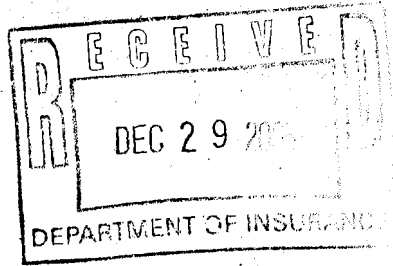


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10 SUPERIOR COURT OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
12

13 **INSURANCE COMMISSIONER OF THE STATE**
14 **OF CALIFORNIA,**
15 Applicant,
16 v.
17 **GREAT STATES INSURANCE COMPANY, a**
18 **California domiciled insurance company,**
19 Respondent.

NO. 320047
**VERIFIED APPLICATION
FOR ORDER AUTHORIZING
PROPOSAL FOR EARLY
DISTRIBUTION OF ASSETS
TO STATE INSURANCE
GUARANTY ASSOCIATIONS
OR FUNDS; MEMORANDUM
OF POINTS AND
AUTHORITIES IN SUPPORT
THEREOF**

Date: January 30, 2006
Time: 9:30 a.m.
Dept: 301
Judge: Hon. James L. Warren

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Insurance Code

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§1016

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§1037(a)(b)

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§11690

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13 **INSURANCE COMMISSIONER OF THE STATE**
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17 **GREAT STATES INSURANCE COMPANY, a**
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19 Respondent.

NO. 320047

**VERIFIED APPLICATION
FOR ORDER AUTHORIZING
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GUARANTY ASSOCIATIONS
OR FUNDS; MEMORANDUM
OF POINTS AND
AUTHORITIES IN SUPPORT
THEREOF**

Date: January 30, 2006
Time: 9:30 a.m.
Dept: 301
Judge: Hon. James L. Warren

23 TO EACH PARTY AND ATTORNEY OF RECORD IN THIS ACTION:

24 PLEASE TAKE NOTICE THAT the hearing on the Verified Application for Order
25 Authorizing Proposal for Early Distribution of Assets to State Insurance Guaranty Associations
26 or Funds filed by applicant Insurance Commissioner of the State of California ("Commissioner")
27 has been set for January 30, 2006 at 9:30 a.m., or as soon thereafter as counsel can be heard, in
28 Department 301 of this Court, at 400 McAllister Street, San Francisco, California.

1 The above-referenced application is based on the ground that the Commissioner, in his
2 capacity as the court-appointed liquidator of respondent Great States Insurance Company ("Great
3 States" or the "Company"), is statutorily required under Insurance Code section 1035.5 to make
4 timely application to this Court for approval of a proposal to disburse the Company's assets, as
5 they become available, to the California Insurance Guarantee Association or other similar
6 entities. The application is based on this notice, the application itself, the Commissioner's
7 memorandum of points and authorities in support of the application, and such oral argument as
8 may be presented at the hearing on the application.

9 Dated: *12/21/05*

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1 **VERIFIED APPLICATION FOR ORDER AUTHORIZING PROPOSAL FOR**
2 **DISBURSEMENT OF ASSETS TO STATE INSURANCE GUARANTY**
3 **ASSOCIATIONS OR FUNDS**

4 **FACTUAL BACKGROUND**

5 The Commissioner was appointed as conservator of respondent Great States by this
6 Court on March 30, 2001 and was thereafter appointed as liquidator of Great States by this Court
7 on May 8, 2001, pursuant to Insurance Code sections 1011 and 1016, respectively. As liquidator,
8 the Commissioner has been directed to liquidate and wind up the business affairs of Great States
9 in accordance with the applicable provisions of the Insurance Code.

10 As part of the Commissioner's responsibilities as liquidator, Insurance Code section
11 1035.5, subdivision (a) provides:

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

19 The Commissioner has concluded that the estate of Great States now possesses
20 sufficient funds to request approval to make an early access distribution to the California
21 Insurance Guarantee Association and other state insurance guaranty associations or funds.
22 Specifically, as of September 30, 2005, the Commissioner as Liquidator of Great States, held a
23 total of \$14,060,123 in net available assets. (See attached Exhibit A ("Great States, 3rd Quarter
24 2005 Early Access Distribution Analysis of assets available for distribution").)

