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9  
10 SUPERIOR COURT OF CALIFORNIA  
11 COUNTY OF SAN FRANCISCO

12 INSURANCE COMMISSIONER OF THE STATE  
13 OF CALIFORNIA,

14 Applicant,

15 v.

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

18 Respondent.

ENDORSED  
FILED  
San Francisco County Superior Court

OCT 02 2006

GORDON PARK-LI, Clerk  
BY WESLEY RAMIREZ Deputy Clerk

NO. 320049

VERIFIED APPLICATION  
FOR ORDER AUTHORIZING  
PROPOSAL FOR THIRD  
DISTRIBUTION OF ASSETS  
TO STATE INSURANCE  
GUARANTY ASSOCIATIONS  
OR FUNDS; MEMORANDUM  
OF POINTS AND  
AUTHORITIES IN SUPPORT  
THEREOF

Date: November 6, 2006  
Time: 9:30 a.m.  
Dept: 301  
Judge: Hon. Peter J. Busch

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22 FACTUAL BACKGROUND

23 The Commissioner was appointed as conservator of respondent HIH America by this  
24 Court on March 30, 2001 and was thereafter appointed as liquidator of HIH America by this  
25 Court on May 8, 2001, pursuant to Insurance Code sections 1011 and 1016, respectively. As  
26 liquidator, the Commissioner has been directed to liquidate and wind up the business affairs of  
27 HIH America in accordance with the applicable provisions of the Insurance Code.

28 As part of the Commissioner's responsibilities as liquidator, Insurance Code section



1 1035.5, subdivision (a) provides:

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

9       On October 22, 2001, this Court approved the Commissioner's request, pursuant to  
10 Insurance Code section 1035.5, to make an initial distribution of \$45,000,000 to the California  
11 Insurance Guarantee Association from a workers' compensation special deposit that the  
12 Commissioner held as trustee for payment of the Company's obligations on workers'  
13 compensation insurance transacted in this state. At the time that the Commissioner secured the  
14 approval of the Court, the Company had insufficient assets to make any additional distributions  
15 of assets to other state guaranty funds pursuant to Insurance Code section 1035.5. The  
16 Commissioner advised the Court, however, that should it become economically feasible to make  
17 additional distributions, the Commissioner would return to this Court for authorization.

18       Subsequently, having received substantial additional funds by virtue of a cancellation  
19 agreement with a reinsurer, the Commissioner sought approval from this Court to make an early  
20 access distribution to the California Insurance Guarantee Association and other state insurance  
21 guaranty associations or funds. On June 28, 2004, this Court approved the Commissioner's  
22 request, pursuant to Insurance Code section 1035.5, to make such a distribution in the amount of  
23 \$25,000,000.

24       In the year 2005, as a result of several reinsurance commutations, the Commissioner  
25 received substantial additional assets and requested judicial approval to make a second early  
26 access distribution to the California Insurance Guarantee Association and other state insurance  
27 guaranty associations or funds. On December 29, 2005, this Court approved the Commissioner's  
28 request, pursuant to Insurance Code section 1035.5, to make such a distribution in the amount of

1 approximate \$85 million.

2 The Commissioner believes that he is in a position, and therefore now proposes, to  
3 make a third early access distribution to the California Insurance Guarantee Association and  
4 other state insurance guaranty associations or funds. Specifically, as of May 31, 2006, net  
5 available assets of the estate of HIH America totaled \$87,500,845, from which the Commissioner  
6 now proposes to make a third early access distribution in the approximate amount of  
7 \$51,000,000. (See attached Exhibit A ("HIH Insurance, 3rd Quarter 2006 Early Access  
8 Distribution").)

