Attorneys for Applicant*
27 *Insurance Commissioner of the State of California*
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1 **I. SUMMARY OF APPLICATION**

2 Pursuant to Insurance Code sections 1035.5 and 1037, the Commissioner, in his capacity
3 as the court-ordered liquidator of HIH America, an insolvent workers' compensation insurer,
4 seeks court approval for his proposal to disburse a portion of the Company's assets to various
5 state insurance guaranty associations (IGAs) and to individual policyholders who have filed
6 claims that are non-covered claims pursuant to Insurance Code section 1033, subdivision (a)(2)
7 (non-IGA policyholders).¹ Specifically, the Commissioner seeks court approval to disburse
8 \$49,784,392 to a total of seven (7) IGAs and \$596,728 to a total of 180 non-IGA policyholders.
9 The specific amount to be disbursed to each of the IGAs and the non-IGA policyholders
10 is set forth herein.

11 The Commissioner has complied with all of the requirements of section 1035.5 for
12 disbursement of assets to IGAs and has determined that, in furtherance of the administration of
13 the estate and the interest of non-IGA policyholders, a distribution of a portion of HIH America's
14 assets in partial satisfaction of the Company's non-covered claims is warranted. Accordingly,
15 this Court should approve the instant application.

16 **II. APPLICATION FOR FOURTH EARLY ACCESS DISTRIBUTION OF ASSETS**

17 The Commissioner was appointed as conservator of HIH America by this Court
18 on March 30, 2001, and was thereafter appointed as liquidator by this Court on May 8, 2001,
19 pursuant to sections 1011 and 1016, respectively. (Declaration of Edward Hahn (Hahn Decl.)
20 at ¶ 4.) As liquidator, the Commissioner has been directed to liquidate and wind up the business
21 affairs of HIH America in accordance with the applicable provisions of the Insurance Code.

22 **A. Proposal for Fourth Early Access Distribution to IGAs**

23 As part of the Commissioner's responsibilities as liquidator, section 1035.5, subdivision (a)
24 provides:

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27 _____
28 ¹ Unless otherwise specified, all statutory references are to the Insurance Code.

1 Within 120 days of the issuance of an order directing the winding up and
2 liquidation of the business of an insolvent insurer under Section 1016, the
3 commissioner shall make application to the court for approval of a proposal to
4 disburse the insurer's assets, from time to time as such assets become available,
5 to the California Insurance Guarantee Association, or the California Life and Health
6 Insurance Guarantee Association, and to any entity or person performing a similar
7 function in another state.

8 On October 22, 2001, this Court approved the Commissioner's request, pursuant to section
9 1035.5, to make an initial distribution of \$45,000,000 to the California Insurance Guarantee
10 Association from a workers' compensation special deposit that the Commissioner held as trustee
11 for payment of the Company's obligations on workers' compensation insurance transacted in this
12 state. At the time that the Commissioner secured approval from this Court, HIH America had
13 insufficient assets to make any distribution of assets to other IGAs pursuant to section 1035.5.
14 (Hahn Decl. at ¶ 5.)

15 On June 28, 2004, after HIH America received substantial additional funds by virtue
16 of a cancellation agreement with a reinsurer, this Court approved the Commissioner's request,
17 pursuant to section 1035.5, to make a first early access distribution to the California Insurance
18 Guarantee Association and other IGAs in the amount of \$25,000,000. (Hahn Decl. at ¶ 6.)

19 On December 29, 2005, following HIH America's receipt of additional funds as a result of
20 several reinsurance commutations, this Court approved the Commissioner's request, pursuant to
21 section 1035.5, to make a second early access distribution to the California Insurance Guarantee
22 Association and other IGAs in the amount of approximately \$85 million. (Hahn Decl. at ¶ 7.)

23 On November 6, 2006, this Court approved the Commissioner's request, pursuant to
24 section 1035.5, to make a third early access distribution to the California Insurance Guarantee
25 Association and other IGAs in the amount of approximately \$51 million. (Hahn Decl. at ¶ 8.)

26 The Commissioner believes that he is in position, and therefore now proposes, to make a
27 fourth early access distribution to the California Insurance Guarantee Association and other IGAs.
28 Specifically, as of June 30, 2011, net available liquid cash assets of the estate of HIH America
totaled \$62,849,625, from which the Commissioner now proposes to make a fourth early access
distribution to seven IGAs in the total amount of \$49,784,392. (See Hahn Decl. at ¶ 9 & attached
Exh. A ("Proposed Early Access distribution to Insurance Guaranty Associations, September

2011”).) This proposed distribution amounts to a payment of 52 percent of the paid losses (including loss adjustment expenses) through June 30, 2011 of each of the seven IGAs. (Hahn Decl. at ¶ 10 & attached Exhibit C (“Calculation for Proposed Distribution, September 2011”).)

The Commissioner proposes to distribute and pay to each IGA the following amount:

1. Special Fund of Industrial Commission of Arizona	\$0
2. California Insurance Guarantee Association	\$48,847,451
3. Colorado Insurance Guaranty Association	\$321,229
4. Florida Workers’ Comp. Ins. Guaranty Assn.	\$47,042
5. Hawaii Insurance Guaranty Association	\$0
6. Illinois Insurance Guaranty	\$0
7. Indiana Insurance Guaranty Association	\$0
8. Iowa Insurance Guaranty Association	\$0
9. Kentucky Insurance Guaranty	\$0
10. Michigan Property & Casualty Guaranty Assn.	\$381,714
11. Missouri Prop. & Casualty Ins. Guaranty Assn.	\$0
12. Nebraska Property & Liability Ins. Association	\$0
13. Nevada Insurance Guaranty Association	\$0
14. Oregon Insurance Guaranty	\$0
15. South Dakota Insurance Guaranty Association	\$357
16. Texas Property & Casualty Guaranty Ins. Association	\$111,495
17. Utah Property & Casualty Ins. Guaranty Assn.	\$75,104
18. Wisconsin Insurance Security Fund	\$0

(See Hahn Decl. at attached Exh. A.)

In calculating the amount of payment to each IGA, the Commissioner has offset from the proposed distribution the amount of any statutory deposit held by HIH America in that particular state, pursuant to section 1035.5, subdivision (d), and has also deducted the amount of any previous distributions. Where the sum of statutory deposits and previous early access distributions exceeds an IGA’s paid losses, no distribution will be made to that IGA.

1 Once the proposed distribution is made, each IGA will have received at least 52 percent of its
2 estimated final claim. (See Hahn Decl. at attached Exh. C.)

3 As detailed above, the Commissioner's proposal complies with the requirements of section
4 1035.5 for disbursement of assets to IGAs. Accordingly, this Court should approve the instant
5 application.