25 Since June 30, 2005, a total of seven (7) guaranty funds have paid a total of
26 \$22,377,200 in losses and loss adjustment expenses on behalf of Great States. Specifically, the
27 Special Fund of the Industrial Commission of Arizona has paid \$2,501,159, the California
28 Insurance Guarantee Association has paid \$9,457,542, the Colorado Insurance Guaranty
29 Association has paid \$9,512,876, the Illinois Insurance Guaranty Fund has paid \$304,818, the
30 Nevada Insurance Guaranty Association has paid \$492,914, the New Mexico Property &
31 Casualty Insurance Guaranty Association has paid \$3,346 and the Texas Property and Casualty
32 Insurance Guaranty Association has paid \$104,546. (See attached Exhibit B ("Great States 3rd

1 quarter 2005 Early Access Distribution Detail of individual IGA distribution amounts.”.)¹²

2 The Commissioner’s proposal with respect to Great States is to distribute and pay
3 22.5718 percent of the paid losses and loss adjustment expenses of each of the above-referenced
4 guaranty funds, for a total payment to all funds of approximately \$5,000,000. (See attached
5 Exhibit C (“Great States 3rd quarter 2005 Early Access Distribution Analysis of cumulative
6 distribution percentage”).) Subtracting the total proposed distribution of \$5,000,000 from Great
7 States’ total net available assets of \$14,060,123 would leave Great States HIH America with
8 remaining net assets in the approximate amount of \$9 million.

9 In calculating the amount of payment to each guaranty fund, the Commissioner has
10 offset from the proposed distribution the amount of any statutory deposit held by Great States in
11 that particular state, pursuant to Insurance Code section 1035.5, subdivision (d). The
12 Commissioner proposes to distribute and pay each guaranty fund the following amount:

13	1. Special Fund of the Industrial Commission of Arizona	\$564,557
14	2. California Insurance Guarantee Association	\$2,134,738
15	3. Colorado Insurance Guaranty Association	\$2,147,228
16	4. Illinois Insurance Guaranty Fund	\$18,620
17	5. Nevada Insurance Guaranty Association	\$111,259
18	6. New Mexico Property & Casualty Ins. Guaranty Assn.	\$0
19	7. Texas Property & Casualty Ins. Guaranty Association	\$23,598

20
21 1. The above-stated losses paid by the California Insurance Guarantee Association have been
22 reduced to reflect \$3,341,959 that the Commissioner has recovered from a surety bond posted in
23 1999 by Great States to cover its California losses for unpaid workers’ compensation claims,
24 pursuant to the provisions of Insurance Code section 11690 that were in effect at the time. That
25 recovery will be remitted to the California Insurance Guarantee Association. Similarly, the reported
26 losses paid by the Special Fund of the Industrial Commission of Arizona have been reduced to
27 reflect \$2,378,959 that Arizona has recovered from a similar surety bond posted in 1999 by Great
28 States to cover its Arizona workers’ compensation losses, pursuant to the provisions of section 23-
961(D) of the Arizona Revised Statutes that were in effect at the time, and which has been remitted
to the Special Fund. Although such recoveries do not technically constitute assets of the Great States
estate subject to offset pursuant to Insurance Code section 1035.5, subdivision (d), they do have the
effect of reducing the losses of both California and Arizona, and both states have consented to
having the surety recoveries treated in this fashion.

1 (See attached Exhibit B ("3rd quarter 2005 Early Access Distribution Detail of individual IGA
2 distribution amounts").)