9 As of March 31, 2006, a total of 17 guaranty funds have paid a total of \$340,856,998 in  
10 losses and loss adjustment expenses on behalf of HIH America. Specifically, the Special Fund of  
11 the Industrial Commission of Arizona has paid \$782,266, the California Insurance Guarantee  
12 Association has paid \$310,557,420, the Colorado Insurance Guaranty Association has paid  
13 \$1,111,512, the Florida Workers' Compensation Insurance Guaranty Association has paid  
14 \$226,171, the Hawaii Insurance Guaranty Association has paid \$1,943,010, the Illinois Insurance  
15 Guaranty Fund has paid \$17,313,026, the Indiana Insurance Guaranty Association has paid  
16 \$542,592, the Iowa Insurance Guaranty Association has paid \$7,301, the Kentucky Insurance  
17 Guaranty Association has paid \$69,150, the Michigan Property and Casualty Guaranty  
18 Association has paid \$5,249,930, the Missouri Property and Casualty Insurance Guaranty  
19 Association has paid \$730, the Nebraska Property and Liability Insurance Guaranty Association  
20 has paid \$119,751, the Nevada Insurance Guaranty Association has paid \$902,823, the Oregon  
21 Insurance Guaranty Association has paid \$3,803, the Texas Property and Casualty Insurance  
22 Guaranty Association has paid \$136,666, the Utah Property and Casualty Insurance Guaranty  
23 Associations has paid \$49,506, and the Wisconsin Insurance Security Fund has paid \$1,841,342.  
24 (See attached Exhibit B ("HIH Insurance 3rd quarter 2006 Early Access Distribution Detail of  
25 individual IGA distribution amounts").)

26 The Commissioner's proposal with respect to HIH America is to distribute and pay  
27 81.6495 percent of the paid losses (including loss adjustment expenses) through March 31, 2006  
28 of each of the above-referenced guaranty funds, for a total payment to all funds of approximately



1 \$51,000,000. (See attached Exhibit C ("HIH Insurance 3rd quarter 2006 Early Access  
2 Distribution Analysis of cumulative distribution percentage").) Subtracting the total proposed  
3 distribution of approximately \$51 million from HIH America's total net available assets of  
4 \$87,500,845 would leave HIH America with remaining net assets in the amount of \$36,500,845.  
5 (See attached Exhibit A ("HIH Insurance 3rd quarter 2006 Early Access Distribution Analysis of  
6 assets available for distribution").)

7 In calculating the amount of payment to each guaranty fund, the Commissioner has  
8 offset from the proposed distribution the amount of any statutory deposit held by HIH America in  
9 that particular state, pursuant to Insurance Code section 1035.5, subdivision (d), and has also  
10 deducted the amount of any first and second early access distribution. The Commissioner  
11 proposes to distribute and pay each guaranty fund the following amount:

12	1. Special Fund of Industrial Commission of Arizona	\$0
13	2. California Insurance Guarantee Association	\$46,481,580
14	3. Colorado Insurance Guaranty Association	\$140,673
15	4. Florida Workers' Comp. Ins. Guaranty Assn.	\$45,067
16	5. Hawaii Insurance Guaranty Association	\$226,787
17	6. Illinois Insurance Guaranty Fund	\$2,526,446
18	7. Indiana Insurance Guaranty Association	\$120,409
19	8. Iowa Insurance Guaranty Association	\$750
20	9. Kentucky Insurance Guaranty Association	\$0
21	10. Michigan Property & Casualty Guaranty Assn.	\$891,264
22	11. Missouri Prop. & Casualty Ins. Guaranty Assn.	\$0
23	12. Nebraska Property & Liability Ins. Association	\$15,832
24	13. Nevada Insurance Guaranty Association	\$93,337
25	14. Oregon Insurance Guaranty Association	\$0
26	15. Texas Property & Casualty Guaranty Ins. Association	\$111,587
27	16. Utah Property & Casualty Ins. Guaranty Assn.	\$11,711
28	17. Wisconsin Insurance Security Fund	\$194,955

1 (See attached Exhibit B ("HIH Insurance 3rd quarter 2006 Early Access Distribution Detail of  
2 individual IGA distribution amounts").)

3 In distributing \$46,481,580 to the California Insurance Guarantee Association, the  
4 Commissioner has credited a previous early access distribution of \$207,086,992.