6 **B. Proposal for First Interim Distribution to Non-IGA Policyholders**

7 The Commissioner, in administering the estate of an insolvent insurer for the benefit of its
8 policyholders and creditors, is specifically granted the general authority necessary to accomplish
9 the purposes of the liquidation proceeding. Section 1037 provides in part:

10 **[General Powers.]** The enumeration, in this article, of the duties, powers and
11 authority of the commissioner in proceedings under this article shall not be construed
12 as a limitation upon the commissioner, nor shall it exclude in any manner his or her
13 right to perform and to do such other acts not herein specifically enumerated, or
otherwise provided for, which, the commissioner may deem necessary or expedient
for the accomplishment or in aid of the purpose of such proceedings.

14 To date, the Commissioner has not sought approval for a proposal to distribute available
15 assets to non-IGA policyholders for refund of unearned premiums or claims not covered by IGAs.
16 All policyholder claims not covered by any IGA are treated as "Class 2" claims under section
17 1033, which provides in part:

18 (a) Claims allowed in a proceeding under this article shall be given
19 preference in the following order:

20 (1) Expense of administration.

21 (2) All claims of the California Insurance Guarantee Association or
22 the California Life and Health Insurance Guarantee Association, and associations
23 or entities performing a similar function in other states, together with claims for
refund of unearned premium and all claims under insurance and annuity policies
or contracts, including funding agreements, of an insolvent insurer that
are not covered claims.

24 (Emphasis added.) The claimants within Class 2 claims are entitled to share pro rata in any
25 distribution to the class, and the Commissioner may not discriminate against claimants within
26 the same class. (*Commercial National Bank vs. Superior Court (Garamendi)* (1993)
27 14 Cal.App.4th 393, 398.)

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1 Over ten years has passed since the Commissioner instituted proceedings against
2 HIH America and no non-IGA policyholder has received any distribution from the assets
3 of the insolvent estate. (Hahn Decl. at ¶ 11.) The Commissioner, in exercising his discretion,
4 has determined that in the furtherance of the administration of the assets of the Company,
5 180 non-IGA policyholders should receive a pro rata distribution of 45 percent of their paid
6 losses through June 30, 2011, for a total distribution of \$596,728. This distribution is seven (7)
7 percentage points less than the 52 percent of losses that the Commissioner proposes to distribute
8 to the IGAs. The lower distribution rate to non-IGA policyholders is necessary because the IGAs
9 have agreed to return to the Commissioner any amount received in excess of the ultimate pro rata
10 percentage that will be distributed to all Class 2 claimants pursuant to section 1033. (Hahn Decl.
11 at ¶ 11.) The non-IGA policyholders who will receive distributions as proposed by the
12 Commissioner, however, are under no legal obligation to repay the Commissioner in the event
13 that they have received a greater pro rata percentage than permitted by law. (Hahn Decl. at ¶ 11.)

14 The specific amounts that will be distributed to non-IGA policyholders are listed in Exhibit
15 B ("Proposed Interim Distribution to non-IGA Class 2 Claimants, September 2011"), attached
16 below to the Declaration of Edward Hahn. The proofs of claim of these policyholders are for
17 either unearned premium or for "overcap claims," which are workers' compensation claims that
18 are in excess of each state's cap for liability for payment of claims under its respective guaranty
19 fund statute. (Hahn Decl. at ¶ 11.)

20 **C. Retained Cash Funds Following Proposed Early Access Distribution**

21 Under section 1033, subdivision (a), allowed claims related to the expenses of
22 administration of an insolvent insurer (Class 1 claims) are entitled to preference over claims of
23 IGAs and non-IGA policyholders, which are treated as Class 2 claims. Following the proposed
24 distribution to IGAs and non-IGA policyholders, the Commissioner will have \$12,467,956
25 in cash in order to pay for all of HIH America's Class 1 expenses of administration under
26 section 1033, subdivision (a)(1). (Hahn Decl. at ¶ 13 & Exh. D (page two) ("Cash Available for
27 Distribution as of June 30, 2011").) These expenses include HIH America's estate tax liability,
28 expenses relating to resolution of a final reinsurance commutation and the estate's final closing

1 administrative expenses. The Commissioner believes that the retained funds will be more than
2 sufficient to pay all anticipated Class 1 claims under the terms of the proposed distribution in this
3 matter. (Hahn Decl. at ¶ 13.)

4 The amount of Class 2 claims filed against HIH America far exceeds the amount of assets
5 in the estate, such that the Commissioner believes that it is highly unlikely that lower preference
6 claimants (such as Class 3 through Class 9 claimants (see § 1033, subd. (a)(3)-(a)(9)) will ever
7 receive a distribution of estate assets. (Hahn Decl. at ¶ 12 and Exh. D (page one) (“Statement of
8 Assets and Liabilities as of June 30, 2011”).) Accordingly, the Commissioner believes that it
9 does not make sense to wait until closure of the estate before making a distribution of assets to
10 Class 2 claimants (IGAs and non-IGA claimants), as long as that is accomplished on an equitable
11 and pro rata basis. The Commissioner’s proposal should be approved because it is equitable to all
12 Class 2 claimants and will not jeopardize the payment of any Class 1 claim.

13 **D. Non-IGA Policyholders with Unknown Current Addresses**

14 The Commissioner is informed that a total of approximately 20 non-IGA policyholders
15 have not maintained current mailing addresses with the Commissioner’s Conservation &
16 Liquidation Office (CLO). (See Declaration of John Battle (Battle Decl.) at ¶ 6.) The CLO has
17 attempted to locate current addresses for these 20 policyholders through the Internet and through
18 a national database maintained by the United States Postal Service, but so far with no success.
19 (Battle Decl. at ¶ 6.) The Commissioner has determined that, should this Court approve his
20 proposal for an early distribution of assets to non-IGA policyholders, it would not be in the best
21 interests of the HIH America estate to send distribution checks to the 20 policyholders with
22 non-current addresses. (Battle Decl. at ¶ 7.) Accordingly, subject to the Court’s approval,
23 the Commissioner proposes to place a distribution hold on the distribution checks until such time
24 that the policyholders in question communicates their correct address to the CLO or the CLO
25 is otherwise able to locate them. (Battle Decl. at ¶ 8.) The Commissioner further proposes,
26 with the Court’s approval, that if any of the policyholders in question does not have a properly
27 documented address by the time that the HIH America estate is closed, the distribution check
28

1 for that policyholder will escheat to the state controller of the policyholder's domiciliary state.
2 (Battle Decl. at ¶ 8.)