3 There are no statutory deposits on deposit in the states of Arizona, California,
4 Colorado, Nevada or Texas. Accordingly, the Commissioner will distribute the above-referenced
5 amounts without applying an offset of a statutory deposit as set forth in Insurance Code section
6 1035.5, subdivision (d). In distributing \$18,620 to the Illinois Insurance Guaranty Fund, the
7 Commissioner has offset statutory deposits of Great States on deposit with the State of Illinois in
8 the total amount of \$50,183. (See attached Exhibit B ("Great States 3rd quarter 2005 Early
9 Access Distribution Detail of individual IGA distribution amounts").)

10 No distribution will be made to the New Mexico Property & Casualty Insurance
11 Guaranty Association, which has paid \$3,346 in losses and loss adjustment expenses on behalf of
12 Great States, because as of September 30, 2005, Great States had \$210,000 on deposit with the
13 State of New Mexico to offset any payments made by the New Mexico Property & Casualty
14 Insurance Guaranty Association on behalf of Great States claims. After offsetting the payments
15 made by the New Mexico Property & Casualty Insurance Guaranty Association against the
16 statutory deposits, Great States still has \$209,245 in statutory deposits available to cover
17 payments made by the New Mexico Property & Casualty Insurance Guaranty Association. (See
18 attached Exhibit B ("HIH Insurance 3rd quarter 2005 Early Access Distribution Detail of
19 individual IGA distribution amounts").)

20 In accordance with Insurance Code section 1035.5, subdivision (b)(1), the
21 Commissioner has reserved certain amounts of the estate's assets for the payment of expenses of
22 administration and the payment of claims of secured creditors and claims falling within the
23 priorities established in Insurance Code section 1033, subdivisions (a)(1) and (a)(2). Subtracting
24 the total proposed distribution of approximately \$5,000,000 from available net assets of
25 \$14,060,123 leaves remaining net assets in the amount of over \$9 million for the payment of
26 expenses of administration, and all other unrecorded liabilities and contingencies. If closure of
27 the Great States estate is not imminent, the Commissioner will seek approval of an additional
28 early access distribution when such liabilities and contingencies become known and are

1 quantified.

2 In accordance with Insurance Code section 1035.5, subdivision (b)(4), the
3 Commissioner will secure from the guaranty funds receiving a distribution an agreement to
4 return the distributed assets, as required, to pay claims of secured creditors and claims falling
5 within the priorities established in Insurance Code section 1033, subdivisions (a)(1) and (a)(2).
6 (A true and correct copy of the draft agreement is attached as Exhibit D; a true and correct copy
7 of a modified version of the draft agreement for the guaranty funds of California and Arizona,
8 which clarifies that surety bond recoveries will be deducted from the reported losses of each
9 respective fund, is attached as Exhibit E.)

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

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

15 1. Approving the Commissioner's proposal to disburse a total of approximately
16 \$5,000,000 of the net assets of the estate of Great States to the six (6) state guaranty associations
17 and funds set forth above and in the amounts set forth above, made subject to the execution of an
18 agreement with each guaranty association or fund to return the distributed assets, as required, to
19 pay claims of secured creditors and claims falling within the priorities established in Insurance
20 Code section 1033, subdivisions (a)(1) and (a)(2).

21 2. Authorizing the Commissioner to transfer a total of approximately \$5,000,000 of
22 the net assets of the estate of Great States to the six (6) state guaranty associations and funds set
23 forth above and in the amounts set forth above, made subject to the execution of an agreement
24 with each guaranty association or fund to return the distributed assets, as required, to pay claims
25 of secured creditors and claims falling within the priorities established in Insurance Code section
26 1033, subdivisions (a)(1) and (a)(2).

27 3. Authorizing the Commissioner to take any and all action necessary to accomplish
28 the purposes of the Order requested herein.

1 Dated: 12/21/05

2

BILL LOCKYER
Attorney General

3

4

RANDALL P. BORCHERDING
Supervising Deputy Attorney General

5

6

ANNE MICHELLE BURR
Deputy Attorney General

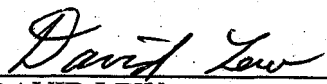
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DAVID LEW
Deputy Attorney General

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DAVID LEW

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Attorneys for Applicant Insurance Commissioner
of the State of California

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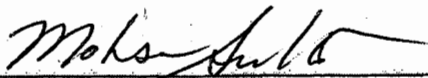
1 VERIFICATION

2 I, Mohsen Sultan, state that I am an Estate Trust Officer for the California Insurance
3 Commissioner's Conservation & Liquidation Office. My duties include managing and
4 supervising for the Conservation & Liquidation Office the administration of insurance companies
5 that have been conserved and liquidated by the California Insurance Commissioner. Since April
6 2005, I have been managing the affairs of Great States Insurance Company.