5 In distributing \$140,673 to the Colorado Insurance Guaranty Association, the  
6 Commissioner has credited a previous early access distribution of \$766,871 (the State of  
7 Colorado has no special deposits to offset pursuant to Insurance Code section 1035.5,  
8 subdivision (d)).

9 In distributing \$45,067 to the Florida Workers' Compensation Insurance Guaranty  
10 Association, the Commissioner has credited a previous early access distribution of \$139,600 (the  
11 State of Florida has no special deposits to offset pursuant to Insurance Code section 1035.5,  
12 subdivision (d)).

13 In distributing \$226,787 to the Hawaii Insurance Guaranty Association, the  
14 Commissioner has credited a previous early access distribution of \$1,359,671 (the State of  
15 Hawaii has no special deposits to offset pursuant to Insurance Code section 1035.5, subdivision  
16 (d)).

17 In distributing \$2,526,446 to the Illinois Insurance Guaranty Fund, the Commissioner  
18 has credited a previous early access distribution of \$5,885,949 and has offset statutory deposits of  
19 HIH America on deposit with the State of Illinois in the total amount of \$5,723,604, for a total  
20 credit of \$11,609,553.

21 In distributing \$120,409 to the Indiana Insurance Guaranty Association, the  
22 Commissioner has credited a previous early access distribution of \$255,060 and has offset  
23 statutory deposits of HIH America on deposit with the State of Indiana in the total amount of  
24 \$67,555, for a total credit of \$322,615.

25 In distributing \$750 to the Iowa Insurance Guaranty Association, the Commissioner  
26 has credited a previous early access distribution of \$5,211 (the State of Iowa has no special  
27 deposits to offset pursuant to Insurance Code section 1035.5, subdivision (d)).

28 //



1 In distributing \$891,264 to the Michigan Property and Casualty Insurance Guaranty  
2 Association, the Commissioner has credited a previous early access distribution of \$3,369,416  
3 and has statutory deposits of HIH America on deposit with the State of Michigan in the total  
4 amount of \$25,861, for a total credit in the amount of \$3,395,277.

5 In distributing \$15,832 to the Nebraska Property and Liability Insurance Guaranty  
6 Association, the Commissioner has credited a previous early access distribution of \$81,944 (the  
7 State of Nebraska has no special deposits to offset pursuant to Insurance Code section 1035.5,  
8 subdivision (d)).

9 In distributing \$93,337 to the Nevada Insurance Guaranty Association, the  
10 Commissioner has credited a previous early access distribution of \$443,813 and has offset  
11 statutory deposits of HIH America on deposit with the State of Nevada in the total amount of  
12 \$200,000, for a total credit of \$643,813.

13 In distributing \$111,587 to the Texas Property & Casualty Insurance Association, the  
14 Commissioner has made no previous early access distributions which would constitute a credit  
15 against the distribution. Moreover, Texas has released to the Commissioner a statutory deposit it  
16 once held in the amount of \$105,000, which will no longer be offset against its distribution  
17 pursuant to Insurance Code section 1035.5, subdivision (a).

18 In distributing \$11,711 to the Utah Property and Casualty Insurance Guaranty  
19 Association, the Commissioner has credited a previous early access distribution of \$28,710 (the  
20 State of Utah has no special deposits to offset pursuant to Insurance Code section 1035.5,  
21 subdivision (d)).

22 In distributing \$194,955 to the Wisconsin Insurance Guaranty Fund, the Commissioner  
23 has credited a previous early access distribution of \$1,308,491 (the State of Wisconsin has no  
24 special deposits to offset pursuant to Insurance Code section 1035.5, subdivision (d)). (See  
25 attached Exhibit D ("HIH Insurance 3rd quarter 2006 Early Access Distribution Detail of prior  
26 distributions, stat deposit offsets, and other credits").)