3 WHEREFORE, the Commissioner requests that the Court issue an Order as follows:

4 1. Authorizing the Commissioner, as liquidator of HIH America, to distribute and pay
5 a total of \$49,784,392 to IGAs as set forth in this application;

6 2. Authorizing the Commissioner, as liquidator of HIH America, to distribute and pay
7 a total of \$596,728 to non-IGA policyholders as set forth in this application;

8 3. Authorizing the Commissioner, as liquidator of HIH America, to place a distribution
9 hold on any payment to a non-IGA policyholder with an unknown current address until such time
10 that a current address for the policyholder becomes known, and if no current address is known
11 by the time that the HIH America estate closes, to escheat that policyholder's distribution amount
12 to the state controller of the policyholder's domiciliary state; and

13 4. Authorizing the Commissioner, as liquidator of HIH America, to take any and all
14 action necessary to accomplish the purposes of this Order.

15
16 Dated: September 29, 2011

Respectfully Submitted,

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

20 *David Lew*

21 DAVID LEW
22 Deputy Attorney General
23 *Attorneys for Applicant*
24 *Insurance Commissioner of the State of California*

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1 7. On December 29, 2005, this Court approved the Commissioner's request to make
2 an early access distribution of approximate \$85 million to IGAs following receipt of substantial
3 additional funds as a result of several reinsurance commutations.

4 8. On November 6, 2006, this Court approved the Commissioner's request to make
5 an early access distribution of approximate \$51 million to IGAs.

6 9. The Commissioner proposes to make an early access distribution of \$49,784,392 to
7 IGAs and an interim distribution of \$596,728 to non-IGA class 2 policyholders ("Policyholders"),
8 for a total proposed distribution of approximately \$50,381,120. See attached Exhibit A
9 ("Proposed Early Access Distribution to Insurance Guaranty Associations, September 2011") and
10 Exhibit B ("Proposed Interim Distribution to Non-IGA Class 2 Claimants, September 2011").

11 10. In calculating the amount of payment to each IGA, the Commissioner has offset from
12 the proposed distribution the amount of any statutory deposit held by HIH America in that
13 particular state, pursuant to Insurance Code section 1035.5, subdivision (d), and has also deducted
14 the amount of any previous early access distributions. Where the sum of statutory deposits and
15 previous early access distributions exceeds an IGA's paid losses, no distribution will be made to
16 that IGA. After the proposed distribution, each IGA will have received at least 52.0% of its
17 estimated final claim. (See attached Exhibit C ("Calculation of 4th Early Access Distribution to
18 Insurance Guaranty Associations, September 2011"). All distributions will be subject to an
19 agreement by each IGA to, if necessary, return assets previously disbursed to pay claims of
20 secured creditors. All distributions will also be subject to an agreement by each IGA to make a
21 full report to the Commissioner accounting for all assets disbursed to the IGA, all disbursements
22 made therefrom, and any interest earned by the IGA on the assets. The Commissioner will offset
23 the amount disbursed to any IGA by the amount of any statutory deposit, premiums, or any other
24 asset that HIH America held in that state. Notice of this application has been given in accordance
25 with the provisions of section 1035.5, subdivision (e).

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1 11. It has been over ten years since the Commissioner instituted proceedings against
2 HIH America and the Policyholders have not received any distribution from the liquidated estate.
3 The Commissioner, in exercising his discretion in his role as liquidator of HIH America, has
4 determined that these Policyholders should receive a pro rata distribution seven percentage points
5 less than what will be and has been distributed to CIGA and other IGAs that perform similar
6 functions. The lower distribution rate to individual Policyholders is necessary because the IGAs
7 have contractually agreed to return to the Commissioner any amount received in excess of
8 the ultimate pro rata percentage that will be distributed to all class 2 claimants pursuant to
9 Insurance Code § 1033. The policyholders who will receive distributions as proposed by the
10 Commissioner, however, are under no legal obligation to repay the Commissioner in the event
11 that they have received a greater pro rata percentage than permitted by law. After the proposed
12 distribution, each Policyholder will have received 45.0% of his or her approved claim. The
13 proofs of claim of the Policyholders are for either unearned premium or for "overcap claims,"
14 which are workers' compensation claims that are in excess of each state's cap for liability for
15 payment of claims under its respective guaranty fund statute.

16 12. As of June 30, 2011, HIH America had assets totaling \$64,652,153 and liabilities
17 totaling \$482,504,394, which results in a net asset deficiency of \$417,852,241. Attached as
18 Exhibit D to my Declaration is a full and accurate copy of financial statements as of June 30,
19 2011: "Statement of Assets and Liabilities as of June 30, 2011" (page 1), and "Cash Available for
20 a Distribution as of June 30, 2011" (page 2). Since, pursuant to Insurance Code §1033, each
21 priority class of claims must be fully paid before any distribution may be made to the next priority
22 class, it highly unlikely that unsecured claimants other than IGAs and Policyholders will receive
23 a distribution from HIH America.

24 13. HIH America qualifies as a property and casualty insurance company for federal
25 income tax purposes. The Commissioner has retained \$12,467,956 in cash following this
26 distribution, in order to pay for the estate's tax liability as well as expenses relating to resolution
27 of a final reinsurance commutation and for the estate's final closing administrative expenses,
28 which are currently estimated to be \$160,000. See attached Exhibit D ("Cash Available for

1 a Distribution" (page 2). The Commissioner has thus retained sufficient cash to pay
2 HIH America's projected future tax liabilities and other expenses of administration until it is
3 closed. The Commissioner will apply to this Court for approval to distribute any assets remaining
4 after payment of all income taxes and closing administrative expenses.

5 I declare under penalty of perjury that the foregoing is true and correct, except as to matters
6 stated on information and belief and, as to those matters, I believe them to be true.

7 Executed this 27th day of September, 2011, at San Francisco, California

8 
9 _____
10 EDWARD HAHN

Exhibit A

HIH AMERICA COMPENSATION AND LIABILITY INSURANCE CO.
Proposed Early Access Distribution to Insurance Guaranty Associations
September 2011

