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24 *State of California as Conservator of*
25 *California Insurance Company*

26 SUPERIOR COURT OF THE STATE OF CALIFORNIA
27 FOR THE COUNTY OF SAN MATEO – UNLIMITED JURISDICTION

28 INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Applicant,

v.

CALIFORNIA INSURANCE COMPANY, a
California corporation,

Respondent.

**Exempt from filing fees pursuant to
Government Code section 6103**

**Electronically
FILED**

by Superior Court of California, County of San Mateo

ON 10/19/2020

By /s/ Una Finau
Deputy Clerk

Case No. 19-CIV-06531

**NOTICE OF APPLICATION AND
APPLICATION FOR ORDER APPROVING
REHABILITATION PLAN**

(Ins. Code, § 1043)

Hearing Date: March 4, 2021

Time: 2:00 p.m.

Dept.: 28

Judge: Hon. George A. Miram

1 **TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:**

2 **PLEASE TAKE NOTICE** that on March 4, 2021, at 2:00 pm, or as soon thereafter as the
3 matter may be heard in Department 28 of the Superior Court of the State of California, San Mateo
4 County, located at 400 County Center, Redwood City, California, the Insurance Commissioner, in his
5 capacity as the statutory Conservator of California Insurance Company (“CIC”), pursuant to the Court’s
6 November 4, 2019 Order Appointing Insurance Commissioner As Conservator and Restraining Orders
7 (the “Conservation Order”), will and hereby does apply to the Court for an Order Approving the
8 Rehabilitation Plan for CIC (the “Application”).

9 By this Application, the Conservator seeks the Court’s authorization to implement, close, and
10 effect all of the actions described in the Rehabilitation Plan (the “Plan”) and the Assumption
11 Reinsurance and Administration Agreement (the “Reinsurance Agreement”), and each of the appended
12 documents thereto (the “Transaction Documents”); to close and consummate, on behalf of CIC, the
13 transactions described in the Plan and the other Transaction Documents, as well as any ancillary
14 agreements necessary to the implementation of such transactions; and to take other such actions as the
15 Conservator deems necessary to implement the Plan and the Reinsurance Agreement. True and correct
16 copies of the Plan and Reinsurance Agreement are attached to the accompanying Declaration of Joseph
17 B. Holloway in Support of Application for Order Approving the Rehabilitation Plan for CIC.

18 CIC was placed into conservation on November 4, 2019, pursuant to the Conservation Order,
19 after the company attempted, without the consent of the Commissioner, to merge with a newly formed
20 New Mexico domiciliary, which would have had the effect of thereby forfeiting its Certificate of
21 Authority to transact the business of insurance in California. Since that time, the Conservator has been
22 operating CIC so as to maintain its ongoing business without undue interruption, consistent with the
23 Conservation Order and his duties under California law. The Conservator has also sought to formulate a
24 Plan that would permit the company to leave California with adequate protections for its policyholders,
25 their employees, and the public.

26 Plan provides for the following steps, among others, for the efficient and orderly Rehabilitation
27 of CIC before CIC is permitted to merge with its out-of-state affiliate, CIC II, and surrender its
28 Certificate of Authority to write insurance in California:

- 1 1. The selection by the Conservator of an insurer admitted in California authorized to write
2 workers' compensation insurance in California (the "Reinsurer") to assume CIC's California
3 policies and all of CIC's liabilities, duties, and obligations in connection with those policies;
- 4 2. Entry by CIC and the Reinsurer into the Reinsurance Agreement, under which the Reinsurer
5 will reinsure and assume all in-force California policies issued by CIC, and reinsure all
6 liabilities of CIC to California policyholders incurred prior to the closing, with the Reinsurer
7 granting the California policyholders the right to recover directly from the Reinsurer any of
8 CIC's obligations under the policies;
- 9 3. The transfer of certain assets of CIC to the Reinsurer by the Conservator in consideration for
10 reinsurance provided by the Reinsurer pursuant to the Reinsurance Agreement, as set forth in
11 Section 2.7 of the Plan;
- 12 4. The retention of an unaffiliated third-party administrator ("TPA") selected by the Conservator
13 to administer claims, if an affiliate of CIC is selected as the Reinsurer;
- 14 5. An opportunity for policyholders to settle pending and subsequent litigation against CIC and its
15 affiliates, pursuant to the terms set forth in Section 2.6 of the Plan and its incorporated Schedule
16 2.6;
- 17 6. The effectuation of the merger of CIC into and with CIC II, thereby completing the attempted
18 redomestication of CIC from California to New Mexico, such that CIC shall cease to be a
19 California domestic insurer;
- 20 7. Upon the effectuation of the merger of CIC into and with CIC II, the cancellation of CIC's
21 California Certificate of Authority, and the change of the name of CIC II to a name that does
22 not include the word "California" or any derivation of the word "California."