27 //

28 //

1 No distribution will be made to the Special Fund of the Industrial Commission of  
2 Arizona, which has paid \$782,266 in losses, because Arizona still has a balance of \$1,359,138  
3 remaining in its special deposit of \$1,997,854.

4 No distribution will be made to the Kentucky Insurance Guaranty Association, which  
5 has paid \$69,150 in losses, because after crediting its last distribution of \$62,319, its  
6 participation in the current early access distribution would result in payment of its claims in  
7 excess of the gross cumulative distribution percentage of 81.6495 percent.

8 No distribution will be made to the Missouri Insurance Guaranty Association, which  
9 has paid \$730 in losses on behalf of HIH America, because the State of Missouri still has  
10 \$121,566 remaining on its special deposit of \$122,162.

11 No distribution will be made to the Oregon Insurance Guaranty Association, which has  
12 paid \$3,803 in losses on behalf of HIH America, because the State of Oregon still has a balance  
13 of \$962,504 remaining in its special deposit of \$965,609. (See attached Exhibit B ("HIH  
14 Insurance 3rd quarter 2006 Early Access Distribution Detail of individual IGA distribution  
15 amounts").)

16 In accordance with Insurance Code section 1035.5, subdivision (b)(1), the  
17 Commissioner has reserved certain amounts of the estate's assets for the payment of expenses of  
18 administration and the payment of claims of secured creditors and claims falling within the  
19 priorities established in Insurance Code section 1033, subdivisions (a)(1) and (a)(2). Subtracting  
20 the total proposed distribution of approximately \$51,000,000 from available net assets of  
21 \$87,500,845 leaves remaining net assets in the amount of \$36,500,845 for the payment of  
22 expenses of administration, and all other unrecorded liabilities and contingencies. The  
23 Commissioner will seek approval of an additional early access distribution when such liabilities  
24 and contingencies become known and are quantified, or if estate closure is imminent, the  
25 Commissioner will seek this Court's authorization for a final distribution.

26 In accordance with Insurance Code section 1035.5, subdivision (b)(4), the  
27 Commissioner has secured from the 13 guaranty funds receiving a distribution an agreement to  
28



1 return the distributed assets, as required, to pay claims of secured creditors and claims falling  
2 within the priorities established in Insurance Code section 1033, subdivisions (a)(1) and (a)(2).

3 As detailed above, the Commissioner has complied with the requirements of Insurance  
4 Code section 1035.5 for disbursement of assets to insurance guaranty associations and,  
5 accordingly, this Court should approve the instant application.

6 WHEREFORE, the Commissioner respectfully requests, based on this Application,  
7 that this Court issue an Order:

8 1. Approving the Commissioner's proposal to disburse a total of approximately  
9 \$51,000,000 of the net assets of the estate of HIH America to the 13 state guaranty associations  
10 and funds set forth above and in the amounts set forth above.

11 2. Authorizing the Commissioner to take any and all action necessary to accomplish  
12 the purposes of the Order requested herein.

13 Dated: 9/29/06

14 BILL LOCKYER  
15 Attorney General

16   
17 DAVID LEW

18 Attorneys for Applicant Insurance Commissioner  
19 of the State of California  
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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 Insurance Code section 1035.5 provides as follows:

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

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

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

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

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

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

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

27 (5) A full report to be made by the association to the commissioner  
28 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.

(d) The commissioner shall offset the amount disbursed to any entity or  
person performing a function in any other state similar to that function performed  
by the 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.