<u>Payee</u>	<u>Amount</u>
SPECIAL FUND OF INDUSTRIAL COMMISSION OF ARIZONA	\$0
CALIFORNIA INSURANCE GUARANTEE ASSOCIATION	\$48,847,451
COLORADO INSURANCE GUARANTY ASSOCIATION	\$321,229
FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSN.	\$47,042
HAWAII INSURANCE GUARANTY ASSOCIATION	\$0
ILLINOIS INSURANCE GUARANTY FUND	\$0
INDIANA INSURANCE GUARANTY ASSOCIATION	\$0
IOWA INSURANCE GUARANTY ASSOCIATION	\$0
KENTUCKY INSURANCE GUARANTY ASSOCIATION	\$0
MICHIGAN PROPERTY & CASUALTY GUARANTY ASSOCIATION	\$381,714
MISSOURI PROPERTY & CASUALTY GUARANTY ASSOCIATION	\$0
NEBRASKA PROPERTY & LIABILITY INSURANCE GUARANTY ASSN.	\$0
NEVADA INSURANCE GUARANTY ASSOCIATION	\$0
OREGON INSURANCE GUARANTY ASSOCIATION	\$0
SOUTH DAKOTA INSURANCE GUARANTY ASSOCIATION	\$357
TEXAS PROPERTY & CASUALTY INSURANCE GUARANTY ASSN.	\$111,495
UTAH PROPERTY & CASUALTY INSURANCE GUARANTY ASSOCIATION	\$75,104
WISCONSIN INSURANCE SECURITY FUND	\$0
TOTAL	<u><u>\$49,784,392</u></u>

Exhibit B

HIH AMERICA COMPENSATION AND LIABILITY INSURANCE CO.
Proposed Interim Distribution to Non-IGA Class 2 Claimants
September 2011

<u>LiqNo</u>	<u>Payee</u>	<u>Amount</u>
11405	DESERT RADIOLOGISTS	\$45.00
13022	155 NORTH, INC.	\$176.00
13072	4 SISTERS & A COUSIN, INC.	\$146.00
13208	A PRIVATE INVESTIGATOR INC	\$638.00
13248	A-T KLDIS CO., INC.	\$207.00
13423	ACE ELECTRIC	\$1,034.00
13664	AIRLINE TOWING INC	\$238.00
13884	ALLIANCE INC.	\$32.00
13921	ALMOST HOME INC	\$193.00
13990	ALUMINUM COIL ANODIZING CORPORATION	\$682.00
14007	AMANO ENZYME USA CO.,LTD.	\$326.00
14089	AMERICAN LEGION POST # 1080	\$250.00
14408	APPEAL FOR CHARITIES & GOODWILL	\$1,079.00
14421	APPLE LIMOUSINE INC.	\$98.00
14907	AYALA BORING CONSTRUCTION	\$3,204.00
14921	AZTECH CONTROLS CORP.	\$191.00
14973	B.B.C. LIMO SERVICE, INC.	\$358.00
15010	BADGER BASKET COMPANY	\$1,916.00
15582	BERTEAU LOWELL PLATING WORKS, INC.	\$640.00
15612	BEST STAFF SOLUTIONS	\$10,472.00
15781	BILLY O'S INC.	\$99.00
15854	BLAIN REHABILITATION MANAGEMENT	\$28.00
15876	BLOOMINGDALE RESCUE & RECOVERY	\$507.00
15976	BODY LINES CO.	\$360.00
16103	BOYS & GIRLS REPUBLIC	\$1,858.00
16338	BRUNO'S AUTOMOTIVE PRODUCTS	\$78.00
16523	C & D HEATING & COOLING INC.	\$16,965.00
17009	CAMS CONSTRUCTION CORPORATION	\$45.00
17113	CARING NURSES, INC.	\$45.00
17832	CHRISTIAN HOMES, INC.	\$110.00
17853	CHROME CRAFT CORPORATION	\$6,768.00
18063	CLIMATEMP INC.	\$70,248.00
18208	COLFAX ENVELOPE CORPORATION	\$2,596.00
18494	CONSTRUCTION DRILLING COMPANY,	\$133.00
18728	COUNTY LIQUORS L J & R L SCHOENBURG	\$85.00
19079	D & J BISTRO & RETRO BISTRO	\$18.00
19518	DEAN'S EGGS INC.	\$1,215.00
19533	DECATUR DAY CARE CENTER	\$143.00
19557	DEKALB CLINIC PHARMACY	\$144.00
19626	DEMME CORPORATION	\$1,958.00
19980	DOM'S PATIO VILLA	\$43.00
20095	DOUBLE R MECHANICAL INSULATION	\$650.00
20561	EDWARD D. WENGER	\$99.00
20775	EMERALD PARK HEALTHCARE CENTER	\$3,591.00
20789	EMMETT'S BLACKTOP	\$99.00
21140	FABRIONICS, INC.	\$5,824.00
21393	FINE WOODWORKS INC.	\$225.00
21574	FLOORING RESOURCES CORPORATION	\$6,737.00

HIH AMERICA COMPENSATION AND LIABILITY INSURANCE CO.
Proposed Interim Distribution to Non-IGA Class 2 Claimants
September 2011

<u>LiqNo</u>	<u>Payee</u>	<u>Amount</u>
21697	FORT HOWARD STEEL, INC.	\$4,179.00
21744	FOX VALLEY OLDER ADULTS SERVICES	\$91.00
21756	FOXX HEATING & COOLING INC	\$11.00
21834	FRED RADANDT SONS, INC.	\$7,863.00
21844	FRED'S MOVERS	\$393.00
22155	GARCO ENTERPRISES, INC.	\$3,018.00
22220	GARY'S METALS, INC.	\$4,600.00
22261	GEE CARTAGE, INC.	\$2,708.00
22276	GENAULDI	\$52.00
22307	GENIUS SOLUTIONS MANAGEMENT CONCEPT	\$26,860.00
23018	GRIER ABRASIVE COMPANY, INC.	\$1,319.00
23142	GYMKHANA GYM CLUB INC	\$234.00
23144	GYMQUARTERS GYMNASTICS CENTER	\$653.00
23250	HALE CRANE SERVICE	\$117.00
23294	HAMMOND CAULKING	\$45.00
23295	HAMMOND YACHT CLUB	\$175.00
23341	HANK AARON ENTERPRISES	\$2,413.00
23342	HANK COOK GUTTERS	\$274.00
23492	HARRY W. KUHN, INC.	\$1,857.00
23502	HARTZ CONSTRUCTION CO., INC.	\$18,136.00
23558	HAZARD SERVICES INTERNATIONAL, INC.	\$45.00
23848	HITACHI MAGNETICS CORPORATION	\$19,873.00
23950	HOMAK MANUFACTURING	\$22,094.00
24318	ILLINOIS CHILDRENS ALLIANCE	\$30.00
24319	ILLINOIS GLOVE COMPANY	\$927.00
24511	INSULATED PANEL CO.	\$1,743.00
24532	INTELLIGENT COMPUTER SOLUTIONS, LLC	\$75.00
24592	INTERSTATE ENGINEERING	\$29.00
24672	J & B HAULING, INC.	\$1,347.00
25386	JOHNSON BROS METAL FORMING CO.	\$459.00
25438	JONES CONCRETE INC	\$140.00
25645	KALAMAZOO CONVERTING	\$5,319.00
25665	KANE COUNTY FLEA MARKET, INC.	\$1,359.00
25672	KANTOR NEPHROLOGY CONSULTANTS, LTD.	\$45.00
25698	KASCH FINE CARS INC	\$702.00
25773	KELLY PICKLE COMPANY	\$8,584.00
25894	KFR, INC	\$107.00
26179	KOWALSKI ENTERPRISES INC	\$837.00
26224	KROESCHELL, INC.	\$14,327.00
26339	LA BEAU BROS INC/HOVE BUICK	\$321.00
26561	LANSING HOUSING COMMISSION	\$1,514.00
27395	LOST LIMO, INC.	\$261.00
27597	M2 INTERNATIONAL	\$872.00
27624	MACHINERY COMPONENTS	\$4,320.00
27627	MACON CO. CHILD ADVOCACY CENTER	\$65.00
27674	MAGOUIRK DRYWALL INC.	\$12,343.00
27751	MANAGEMENT TRAINING CORP	\$1,041.00
28370	MELCO TRANSFER, INC.	\$13,373.00