7 I have read the VERIFIED APPLICATION FOR ORDER AUTHORIZING
8 PROPOSAL FOR EARLY DISTRIBUTION OF ASSETS TO STATE INSURANCE
9 GUARANTY ASSOCIATIONS OR FUNDS and know the contents thereof. If called upon to
10 testify, I could competently testify to the matters contained in the Verified Application as they are
11 personally known to me, except as to the matters which are therein stated upon information and
12 belief and as to those matters, I believe them to be true. The statements contained in the Verified
13 Application are based upon information that has been assembled by authorized employees of the
14 Conservation & Liquidation Office from the official records maintained there under my
15 supervision. I am informed and believe that the statements based upon those records are true. As
16 to those matters that are within my own personal knowledge, the statements are true.

17 I declare under penalty of perjury that the foregoing is true and correct.

18 Executed on December 19th, 2005 in San Francisco, California.

19
20 

21 Mohsen Sultan
22 Estate Trust Officer
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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 1010),
4 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 and
6 liquidation of the business or an insolvent insurer under Section 1016, the
7 commissioner shall make application to the court for approval of a proposal to disburse
8 the insurer's assets, from time to time as such assets become available, to the
9 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 the
14 payment of claims of secured creditors (to the extent of the value of the security held)
15 and claims falling within the priorities established in paragraphs (1) to (4), inclusive, of
16 subdivision (a) of Section 1033.

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

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

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

27 (5) A full report to be made by the association to the commissioner accounting for
28 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 the
2 commissioners of insurance of each of the states. Any such notice shall be deemed to
3 have been given when deposited in the United States certified mails, first-class postage
4 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).

5 The proposal for which the Commissioner seeks court approval in this application fully
6 satisfies the statutory provisions of section 1035.5. First, the Commissioner will retain general
7 assets of Great States in the amount of over \$9 million to fund the estate's general administrative
8 expenses and claims of secured creditors, pursuant to Insurance Code section 1035.5,
9 subdivision (b)(1). Second, the Commissioner proposes to disburse, on a pro rata basis, to each
10 of the six (6) guaranty funds eligible for a distribution, funds which the Commissioner has
11 determined to be the "available assets" of the estate, pursuant to section 1035.5, subdivisions
12 (b)(2) & (c). Third, the proposal provides for an equitable allocation of certain assets to the state
13 insurance guaranty funds, pursuant to section 1035.5, subdivision (b)(3). Fourth, disbursement
14 of the assets will be subject to an agreement by each of the state insurance guaranty funds to, if
15 necessary, return assets previously disbursed to pay claims of secured creditors, pursuant to
16 section 1035.5, subdivision (b)(4). Fifth, disbursements of the assets will also be subject to an
17 agreement by each of the state insurance guaranty funds to make a full report to the
18 Commissioner accounting for all assets disbursed to each fund, all disbursements made
19 therefrom, and any interest earned by the guaranty fund on the assets, as required by section
20 1035.5, subdivision (b)(5). Finally, the Commissioner will offset the amount disbursed to any
21 entity or person performing a function in any other state similar to that function performed by the
22 California Insurance Guarantee Association by the amount of any statutory deposit, premiums, or
23 any other asset that Great States held in that state, pursuant to section 1035, subdivision (d).
24 Notice of this application has been given in accordance with the provisions of section 1035,
25 subdivision (e).