1 (e) Notice of such application shall be given to the associations in and to  
2 the commissioners of insurance of each of the states. Any such notice shall be  
3 deemed to have been given when deposited in the United States certified mails,  
4 first-class postage prepaid, at least 30 days prior to submission of such application  
5 to the court. Action on the application may be taken by the court provided the  
6 above required notice has been given and provided further that the  
7 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 \$36,500,845 to fund the estate's general administrative  
11 expenses and claims of secured creditors, pursuant to Insurance Code section 1035.5,  
12 subdivision (b)(1). Second, the Commissioner proposes to disburse, on a pro rata basis, to each  
13 of the 13 guaranty funds eligible for a distribution, funds which the Commissioner has  
14 determined to be the "available assets" of the estate, pursuant to section 1035.5, subdivisions  
15 (b)(2) & (c). Third, the proposal provides for an equitable allocation of certain assets to the state  
16 insurance guaranty funds, pursuant to section 1035.5, subdivision (b)(3). Fourth, disbursement  
17 of the assets will be subject to an agreement by each of the state insurance guaranty funds to, if  
18 necessary, return assets previously disbursed to pay claims of secured creditors, pursuant to  
19 section 1035.5, subdivision (b)(4). Fifth, disbursements of the assets will also be subject to an  
20 agreement by each of the state insurance guaranty funds to make a full report to the  
21 Commissioner accounting for all assets disbursed to each fund, all disbursements made  
22 therefrom, and any interest earned by the guaranty fund on the assets, as required by section  
23 1035.5, subdivision (b)(5). Finally, the Commissioner will offset the amount disbursed to any  
24 entity or person performing a function in any other state similar to that function performed by the  
25 California Insurance Guarantee Association by the amount of any statutory deposit, premiums, or  
26 any other asset that HIH America held in that state, pursuant to section 1035, subdivision (d).  
27 Notice of this application has been given in accordance with the provisions of section 1035,  
28 subdivision (c).

29 Furthermore, apart from satisfying the statutory provisions of the regulation of workers'  
30 compensation insurance provided for under the Insurance Code, the Commissioner's proposal  
31 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. (Ins. Code, § 1037, subd. (a).) Section 1037, subdivisions (a) and (b) provide, in  
8 pertinent part, 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  
11          otherwise expressly provided by this article, either as conservator or liquidator . . .  
12          [s]hall have authority . . . to carry on and conduct the business and affairs of that  
13          person or so much thereof as to him . . . may seem appropriate . . . [and also]  
14          [s]hall have authority to compound, compromise or in any other manner negotiate  
15          settlements of claims against that person upon such terms and conditions as the  
16          commissioner shall deem to be most advantageous to the estate of the person  
17          being administered . . . or otherwise dealt with under this article.

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

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

25           In this case, the Commissioner's proposal falls within the ambit of his broad statutory  
26           discretion under section 1037. (See *Carpenter, supra*, 10 Cal.2d 307 [seizure of insurance  
27           company by Commissioner may lawfully be made without court order and trial court had power  
28           to ratify and confirm Commissioner's actions]; *Garris v. Carpenter* (1939) 33 Cal.App.2d 649  
29           [Commissioner exercises very broad judgment and discretion in performance of duties].)  
30           Judicial approval of the Commissioner's proposal, and the Agreement entered into with each of  
31           the 13 state insurance guaranty funds, will ensure that the conduct of the business and the  
32           winding down of HIH America are conducted efficiently and in the best interests of its  
33           policyholders and creditors.

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Dated: September 28, 2006

BILL LOCKYER  
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EXhibit A

## HHH Insurance

### 3rd quarter 2006 Early Access Distribution Analysis of assets available for distribution

Assets and constraints evaluated as of: May 31, 2006

#### Liquid assets:

Cash balances and pooled investments	90,051,960
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#### Priority claims, restrictions, and constraints:

##### Secured liabilities

Class 1 liabilities - current	30,711
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Class 1 budget - years	2,520,404
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Provision for other class 2 liabilities	
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Total constraints	(2,551,115)
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Net available assets	87,500,845
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Proposed percentage distribution of available assets	58%
--	-----

Proposed current distribution amount (rounded)	<u>\$ 51,000,000</u>
--	----------------------