HIH AMERICA COMPENSATION AND LIABILITY INSURANCE CO.
Proposed Interim Distribution to Non-IGA Class 2 Claimants
September 2011

<u>LiqNo</u>	<u>Payee</u>	<u>Amount</u>
28657	MIDWEST PROPERTY MANAGEMENT	\$220.00
28797	MILWAUKEE STEEL CONVERTING CORP.	\$1,269.00
28820	MINOOKA COMMUNITY HIGH SCHOOL	\$254.00
29388	N.E.W. CONTRACTING SERVICES INC.,	\$2,199.00
29495	NATIONAL TRAINING & INFORMATION CENTER	\$38.00
29501	NATIONWIDE INSTALLATION	\$4,324.00
29604	NEVILLE BROTHERS DISTRIBUTING, INC.	\$3,062.00
29821	NORMS' AUTOMOTIVE CLINIC, INC	\$735.00
29878	NORTHBROOK GYMNASTICS TRAINING	\$360.00
29900	NORTHLAND INVESTMENTS, INC.	\$10,287.00
30137	ODM TOOL AND MFG.	\$4,851.00
30200	OLYMPIC CAULKING CO	\$1,313.00
30255	ONESTI PIZZA, INC.	\$330.00
30333	ORNELAS CONSTRUCTION COMPANY	\$2,159.00
30360	OSWEGO AUTOMOTIVE INC.	\$130.00
31239	PIASA LINCOLN MERCURY, INC.	\$451.00
31466	POLY-PAK & SHIP INC	\$2,246.00
31467	POLYMICRO TECHNOLOGIES, INC	\$2,452.00
31741	PRINCETON COMMUNITY SUBSTANCE ABUSE PROGRAM	\$22.00
31751	PRIORITY STAFFING, INC.	\$10,247.00
31879	REX D. PUTNAM	\$4,894.00
31970	QUIG'S ORCHARD INC	\$773.00
32001	R & M TRUCKING., INC.	\$370.00
32002	R & M TRUCKING., INC.	\$19,182.00
32096	BAKER SCRAP INC	\$160.00
32338	RAYNER COVERING SYSTEMS, INC.	\$6,185.00
32345	RDJ	\$229.00
32395	RED APPLE FOOD & LIQUOR	\$405.00
32523	RENO HEART PHYSICIANS	\$45.00
32963	ROBINS CARD & GIFT SHOP	\$35.00
32979	ROCK-OLA MFG. CORP	\$52.00
32984	ROCKFORD INSULATION, INC. AND ROCKFORD SEAMLE	\$376.00
33360	S & S CONTRACTORS INC	\$243.00
33475	SAFFORD UNIFIED SCHOOL DISTRICT #1	\$16,553.00
33864	SANTOKU AMERICA, INC.	\$2,268.00
34000	SCHULER BUILDERS	\$422.00
34204	SERRANO LANDSCAPING, INC.	\$57.00
34206	SERTANO'S DELI INC.	\$419.00
34318	SHELBYVILLE ELEVATOR	\$895.00
34321	SHELL VACATIONS LLC	\$824.00
34322	SHELL VACATIONS LLC	\$1,134.00
34366	SHEW BROTHERS INC	\$558.00
34516	SIKICH GARDNER & CO, LLC	\$319.00
34959	SOUTHERN ILLINOIS CARPENTERS TRUST FUND	\$83.00
35019	SPECIAL INSURANCE SERVICES	\$1,300.00
35029	SPECIALTY ROLLED METALS LLC	\$815.00
35100	SPINNER MEDICAL PRODUCTS CO.	\$627.00
35644	SUBURBAN JOB LINK CORPORATION	\$11,556.00

HIH AMERICA COMPENSATION AND LIABILITY INSURANCE CO.
Proposed Interim Distribution to Non-IGA Class 2 Claimants
September 2011

<u>LiqNo</u>	<u>Payee</u>	<u>Amount</u>
35645	SUBURBAN JOB LINK CORPORATION	\$3,455.00
35681	SUN COMMUNITY BANCORP LTD.	\$2,192.00
35933	SWAN LIMO, INC.	\$54.00
35974	SWISS PRECISION MACHINING, INC.	\$900.00
36462	THE CUNEO FOUNDATION & ESTATE OF JULIA JOSEPH	\$230.00
36517	THE FLAME OF COUNTRYSIDE	\$56.00
37077	TMW TOWING, INC	\$194.00
37201	TOTAL ASSURANCE COMPANY	\$3,851.00
37372	TRIAD BUSINESS SOLUTIONS	\$3,333.00
37374	TRICKEY'S SERVICE, INC.	\$288.00
37400	TRIMQUEST L.L.C.	\$1,155.00
37462	TRUCK SALES OF AMERICA	\$11.00
37545	TWENTY FIRST CENTURY RESOURCES	\$49,058.00
37580	UAW LOCAL 974	\$1,139.00
37666	UNITED MEMORIAL HEALTH SYSTEM	\$1,991.00
37693	UNIVERSAL ENTERPRISES INC & NEW GROUP INC	\$8.00
37759	USA #1 RESTAURANT	\$223.00
37883	VAN DRUNEN FORD CO., INC.	\$2,467.00
38154	VINOVA L.L.C.	\$1,773.00
38252	VOLLMER SECURITY SYSTEMS INC	\$278.00
38308	WAGNER HEATING & VENTILATING COMPANY	\$332.00
38404	WARWICK PUBLISHING COMPANY	\$1,293.00
38443	WAYNE DUPAGE HUNT & PONY CLUB	\$124.00
38754	WHITMORE CONSTRUCTION CO.	\$298.00
38837	WILLIAM M. FRANZ & ASSOC.	\$28.00
39052	WOODMOOR MANAGEMENT	\$104.00
39057	WOODRUFF SERVICES	\$671.00
39275	YOURSOURCE, INC.	\$6,528.00
39355	ZITKUS PRODUCTS, INC.	\$1,265.00
41064	FOX VALLEY OLDER ADULTS SERVICES	\$216.00
42025	PLASTER DEVELOPMENT COMPANY	\$45.00
42139	RCI SYSTEMS, INC.	\$1,309.00
99123	SUBURBAN JOB LINK CORPORATION	\$12,907.00
99124	ILLINOIS GLOVE COMPANY	\$588.00
99125	NESTLE PREPARED FOODS CO	\$50,259.00
99127	CRITICARE SYSTEMS INC	\$631.00
TOTAL		<u>\$596,728.00</u>