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

1 afforded to the Commissioner, acting in his capacity as the court-appointed liquidator of an
2 insolvent insurer, substantial discretion under the Insurance Code to fashion appropriate
3 procedures necessary to carry out his statutory duties. (*Calfarm Ins. Co. v. Deukmejian* (1989)
4 48 Cal.3d 805, 824-825; *Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d 307, 329.) As
5 the court-appointed liquidator of Great States, the Commissioner has the express authority to,
6 among other things, take such actions as he deems necessary to “carry on and conduct the
7 business and affairs” of the Company. (Ins. Code, § 1037, subd. (a).) Section 1037, subdivisions
8 (a) and (b) provide, in 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 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 much
13 thereof as to him . . . may seem appropriate . . . [and also] [s]hall have authority to
14 compound, compromise or in any other manner negotiate settlements of claims against
15 that person upon such terms and conditions as the commissioner shall deem to be most
16 advantageous to the estate of the person being administered . . . or otherwise dealt with
17 under this article.

18 Section 1037 further provides the Commissioner, as the appointed liquidator of Great States,
19 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 specifically
21 enumerated, or otherwise provided for, which the commissioner may deem necessary
22 or expedient for the accomplishment or in aid of the purpose of such proceedings.

23 In this case, the Commissioner’s proposal falls within the ambit of his broad statutory
24 discretion under section 1037. (See *Carpenter, supra*, 10 Cal.2d 307 [seizure of insurance
25 company by Commissioner may lawfully be made without court order and trial court had power
26 to ratify and confirm Commissioner’s actions]; *Garris v. Carpenter* (1939) 33 Cal.App.2d 649
27 [Commissioner exercises very broad judgment and discretion in performance of duties].)
28 Judicial approval of the Commissioner’s proposal, and the Agreement entered into with each of
the six (6) state insurance guaranty funds, will ensure that the conduct of the business and the
winding down of Great States are conducted efficiently and in the best interests of its
policyholders and creditors.

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CONCLUSION

For all of the foregoing reasons, the Commissioner respectfully requests that the verified application for order authorizing the proposal for disbursement of assets to a total of six (6) state insurance guaranty funds be granted.

Dated: *12/21/05*

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ANNE MICHELLE BURR
Deputy Attorney General

DAVID LEW
Deputy Attorney General

David Lew

DAVID LEW

Attorneys for Applicant Insurance Commissioner
of the State of California

EXHIBIT A

Great States
3rd quarter 2005 Early Access Distribution
Analysis of assets available for distribution

Assets and constraints evaluated as of: September 30, 2005

Liquid assets:

Cash balances and pooled investments 14,761,762

Priority claims, restrictions, and constraints:

Secured liabilities

Class 1 liabilities - current 1,639

Class 1 budget - 2 years 700,000

Provision for other class 2 liabilities

Total constraints (701,639)

Net available assets 14,060,123

Proposed percentage distribution of available assets 35%

Proposed current distribution amount (rounded) \$ 5,000,000

Attachment 3

EXHIBIT B

Great States
3rd quarter 2005 Early Access Distribution
Detail of individual IGA distribution amounts

Based on a gross cumulative distribution of 22.5718%
(See separate detail of losses and credits)