## HH Insurance

### 3rd quarter 2006 Early Access Distribution

Analysis of available assets (detail) as of: 05/31/2006

Ref	Source	Item	Amount
A	May 06 balance sheet	Pooled investments	90,051,960
B	May 06 balance sheet	Negative cash balance: possible escheat obligation	-
	May 06 balance sheet	Secured liab	-
	May 06 balance sheet	Class 1 A/P	-
C	May 06 balance sheet	Class 1 accrued exp	(30,711)
	May 06 balance sheet	Class 1 interco payable	-
	May 06 balance sheet	Class 1 taxes payable	-
D	Calculation	Class 1 budget estimate ( years) (4 times of 2006 budget per Mohsen Sultan)	(2,520,404)
	Estimate of future liab	Other class 2 payables (insignificant per consultation with Claims)	-
	Net available assets		<u>87,500,845</u>
	CFO/ETO	Proposed payout percentage	<u>58%</u>
		Proposed distribution amount	<u>50,750,490</u>
		Rounded	<u><u>51,000,000</u></u>

Exhibit B



**HIH Insurance**  
**3rd quarter 2006 Early Access Distribution**  
**Detail of individual IGA distribution amounts**

Based on a gross cumulative distribution of 81.6495%  
(See separate detail of losses and credits)

IGA_ID	CLO_subsid	IGA_FullName	Total losses *	Gross cumulative distribution (81.6495%)	Total credits	Balance	Current distribution
01	01	Alabama Insurance Guaranty Association	-	-	-	-	-
02	02	Alaska Insurance Guaranty Association	-	-	-	-	-
03	03	Special Fund of the Industrial Commission of Arizona	782,266	638,716	1,997,854	(1,359,138)	-
04	03	Arizona Property/Casualty Insurance Guaranty Fund	-	-	-	-	-
05	04	Arkansas Property & Casualty Guaranty Fund	-	-	-	-	-
06	05	California Insurance Guarantee Association	310,557,420	253,568,572	207,086,992	46,481,580	46,481,580
07	06	Colorado Insurance Guaranty Association	1,111,512	907,544	766,871	140,673	140,673
08	07	Connecticut Insurance Guaranty Association	-	-	-	-	-
09	08	Delaware Insurance Guaranty Association	-	-	-	-	-
10	09	District of Columbia Insurance Guaranty Association	-	-	-	-	-
11	10	Florida Insurance Guaranty Association	-	-	-	-	-
12	10	Florida Workers' Compensation Insurance Guaranty Association	226,171	184,667	139,600	45,067	45,067
13	11	Georgia Insurers Insolvency Pool	-	-	-	-	-
14	12	Hawaii Insurance Guaranty Association	1,943,010	1,586,458	1,359,671	226,787	226,787
15	13	Idaho Insurance Guaranty Association	-	-	-	-	-
16	14	Illinois Insurance Guaranty Fund	17,313,026	14,135,999	11,609,553	2,526,446	2,526,446
17	15	Indiana Insurance Guaranty Association	542,592	443,024	322,615	120,409	120,409
18	16	Iowa Insurance Guaranty Association	7,301	5,961	5,211	750	750
19	17	Kansas Insurance Guaranty Fund	-	-	-	-	-
20	18	Kentucky Insurance Guaranty Association	69,150	56,461	62,319	(5,858)	-
21	19	Louisiana Insurance Guaranty Association	-	-	-	-	-
22	20	Maine Insurance Guaranty Association	-	-	-	-	-
23	21	Maryland Property & Casualty Insurance Guaranty Corporation	-	-	-	-	-
24	21	Massachusetts Insurer Insolvency Fund	-	-	-	-	-
25	22	Massachusetts Department of Insurance	-	-	-	-	-
26	23	Michigan Property & Casualty Insurance Guaranty Association	5,249,930	4,286,541	3,395,277	891,264	891,264
27	24	Minnesota Insurance Guaranty Association	-	-	-	-	-
28	25	Mississippi Insurance Guaranty Association	-	-	-	-	-
29	26	Missouri Insurance Guaranty Association	730	596	122,162	(121,566)	-
30	27	Montana Insurance Guaranty Association	-	-	-	-	-
31	28	Nebraska Property & Liability Insurance Guaranty Association	119,751	97,776	81,944	15,832	15,832
32	29	Nevada Insurance Guaranty Association	902,823	737,150	643,813	93,337	93,337
33	30	New Hampshire Insurance Guaranty Association	-	-	-	-	-
34	31	New Jersey Stock Workers' Compensation Security Fund	-	-	-	-	-
35	31	New Jersey Property-Liability Insurance Guaranty Association	-	-	-	-	-
36	32	New Mexico Property & Casualty Insurance Guaranty Association	-	-	325,000	(325,000)	-
37	33	New York Insurance Department - Liquidation Bureau	-	-	-	-	-
38	34	North Carolina Insurance Guaranty Association	-	-	-	-	-
39	35	North Dakota Insurance Guaranty Association	-	-	-	-	-
40	36	Ohio Insurance Guaranty Association	-	-	-	-	-
41	37	Oklahoma Property & Casualty Insurance Guaranty Association	-	-	-	-	-