Exhibit C

HIH America Compensation & Liability Ins Co
Calculation for Proposed Distribution
September 2011

52.0%

State	Paid Losses	Loss and LAE Reserves	Ultimate Loss	Max Distribution	Credit for released stat deposits and previous EADs	Proposed Current Distribution	Post Distribution Payout %
Arizona	\$ 1,002,068.49	\$ 1,507,532.00	\$ 2,509,600.49	\$ 1,304,992.25	\$ 1,997,853.56	\$ -	79.6%
California	386,207,110.76	195,362,162.91	581,569,273.67	302,416,022.31	253,568,571.53	48,847,451.00	52.0%
Colorado	1,780,391.05	582,634.00	2,363,025.05	1,228,773.03	907,544.00	321,229.00	52.0%
Florida	445,593.78	-	445,593.78	231,708.77	184,667.00	47,042.00	52.0%
Hawaii	-	-	-	-	-	-	-
Illionois	24,112,141.27	-	24,112,141.27	12,538,313.46	14,135,999.36	-	58.6%
Indiana	622,691.00	-	622,691.00	323,799.32	443,024.14	-	71.1%
Iowa	8,546.43	-	8,546.43	4,444.14	5,961.00	-	69.7%
Kentucky	72,363.55	-	72,363.55	37,629.05	62,319.00	-	86.1%
Michigan	8,977,412.90	-	8,977,412.90	4,668,254.71	4,286,540.66	381,714.00	52.0%
Missouri	4,917.46	-	4,917.46	2,557.08	5,028.66	-	102.3%
Nebraska	124,990.61	-	124,990.61	64,995.12	97,776.00	-	78.2%
Nevada	1,063,420.80	-	1,063,420.80	552,978.82	737,150.00	-	69.3%
Oreagaon	33,023.34	-	33,023.34	17,172.14	30,919.08	-	93.6%
South Dakota	687.00	-	687.00	357.24	-	357.00	52.0%
Texas	429,003.05	-	429,003.05	223,081.59	111,587.00	111,495.00	52.0%
Utah	222,164.35	-	222,164.35	115,525.46	40,421.00	75,104.00	52.0%
Wisconsin	1,734,714.30	-	1,734,714.30	902,051.44	1,503,446.00	-	86.7%
IGA total	\$ 426,841,240.14	\$ 197,452,328.91	\$ 624,293,569.05	\$ 324,632,655.91	\$ 278,118,807.99	\$ 49,784,392.00	
Non-IGA total			1,326,041.79	689,541.73	-	\$ 596,728.00	45.0%
						\$ 50,381,120.00	

Exhibit D

777 HIH America Comp & Liability Ins Co
STATEMENT OF ASSETS AND LIABILITIES
As of June 30, 2011

	Dec 31 2010	Jun 30 2011
ASSETS		
Participation in pooled investments, at market	\$62,241,323	\$62,849,625
Accrued investment income	313,965	295,450
Recoverable from reinsurers	1,507,078	1,507,078
Salvage and subrogation recoverable	83	-
Total Available Assets	64,062,449	64,652,153
LIABILITIES		
Accrued administrative expenses	\$124	549
Claims against policies, including guaranty associations, before distributions	748,525,894	759,695,170
Early access and other Class 2 distributions	(278,087,889)	(278,118,808)
All other claims	927,483	927,483
Total Estimated Liabilities	471,365,612	482,504,394
NET ASSETS (DEFICIENCY)	(\$407,303,163)	(\$417,852,241)

	<u>2010</u>	<u>2011 ytd</u>
<u>ADMIN EXPENSES</u>		
Legal expenses	\$696	\$459
Consultants and temps	25,360	30,776
Office expenses	35,248	15,763
Allocated overhead expenses	200,948	175,141
	\$262,252	\$222,139

777 HIH America Comp & Liability Ins Co**CASH AVAILABLE FOR DISTRIBUTION**

As of June 30, 2011

Liquid assets

Participation in pooled investments, at market	\$62,849,625
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LESS:**Priority claims and other constraints**

Accrued admin expenses	\$549	
Unclaimed funds to be escheated	-	
Total constraints		549

Cash available for distribution	62,849,076
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Proposed current distribution

Insurance guaranty associations	\$49,784,392	
Non-IGA policyholder claimants	596,728	
Total proposed distribution		50,381,120

Cash remaining after distribution	<u>\$12,467,956</u>
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7. While it is possible for the CLO to send distribution checks to the 20 claimants with known bad addresses, in my experience, this would not be in the best interest of the estate or of the claimants. This is because the CLO would have to incur administrative costs in tracking the checks sent to known bad addresses, and place stop payment orders on the checks that are lost and not cashed. Sending checks to known bad addresses also exposes the claimant to the potential of fraud if the check falls into the wrong hands and someone other than the claimant attempts to cash it.

8. I believe that a vastly preferable alternative to sending the checks to the 20 claimants with known bad addresses would be to place a distribution hold on such payments until such time as the claimants communicates his or her correct address or the CLO is otherwise able to locate them. If these claimants do not have a properly documented address by the time the estate closes, all money owed will be escheated to the Controller of the domiciliary state of the claimant.

I declare under penalty of perjury that the foregoing is true and correct, except as to matters stated on information and belief and, as to those matters, I believe them to be true.

Executed this 27 day of September, 2011, at San Francisco, California

JOHN BATTLE

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 Section 1035.5 governs the disbursement of an insolvent insurer's assets to the California
3 Insurance Guarantee Association or any other IGA and provides as follows:

4 Notwithstanding the provisions of Article 14 (commencing with Section 1010),
5 with regard only to those insurers subject to this article:

6 (a) Within 120 days of the issuance of an order directing the winding up
7 and liquidation of the business of an insolvent insurer under Section 1016,
8 the commissioner shall make application to the court for approval of a proposal
9 to disburse the insurer's assets, from time to time as such assets become available,
10 to the California Insurance Guarantee Association, or the California Life and Health
11 Insurance Guarantee Association, and to any entity or person performing a similar
12 function in another state.