IGA Full Name	Total losses	Gross cumulative distribution (22.5718%)	Total credits	Balance	Current distribution
Alabama Insurance Guaranty Association	-	-	-	-	-
Alaska Insurance Guaranty Association	-	-	-	-	-
Special Fund of the Industrial Commission of Arizona	2,501,159	564,557	-	564,557	564,557
Arizona Property/Casualty Insurance Guaranty Fund	-	-	-	-	-
Arkansas Property & Casualty Guaranty Fund	-	-	-	-	-
California Insurance Guaratee Association	9,457,542	2,134,738	-	2,134,738	2,134,738
Colorado Insurance Guaranty Association	9,512,876	2,147,228	-	2,147,228	2,147,228
Connecticut Insurance Guaranty Association	-	-	-	-	-
Delaware Insurance Guaranty Association	-	-	-	-	-
District of Columbia Insurance Guaranty Association	-	-	-	-	-
Florida Insurance Guaranty Association	-	-	-	-	-
Florida Workers' Compensation Insurance Guaranty Association	-	-	-	-	-
Georgia Insurers Insolvency Pool	-	-	-	-	-
Hawaii Insurance Guaranty Association	-	-	-	-	-
Idaho Insurance Guaranty Association	-	-	-	-	-
Illinois Insurance Guaranty Fund	304,818	68,803	50,183	18,620	18,620
Indiana Insurance Guaranty Association	-	-	25,000	(25,000)	-
Iowa Insurance Guaranty Association	-	-	-	-	-
Kansas Insurance Guaranty Fund	-	-	-	-	-
Kentucky Insurance Guaranty Association	-	-	-	-	-
Louisiana Insurance Guaranty Association	-	-	-	-	-
Maine Insurance Guaranty Association	-	-	-	-	-
Maryland Property & Casualty Insurance Guaranty Corporation	-	-	-	-	-
Massachusetts Insurer Insolvency Fund	-	-	-	-	-
Massachusetts Department of Insurance	-	-	-	-	-
Michigan Property & Casualty Insurance Guaranty Association	-	-	-	-	-
Minnesota Insurance Guaranty Association	-	-	-	-	-
Mississippi Insurance Guaranty Association	-	-	-	-	-
Missouri Insurance Guaranty Association	-	-	-	-	-
Montana Insurance Guaranty Association	-	-	-	-	-
Nebraska Property & Liability Insurance Guaranty Association	-	-	-	-	-
Nevada Insurance Guaranty Association	492,914	111,259	-	111,259	111,259
New Hampshire Insurance Guaranty Association	-	-	-	-	-
New Jersey Stock Workers' Compensation Security Fund	-	-	-	-	-
New Jersey Property-Liability Insurance Guaranty Association	-	-	-	-	-
New Mexico Property & Casualty Insurance Guaranty Association	3,346	755	210,000	(209,245)	-
New York Insurance Department - Liquidation Bureau	-	-	-	-	-

**Great States
3rd quarter 2005 Early Access Distribution
Detail of individual IGA distribution amounts**

Based on a gross cumulative distribution of 22.5718%
(See separate detail of losses and credits)

IGA_FullName	Total losses	Gross cumulative distribution (22.5718%)	Total credits	Balance	Current distribution
North Carolina Insurance Guaranty Association	-	-	-	-	-
North Dakota Insurance Guaranty Association	-	-	-	-	-
Ohio Insurance Guaranty Association	-	-	-	-	-
Oklahoma Property & Casualty Insurance Guaranty Association	-	-	-	-	-
Oregon Insurance Guaranty Association	-	-	-	-	-
Pennsylvania Workers' Compensation Security Fund	-	-	-	-	-
Pennsylvania Insurance Guaranty Association	-	-	-	-	-
Rhode Island Insurers Insolvency Fund	-	-	-	-	-
South Carolina Property & Casualty Insurance Guaranty Association	-	-	-	-	-
South Dakota Insurance Guaranty Association	-	-	-	-	-
Tennessee Insurance Guaranty Association	-	-	-	-	-
Texas Property & Casualty Insurance Association	104,546	23,598	-	23,598	23,598
Utah Property & Casualty Insurance Guaranty Association	-	-	-	-	-
Vermont Property & Casualty Insurance Guaranty Association	-	-	-	-	-
Virginia Property & Casualty Insurance Guaranty Association	-	-	-	-	-
Washington Insurance Guaranty Association	-	-	-	-	-
West Virginia Insurance Guaranty Association	-	-	-	-	-
Wisconsin Insurance Security Fund	-	-	-	-	-
Wyoming Insurance Guaranty Association	-	-	-	-	-
TOTALS	22,377,200	5,050,938	285,183	4,765,755	5,000,000

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

EXHIBIT C

Great States
3rd quarter 2005 Early Access Distribution
Analysis of cumulative distribution percentage

This sheet is intended for internal use. It calculates the distribution percentage necessary to make the current distribution equal to the amount decided upon, after taking into account those IGAs who have excess credits.