**HIH Insurance**  
**3rd quarter 2006 Early Access Distribution**  
**Detail of individual IGA distribution amounts**

Based on a gross cumulative distribution of 81.6495%  
(See separate detail of losses and credits)

IGA_ID	CLO_subsid	IGA_FullName	Total losses *	Gross cumulative distribution (81.6495%)	Total credits	Balance	Current distribution
42	38	Oregon Insurance Guaranty Association	3,803	3,105	965,609	(962,504)	-
43	39	Pennsylvania Workers' Compensation Security Fund	-	-	-	-	-
44	39	Pennsylvania Insurance Guaranty Association	-	-	-	-	-
45	41	Rhode Island Insurers Insolvency Fund	-	-	-	-	-
46	42	South Carolina Property & Casualty Insurance Guaranty Association	-	-	-	-	-
47	43	South Dakota Insurance Guaranty Association	-	-	-	-	-
48	44	Tennessee Insurance Guaranty Association	-	-	-	-	-
49	45	Texas Property & Casualty Insurance Association	136,666	111,587	-	111,587	111,587
50	46	Utah Property & Casualty Insurance Guaranty Association	49,506	40,421	28,710	11,711	11,711
51	47	Vermont Property & Casualty Insurance Guaranty Association	-	-	-	-	-
52	48	Virginia Property & Casualty Insurance Guaranty Association	-	-	-	-	-
53	49	Washington Insurance Guaranty Association	-	-	-	-	-
54	50	West Virginia Insurance Guaranty Association	-	-	-	-	-
55	51	Wisconsin Insurance Security Fund	1,841,342	1,503,446	1,308,491	194,955	194,955
56	52	Wyoming Insurance Guaranty Association	-	-	-	-	-
TOTALS			340,856,998	278,308,024	230,221,691	48,086,333	50,860,398

\* Loss information is the lower of reported UDS/FIQ data



EXhibit C

# HHH Insurance

## 3rd quarter 2006 Early Access Distribution

### Analysis of cumulative distribution percentage

	(unadjusted)		(adjusted)
	All IGAs	Excluded IGAs *	IGAs receiving distribution
Proposed current distribution amount	51,000,000	-	51,000,000
Add: existing credits and prior advances	230,221,691	3,612,543	226,609,148
Gross cumulative distribution amount to date	\$ 281,221,691	\$ 3,612,543	\$ 277,609,148
Evaluated IGA losses to date (losses as of 03/31/06)	340,856,998	855,949	340,001,050
Gross cumulative distribution percent to date	82.5043%	422.0515%	81.6495%

\* "Excluded IGAs" refers to those IGAs who, prior to the current distribution, have already received advances and credits that are greater than their total losses times the unadjusted gross cumulative distribution percent. The individual IGA totals can be found in the "Detail of individual IGA distribution amounts."