13 (b) The proposal shall at least include the following provisions for:

14 (1) Reserving amounts for the payment of expenses of administration and the
15 payment of claims of secured creditors (to the extent of the value of the security held)
16 and claims falling within the priorities established in paragraphs (1) to (4), inclusive,
17 of subdivision (a) of Section 1033.

18 (2) Disbursement of the assets marshaled to date and subsequent disbursements
19 of assets as they become available.

20 (3) Equitable allocation of disbursements to each of the associations
21 entitled thereto.

22 (4) The securing by the commissioner from each of the associations
23 entitled to disbursements pursuant to this section of an agreement to return to the
24 commissioner such assets previously disbursed as may be required to pay claims of
25 secured creditors and claims falling within the priorities established in paragraphs (1)
26 to (5), inclusive, of subdivision (a) of Section 1033 in accordance with the priorities.
27 No bond shall be required of any association.

28 (5) A full report to be made by the association to the commissioner accounting
for all assets so disbursed to the association, all disbursements made therefrom,
any interest earned by the association on the assets, and any other matter as the court
may direct.

(c) The commissioner's proposal shall provide for disbursements to the
associations in amounts estimated at least equal to the claim payments made or to be
made by the associations for which such associations could assert a claim against the
commissioner, and shall further provide that if the assets available for disbursement
from time to time do not equal or exceed the amount of the claim payments made or
to be made by the associations, then disbursements shall be in the amount of available
assets. The reserves of the insolvent insurer on the date of the order of liquidation
shall be used for purposes of determining the pro rata allocation of funds among
eligible associations.

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1 (d) The commissioner shall offset the amount disbursed to any entity or person
2 performing a function in any other state similar to that function performed by the
3 California Insurance Guarantee Association, or the California Life and Health
Insurance Guarantee Association, by the amount of any statutory deposit, premiums,
or any other asset of the insolvent insurer held in that state.

4 (e) Notice of such application shall be given to the associations in and to the
5 commissioners of insurance of each of the states. Any such notice shall be deemed to
6 have been given when deposited in the United States certified mails, first-class
7 postage prepaid, at least 30 days prior to submission of such application to the court.
Action on the application may be taken by the court provided the above required
notice has been given and provided further that the commissioner's proposal complies
with paragraphs (1) and (4) of subdivision (b).

8 The proposal for which the Commissioner seeks court approval in this application fully
9 satisfies the statutory provisions of section 1035.5. First, the Commissioner will retain general
10 assets of HIH America in the amount of \$12,467,956 to fund the estate's general administrative
11 expenses and claims of secured creditors, pursuant to section 1035.5, subdivision (b)(1). Second,
12 the Commissioner proposes to disburse, on a pro rata basis, to each of the seven (7) IGAs eligible
13 for a distribution, funds which the Commissioner has determined to be the "available assets" of
14 the estate, pursuant to section 1035.5, subdivisions (b)(2) & (c). Third, the proposal provides for
15 an equitable allocation of certain assets to the IGAs, pursuant to section 1035.5, subdivision
16 (b)(3). Fourth, disbursement of the assets will be subject to an agreement by each of the IGAs to,
17 if necessary, return assets previously disbursed to pay claims of secured creditors, pursuant to
18 section 1035.5, subdivision (b)(4). Fifth, disbursements of the assets will also be subject to
19 an agreement by each of the IGAs to make a full report to the Commissioner accounting for all
20 assets disbursed to the IGA, all disbursements made therefrom, and any interest earned by the
21 IGA on the assets, as required by section 1035.5, subdivision (b)(5). Finally, the Commissioner
22 will offset the amount disbursed to any IGA by the amount of any statutory deposit, premiums,
23 or any other asset that HIH America held in that state, pursuant to section 1035.5, subdivision (d).
24 Notice of this application has been given in accordance with the provisions of section 1035.5,
25 subdivision (e).

26 Furthermore, apart from satisfying the statutory provisions of the regulation of workers'
27 compensation insurance provided for under the Insurance Code, the Commissioner's proposal
28 falls within the ambit of his broad statutory discretion. The California Legislature has afforded to

1 the Commissioner, acting in his capacity as the court-appointed liquidator of an insolvent insurer,
2 substantial discretion under the Insurance Code to fashion appropriate procedures necessary to
3 carry out his statutory duties. (*Calfarm Ins. Co. v. Deukmejian* (1989) 48 Cal.3d 805, 824-825;
4 *Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d 307, 329.) As the court-appointed
5 liquidator of HIH America, the Commissioner has the express authority to, among other things,
6 take such actions as he deems necessary to “carry on and conduct the business and affairs” of the
7 Company. (§ 1037, subd. (a).) Section 1037, subdivisions (a) and (b) provide, in pertinent part,
8 as follows:

9 Upon taking possession of the property and business of any person in any
10 proceeding under this article, the commissioner, exclusively and except as otherwise
11 expressly provided by this article, either as conservator or liquidator . . . [s]hall have
12 authority . . . to carry on and conduct the business and affairs of that person or so
13 much thereof as to him . . . may seem appropriate . . . [and also] [s]hall have authority
14 to compound, compromise or in any other manner negotiate settlements of claims
15 against that person upon such terms and conditions as the commissioner shall deem to
16 be most advantageous to the estate of the person being administered . . . or otherwise
17 dealt with under this article.

18 Section 1037 further provides the Commissioner, as the appointed liquidator of HIH
19 America, with unspecified “[g]eneral powers” which shall not be construed to exclude:

20 in any manner his . . . right to perform and to do such other acts not herein
21 specifically enumerated, or otherwise provided for, which the commissioner may
22 deem necessary or expedient for the accomplishment or in aid of the purpose of such
23 proceedings.

24 In this case, the Commissioner’s proposal falls within the ambit of his broad statutory
25 discretion under section 1037. (See *Carpenter, supra*, 10 Cal.2d 307 [seizure of insurance
26 company by Commissioner may lawfully be made without court order and trial court had power
27 to ratify and confirm Commissioner’s actions]; *Garris v. Carpenter* (1939) 33 Cal.App.2d 649
28 [Commissioner exercises very broad judgment and discretion in performance of duties].) Judicial
approval of the Commissioner’s proposal, and the agreement entered into with each of the seven
(7) IGAs, will ensure that the conduct of the business and the winding down of HIH America
are conducted efficiently and in the best interests of its policyholders and creditors.

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1 As for the proposed distribution of assets to non-IGA policyholders, there have been
2 no distributions to date for refund claims of unearned premiums and over-cap claims that are not
3 covered by IGAs. Under section 1033, these claims constitute Class 2 claims that are subordinate
4 in payment preference only to the expenses of administration of the insolvent estate, which are
5 treated as Class 1 claims. Section 1033 provides in part as follows:

6 (a) Claims allowed in a proceeding under this article shall be given preference
7 in the following order:

8 (1) Expense of administration.