	(unadjusted)		(adjusted)
	All IGAs	Excluded IGAs *	IGAs receiving distribution
Proposed current distribution amount	5,000,000	-	5,000,000
Add: existing credits and prior advances	285,183	235,000	50,183
Gross cumulative distribution amount to date	<u>\$ 5,285,183</u>	<u>\$ 235,000</u>	<u>\$ 5,050,183</u>
Evaluated IGA losses to date (losses as of 06/30/05)	22,377,200	3,346	22,373,854
Gross cumulative distribution percent to date	23.6186%	7022.6188%	22.5718%

* "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

AGREEMENT FOR DISBURSEMENT OF FUNDS
PURSUANT TO SECTION 1035.5 OF THE CALIFORNIA
INSURANCE CODE

This Agreement is entered into on _____ between the Texas Property & Casualty Insurance Guaranty Association and the California Insurance Commissioner as Liquidator ("Liquidator") of Great States Insurance Company ("Great States").

WHEREAS, Great States is insolvent, and an order under California Insurance Code section 1016 has been entered appointing the California Insurance Commissioner as Liquidator of Great States and directing the Liquidator to wind up and liquidate the business and affairs of Great States, and

WHEREAS, the Liquidator proposes, pursuant to California Insurance Code, section 1035.5, after reserving amounts necessary for payment of expenses of administration and the payment of claims of secured creditors (to the extent of the value of security held) and claims falling within the priorities established in subdivisions (1) and (2) of the California Insurance Code section 1033, to make an initial distribution of available assets of Great States on an equitable allocation to the Texas Property & Casualty Insurance Guaranty Association, and may make additional distributions of assets as such assets become available and upon approval of the Liquidation Court. Such equitable distribution, pursuant to California Insurance Code, section 1035.5(d), will be offset by the amount of any statutory deposit and/or special deposits available to the Texas Property & Casualty Insurance Guaranty Association for payment of claims. As consideration for the agreement by the Liquidator of Great States to make a distribution to the Texas Property & Casualty Insurance Guaranty Association, the Texas Property &

Attachment 4

Casualty Insurance Guaranty Association agrees pursuant to California Insurance Code, section 1035.5:

1. To return to the Liquidator of Great States such assets disbursed by the Commissioner to the Texas Property & Casualty Insurance Guaranty Association, as may be required to pay claims of secured creditors and claims falling within the priorities established in subparagraphs (1) and (2) of the California Insurance Code, as it presently exists or as amended.

2. To make a full report to the Liquidator, accounting for all assets so disbursed to the Texas Property & Casualty Insurance Guaranty Association, all disbursements made therefrom, any interest earned by the Texas Property & Casualty Insurance Guaranty Association on such assets, and any other matter as the court may direct.

3. If any legal action is necessary to enforce this agreement, the Texas Property & Casualty Insurance Guaranty Association agrees that such action shall be commenced in the Superior Court of the State of California, for the County of San Francisco, in the liquidation proceeding of Great States by way of Order to Show Cause and the Texas Property & Casualty Insurance Guaranty Association agrees for this purpose only to

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subject itself to the jurisdiction of the Superior Court of the State of California for the County of San Francisco by way of said Order to Show Cause procedure.

Dated: _____, 2005

JOHN GARAMENDI
Insurance Commissioner of the State
Of California,
Liquidator of Great States Insurance
Company

By: _____
David E. Wilson
Special Deputy Insurance Commissioner

Dated: _____, 2005

Texas Property & Casualty Insurance
Guaranty Association

By: _____

EXHIBIT E

AGREEMENT FOR DISBURSEMENT OF FUNDS
PURSUANT TO SECTION 1035.5 OF THE CALIFORNIA
INSURANCE CODE

This Agreement is entered into on _____ between the California Insurance Guarantee Association and the California Insurance Commissioner as Liquidator ("Liquidator") of Great States Insurance Company ("Great States").

