

RELEASE AGREEMENT

This Release Agreement is being entered into by the United States and David E. Wilson, Special Deputy Insurance Commissioner (“Liquidator”) of Western Employers Insurance Company (“Western Employers”).

I. PARTIES

The parties to this Release Agreement are the United States and the Liquidator (collectively, the “Parties”).

II. RECITALS

1. The Parties do not intend this Release Agreement to release any possible claims the United States may have or may acquire against anyone for tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b).
2. Except for the express terms of this Release Agreement, the Parties do not intend to create, enhance, diminish, defeat or otherwise affect such claims, if any, as the United States may have against the Liquidator or the Western Employers estate.
3. The Parties understand that this Release Agreement may be subject to the approval of the Superior Court of the State of California for the County of San Francisco (“Court”), which is supervising the liquidation of Western Employers.

4. The United States enters into this Release Agreement in reliance upon the representations of the Liquidator contained in his affidavit dated June 19, 2012, attached as Exhibit A to this Release Agreement (“Affidavit”).

5. The Department of Labor (“Labor”) has a claim in the allowed amount of \$59,668.98 (“Labor Claim”). Western Employers will satisfy this claim by payment to Labor of \$59,668.98. The payment of Labor’s claim shall not be cited by either party in the future as setting a precedent or as a basis for treatment or priority of future claims in any subsequent insurance company receivership or rehabilitation setting.

6. This Release Agreement is contingent upon payment of the Labor Claim and will be effective only after payment has been made.

III. AGREEMENT

1. Except only for possible federal tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b), the United States hereby releases and discharges the Liquidator, the Special Deputy Insurance Commissioner, the Conservation and Liquidation Office, and the estate of Western Employers from any and all liability under 31 U.S.C. § 3713(b) in connection with the Western Employers liquidation.

2. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right, prior to the destruction of Western Employers’ records in accordance with the orders of the Court, during normal business hours, on a date and at a location agreed upon by the Parties, to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the estate, and of the Liquidator, as shall be reasonably

necessary to determine the existence and amount of claims the United States may have against the Western Employers estate, or to determine the Western Employers' compliance with the terms of this Release Agreement. No documents, books, or records of the estate or Liquidator may be destroyed unless notice is given to the United States of any motion filed with the Court requesting approval of additional destruction. If the Liquidator does not request approval from the Court, he must obtain prior written authorization from the United States before destruction of any documents, books, or records of the estate or Liquidator.

3. Except for the express undertakings of the Liquidator and the United States in this Release Agreement, nothing in this Release Agreement shall be construed

(a) to establish or perfect any claims, substantive rights, or procedural rights of the United States;

(b) to limit, restrict, diminish, or defeat any claims, substantive rights, or procedural rights of the United States;

(c) to establish or perfect any objections or defenses, substantive rights, or procedural rights of the Liquidator; or

(d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Liquidator.

4. The Parties agree that this Release Agreement shall not be effective unless and until it is approved by the Court, if approval is required, and the time for appeals of any such approval has expired, and the Labor has received payment from the Liquidator for the Labor Claim. The Parties further agree to cooperate with each other in seeking prompt approval of this Release Agreement from the Court, including, but not limited to, making the necessary witnesses

available for testimony considered necessary or appropriate to provide the Court with an adequate record upon which to approve this Release Agreement.

Dated: 5/11/15

SCC Williams
By: Sharon C. Williams
Trial Attorney
Civil Division
Department of Justice
Attorney for the United States

Dated: 5/5/2015

David E Wilson
By: David. E. Wilson
Special Deputy Insurance Commissioner
Western Employers Insurance
Company, Inc.,
in Liquidation

Declaration of David E. Wilson

I, David E. Wilson, do hereby declare under the penalty of perjury of the laws of the State of California that the following facts are true and correct:

1. I am David E. Wilson. I am over the age of eighteen years. I am competent to be a witness. I am a Special Deputy Insurance Commissioner for the California Insurance Commissioner. I am the Chief Executive Officer of the California Conservation and Liquidation Office.
2. I make this Declaration based upon information gathered by the staff of the Insurance Commissioner's Conservation and Liquidation Office. I rely for my declaration upon the information provided to me by the staff. After Western Employers Insurance Company entered liquidation, the Conservation and Liquidation Office was formed, which assists the Insurance Commissioner with the liquidation of California insurance companies.
3. The United States of America did not file any proof of claims with Western Employers Insurance Company.
4. The records of Western Employers Insurance Company reflect that the United States may have been a claimant against Western Employers Insurance Company insureds. A list of those claims is included on a disk supplied with this declaration, which includes information about which agency made the claims, the asserted amount of the claim(s). No distributions have been made in the Western Employers Insurance Company liquidation thus far. Distributions in the estate, when made, will be made in accordance with the priorities provided in California Insurance Code Section 1033 to holders of approved proofs of claims.
5. We have found no indication that Western Employers Insurance Company issued policies or bonds for the benefit of the United States.
6. My staff has assembled a table of claims filed, which is enclosed on a separate disk. I am advised that it is complete.
7. The company issued policies that included coverage for tort liability.
8. The company issued policies that provided coverage for medical expenses.
9. The state insurance guaranty associations have handled payments of claims thus far in the Western Employers Insurance Company matter, and are the Responsible Reporting Entity, if any, for those claims. The state insurance guaranty associations handle and report on the workers' compensation claims, and on other claims up to their statutory limits. The insurance guaranty associations make the Medicare determinations about those claims. The guaranty associations, to the extent of their claims handling of covered claims, deal with

reporting and appropriate Medicare handling of their payment of covered claims. The Liquidator is not the RRE as to such payments.

10. The Liquidator has not made any interim distributions thus far in this estate, but only has released early access and workers' compensation deposit funds to insurance guaranty associations subject to the relevant provisions of the California Insurance Code. The Liquidator has not made any distributions on claims to other claimants thus far in this estate. As claims are adjusted, the claims staff will ascertain if any potential recipients of future distributions are 65 years of age or older, disabled, or otherwise entitled to benefits under the Medicare program. As claims are adjusted, the claims staff will ascertain if payments made pursuant to those policies related to items or services paid for by the Medicare program. Thus far, no Medicare payments have been found, but procedures are in place to examine claims to ensure that Medicare claims are resolved by the handling claims representative. I am not aware of any claims by Medicare thus far in this estate.
11. The Liquidator has made no distributions thus far, and therefore no reporting requirements to report Medicare claims have yet attached. In light of this, I am informed and believe that the Liquidator has fully complied with all reporting requirements of 42 U.S.C. § 1395y(b)(7) and (8), and all program instructions issued thereunder (presently found at <http://www.cms.gov/MandatoryInsRep/>). I am not aware of any claims of the United States pursuant to 42 U.S.C. § 1395y(b)(2)(B) for Medicare payments that were made for items and services on behalf of Medicare beneficiaries whose medical care should have been paid for by the insurance company or whose medical care was, or should have been, paid for pursuant to policies issued by the insurance company.
12. This declaration is based upon facts assembled by the Conservation and Liquidation Office personnel rather than being based upon my own personal knowledge.

I hereby declare the foregoing facts to be true and correct under the penalty of perjury of the laws of the State of California on this 19 day of June, 2012.



David E. Wilson