9 (2) All claims of the California Insurance Guarantee Association or the
10 California Life and Health Insurance Guarantee Association, and associates or entities
11 performing a similar function in other states, together with claims for refund of
unearned premium *and all claims under insurance and annuity policies or contracts,*
including funding agreements, of an insolvent insurer that are not covered claims.

12 (Italics added.) All policyholder claims not covered by any IGA are treated as Class 2 claims.
13 Class 2 claimants are entitled to share pro rata in distribution to the class, and the Commissioner
14 may not discriminate against claimants within the same class. (*Commercial National Bank vs.*
15 *Superior Court (Garamendi), supra*, 14 Cal.App.4th at p. 398.)

16 In exercising his discretion as liquidator, the Commissioner has now determined that in the
17 furtherance of the administration of this estate, non-IGA policyholders should receive a pro rata
18 distribution of estate assets in an amount totaling \$596,728. The Commissioner's determination
19 is well within his statutory authority in that (1) the proposed distribution provides for a pro rata
20 distribution to each non-IGA policyholder, (2) does not discriminate against claimants within
21 the same class and (3) provides for the retention of assets in the amount of \$12,467,956 to fund
22 the estate's general administrative expenses, which are entitled to preference.

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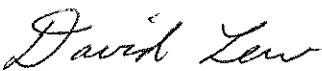
CONCLUSION

For all of the foregoing reasons, the Commissioner respectfully requests that the application for an order approving the proposal for a fourth early access distribution of assets to IGAs and non-covered IGA policyholders be approved.

Dated: September 29, 2011

Respectfully Submitted,

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



DAVID LEW
Deputy Attorney General
Attorneys for Applicant
Insurance Commissioner of the State of California

SF2001CV0406
90205680.doc

DECLARATION OF SERVICE VIA FIRST CLASS MAIL

Case: Insurance Commissioner of the State of California v. HIH
COMPENSATION & LIABILITY INSURANCE COMPANY, A California
domiciled insurance company

No: San Francisco Superior Court No. 320049

I declare that I am employed in the County of San Francisco, California. I am over the age of 18 years and not a party to the within entitled cause; my business address is 425 Market Street, 23rd Floor, San Francisco, California 94105. I am familiar with the processing of correspondence for mailing with the United States Postal Service. Correspondence placed in the internal mail collection system at the California Conservation & liquidation Office is deposited with the United States Postal Service that same day in the ordinary course of business.

On September 30, 2011 the following documents:

1. Notice of Hearing on Application and Application for Order Authorizing Proposal for Fourth Early Access Distribution of Assets to State Insurance Guaranty Associations and Non-Covered Policyholders; Declarations of Edward Hahn and John Battle in Support Thereof; Memorandum of Points and Authorities in Support Thereof
2. Declaration of Service Via First Class Mail

Were placed for service in a sealed envelope to be delivered by mail with the United States Postal Service with postage prepaid addressed as follows:

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed at San Francisco, California on September 30, 2011.



Mary Kirk

INDUSTRIAL COMMISSION OF ARIZONA

Laura McGrory
Chief Counsel
Industrial Commission of Arizona
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Phoenix, AZ 85005

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David C. Edwards
President
Western Guaranty Fund Services
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Denver, CO 80222

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American Savings Bank Tower Suite 1160
Honolulu, HI 96813

INDIANA

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Indianapolis, IN 46268

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DEKALB, IL 60115-3293

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Mt Sterling, IL 62353-1532

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Joliet, IL 60436-1757

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Orland Park, IL 60467-7338

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Park Ridge, IL 60068-4637

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Calumet Park, IL 60827-5666

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325 Il Route 2
Dixon, IL 61021-9118

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Carthage, IL 62321-1122

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Streamwood, IL 60107-4196

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Maryville, IL 62062-5739

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625 E State St
Sycamore, IL 60178-1519

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Lake Zurich, IL 60047-2359

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MARSHALL, WI 53559

DECATUR DAY CARE CENTER
2075 E LAKE SHORE DR #1
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Lockport, IL 60491-9668

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CAMARGO, IL 61919

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Hanover Park, IL 60133-2201

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1620 PEBBLEWOOD LN STE 272
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Burbank, IL 60459-1011

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BEDFORD PARK, IL 60638

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Arlington Heights, IL 60004-2457

KROESCHELL, INC.
3222 N Kennicott Ave
Arlington Heights, IL 60004-1428

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MELCO TRANSFER, INC.
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Manteno, IL 60950-0604

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Illinois Beach Resort
Jacksonville, IL 62650-2901

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Huntley, IL 60142-9234

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Hodgkins, IL 60525-4148

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Vandalia, IL 62471-3499

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ABUSE PROGRAM
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PRINCETON, IL 61356-8652

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Bronson, MI 49028-1149

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FRANKLIN PARK, IL 60131

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GRAND RAPIDS, MI 49546-3632

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Tempe, AZ 85284-1121

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C/O Robert B Quig
Mundelein, IL 60060-1808

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2335 W 208th St
Torrance, CA 90501-1443

ROCKFORD INSULATION, INC. AND ROCKFORD SEAMLE
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Columbus, OH 43215-5689

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Chicago, IL 60639-3615

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Safford, AZ 85546-2968

SANTOKU AMERICA, INC.
8220 W Harrison St
Tolleson, AZ 85353-3330

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Aurora, IL 60505-1961

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Countryside, IL 60525-3603

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CHICAGO, IL 60601-1052

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301 S JACKSON ST
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40 Skokie Blvd Ste 350
Northbrook, IL 60062-1699

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SHEW BROTHERS INC
812 W Longstreet Rd
Marion, IL 62959-5421

SIKICH GARDNER & CO, LLC
998 CORPORATE BLVD
Aurora, IL 60502-9102

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BELLEVILLE, IL 62220

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SPECIALTY ROLLED METALS LLC
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BEAVER DAM, WI 53916

SPINNER MEDICAL PRODUCTS CO.
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231 S JEFFERSON ST, STE 700
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3811 Lincolnshire Dr
McHenry, IL 60051-8598

SWISS PRECISION MACHINING, INC.
7550 N Oak Park Ave
Niles, IL 60714-3820

THE CUNEO FOUNDATION & ESTATE OF
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THE FLAME OF COUNTRYSIDE
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TOTAL ASSURANCE COMPANY
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TRICKEY'S SERVICE, INC.
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HOLLAND, MI 49422-1109

TRUCK SALES OF AMERICA
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