WHEREAS, Great States is insolvent, and an order under California Insurance Code section 1016 has been entered appointing the California Insurance Commissioner as Liquidator of Great States and directing the Liquidator to wind up and liquidate the business and affairs of Great States, and

WHEREAS, the Liquidator proposes, pursuant to California Insurance Code, section 1035.5, after reserving amounts necessary for payment of expenses of administration and the payment of claims of secured creditors (to the extent of the value of security held) and claims falling within the priorities established in subdivisions (1) and (2) of the California Insurance Code section 1033, to make an initial distribution of available assets of Great States on an equitable allocation to the California Insurance Guarantee Association, and may make additional distributions of assets as such assets become available and upon approval of the Liquidation Court. Such equitable distribution, pursuant to California Insurance Code, section 1035.5(d), will be offset by the amount of any statutory deposit and/or special deposits available to the California Insurance Guarantee Association for payment of claims; however, any surety bond proceeds received by CIGA pursuant to California Insurance Code section 11690 et seq.,

shall be used to reduce its claim in the liquidation of Great States and shall not also constitute an offset pursuant to section 1035.5(d). As consideration for the agreement by the Liquidator of Great States to make a distribution to the California Insurance Guarantee Association, the California Insurance Guarantee Association agrees pursuant to California Insurance Code, section 1035.5:

1. To return to the Liquidator of Great States such assets disbursed by the Commissioner to the California Insurance Guarantee Association, as may be required to pay claims of secured creditors and claims falling within the priorities established in subparagraphs (1) and (2) of the California Insurance Code, as it presently exists or as amended.

2. To make a full report to the Liquidator, accounting for all assets so disbursed to the California Insurance Guarantee Association, all disbursements made therefrom, any interest earned by the California Insurance Guarantee Association on such assets, and any other matter as the court may direct.

3. If any legal action is necessary to enforce this agreement, the California Insurance Guarantee Association agrees that such action shall be commenced in the Superior Court of the State of California, for the County of San Francisco, in the liquidation proceeding of Great States by way of Order to Show Cause and the California Insurance Guarantee Association agrees for this purpose only to subject itself to the

//

///////

jurisdiction of the Superior Court of the State of California for the County of San Francisco by way of said Order to Show Cause procedure.

Dated: _____, 2005

JOHN GARAMENDI
Insurance Commissioner of the State
Of California,
Liquidator of Great States Insurance
Company

By: _____
David E. Wilson
Special Deputy Insurance Commissioner

Dated: _____, 2005

California Insurance Guarantee Association

By: _____

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9

10 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 FOR THE COUNTY OF SAN FRANCISCO – UNLIMITED JURISDICTION
12

13 INSURANCE COMMISSIONER OF THE STATE
14 OF CALIFORNIA,

15 Applicant,

16 v.

17 GREAT STATES INSURANCE COMPANY, a
18 California domiciled insurance company,

19 Respondent.
20
21
22
23
24
25
26
27
28

Case No.: 320047

PROOF OF SERVICE

DECLARATION OF SERVICE

Case: **Insurance Commissioner of the State of California v. Great States Ins. Company**
No. **San Francisco County Superior Court No. 320047**

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.

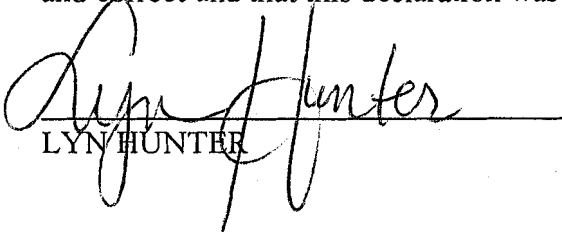
On **December 22, 2005**, the following document(s):

1. **Verified Application for Order Authorizing Proposal for Second Distribution of Assets to State Insurance Guaranty Associations or Funds; Memorandum of Points and Authorities in Support Thereof**
2. **[Proposed] Order Granting Verified Application for Order Authorizing Proposal for Second Distribution of Assets to State Insurance Guaranty Associations or Funds**

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 **December 22, 2005** at Oakland, California.


LYN HUNTER

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