EXHIBIT D

# HIH Insurance

## 3rd quarter 2006 Early Access Distribution

### Detail of prior distributions, stat deposit offsets, and other credits

Credits evaluated as of: May 31, 2006

IGA ID	IGA ShortName	Stat deposit	Funds Held by IGA	Early access distribution	Stat deposit release	Total credits
01	Alabama					-
02	Alaska					-
03	ArizonaWC				1,997,854	1,997,854
04	Arizona PC					-
05	Arkansas					-
06	California			207,086,992		207,086,992
07	Colorado			766,871		766,871
08	Connecticut					-
09	Delaware					-
10	District Of Columbia					-
11	FloridaIGA			139,600		139,600
12	FloridaWCIGA					-
13	Georgia					-
14	Hawaii			1,359,671		1,359,671
15	Idaho					-
16	Illinois			5,885,949	5,723,604	11,609,553
17	Indiana			255,060	67,555	322,615
18	Iowa			5,211		5,211
19	Kansas					-
20	Kentucky			62,319		62,319
21	Louisiana					-
22	Maine					-
23	Maryland					-
24	MassachusettsWC					-
25	MassachusettsPC					-
26	Michigan			3,369,416	25,861	3,395,277
27	Minnesota					-
28	Mississippi					-
29	Missouri	122,162				122,162
30	Montana					-
31	Nebraska			81,944		81,944
32	Nevada	200,000		443,813		643,813
33	New Hampshire					-
34	New JerseyWC					-
35	New JerseyPC					-
36	New Mexico	325,000				325,000
37	New York					-
38	North Carolina IGA					-
39	North Dakota IGA					-
40	Ohio					-
41	Oklahoma					-
42	Oregon		965,609			965,609
43	PennsylvaniaWC					-
44	PennsylvaniaPC					-
45	Rhode Island					-
46	South Carolina					-
47	South Dakota					-
48	Tennessee					-
49	Texas					-
50	Utah			28,710		28,710
51	Vermont					-
52	Virginia					-
53	Washington					-
54	West Virginia					-
55	Wisconsin			1,308,491		1,308,491
56	Wyoming					-
TOTALS		647,162	965,609	220,794,047	7,814,874	230,221,691



COPY

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8  
9 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 FOR THE COUNTY OF SAN FRANCISCO – UNLIMITED JURISDICTION  
11

12 INSURANCE COMMISSIONER OF THE STATE  
13 OF CALIFORNIA,

14 Applicant,

15 v.

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

18 Respondent.  
19  
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21  
22  
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ENDORSED  
FILED  
San Francisco County Superior Court

OCT 02 2006

GORDON PARK-LI, Clerk  
BY WESLEY RAMIREZ  
Deputy Clerk

Case No.: 320049

**PROOF OF SERVICE**

### DECLARATION OF SERVICE

**Case:** Insurance Commissioner of the State of California v. HHH Compensation and Liability Insurance Company, A California domiciled insurance company  
**No.** San Francisco County Superior Court No. 320049

I am employed in the County of Alameda, California. I am over the age of 18 years and not a party to the within entitled cause; my business address is 1515 Clay Street, Oakland, California 94612-1413.

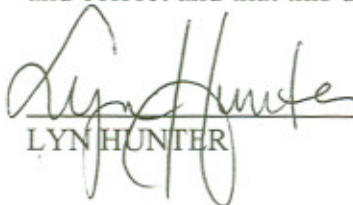
On October 2, 2006, the following document(s):

1. Notice of Hearing on Verified Application for Order Authorizing Proposal for Third Distribution of Assets to State Insurance Guaranty Associations or Funds; Memorandum of Points and Authorities in Support Thereof
2. Verified Application for Order Authorizing Proposal for Third Distribution of Assets to State Insurance Guaranty Associations or Funds; Memorandum of Points and Authorities in Support Thereof
3. [Proposed] Order Approving Verified Application for Order Authorizing Proposal for Third Distribution of Assets to State Insurance Guaranty Associations or Funds
4. Proof of Service

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

**PLEASE SEE ATTACHED PROOF OF SERVICE LIST**

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on October 2, 2006, at Oakland, California.

  
\_\_\_\_\_  
LYN HUNTER

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