23 This Application is made pursuant to (i) the provisions and authority of the Conservation Order,
24 and the Order Setting Briefing Schedule, Hearing Date, etc. (the "Procedural Order"); (ii) the broad
25 duties, powers, and authority of the Conservator to act as necessary or expedient to serve the interests
26 of the Conservation and to request all necessary orders, including to implement and oversee the
27 rehabilitation of CIC; and (iii) California Insurance Code sections 1011, 1012, 1215.2, 1037, 1043,
28 1071.5 and other relevant and applicable sections thereof, on the grounds that:

- 1 1. Valid Appointment. The Conservator has been duly and validly appointed to be the Conservator
2 of CIC as that term is used in Section 1011 of the Insurance Code;
- 3 2. Authorization; Enforceable Obligations. The Conservator has all requisite power, authority and
4 legal right necessary to execute and deliver the Rehabilitation Plan and other Transaction
5 Documents, and upon entry of the Rehabilitation Order, to perform and carry out the
6 transactions contemplated by this Plan and the other Transaction Documents upon the terms and
7 subject to the conditions of this Plan and the other Transaction Documents.
- 8 3. Authority. Menzies and the Reinsurer have all requisite power, authority and legal right
9 necessary to execute and deliver this Plan and the other Transaction Documents, and upon entry
10 of the Rehabilitation Order by the San Mateo Superior Court to perform and carry out the
11 transactions contemplated by this Plan and the other Transaction Documents upon the terms and
12 subject to the conditions of this Plan and the other Transaction Documents.
- 13 4. Consents and Approvals by the Conservator. Other than the approval by this Court of the Plan
14 and other Transaction Documents, no consent, approval, authorization or order of, registration
15 or filing with, or notice to, any Governmental Authority or any other Person is necessary to be
16 obtained, made or given by Conservator in connection with the execution, delivery and
17 performance by Conservator of this Plan or any other Transaction Document to which
18 Conservator is party or for the consummation by Conservator of the transactions contemplated
19 hereby or thereby except for such filings, registrations, notifications, authorizations, consents or
20 approvals the failure of which to obtain would not materially adversely affect the ability of the
21 Conservator to consummate the transactions contemplated by the Plan and the other Transaction
22 Documents.
- 23 5. Consents and Approvals by Menzies and the Reinsurer. Other than the approval by this Court
24 and the Plan and other Transaction Documents, the Conservator is not aware of any consent,
25 approval, authorization or order of, registration or filing with, or notice to, any Governmental
26 Authority or any other Person is necessary to be obtained, made or given by Menzies or
27 Reinsurer or any of their respective Affiliates in connection with the execution, delivery and
28 performance by Menzies or Reinsurer of the Plan or the other Transaction Documents to which

1 Menzies or Reinsurer or any of their Affiliates is party or for the consummation by Menzies and
2 Reinsurer or any of their Affiliates of the transactions contemplated hereby or thereby except
3 for such filings, registrations, notifications, authorizations, consents or approvals the failure of
4 which to obtain would not materially adversely affect the ability of Menzies or Reinsurer to
5 consummate the transactions contemplated by the Plan and the other Transaction Documents.

6 6. No Breach. Subject to the entry of the Rehabilitation Order, the execution, delivery and
7 performance of the Plan and the other Transaction Documents to which Menzies and the
8 Reinsurer are a party and the consummation by Menzies and the Reinsurer of the transactions
9 contemplated hereby and thereby in accordance with their terms and conditions hereof and
10 thereof, will not violate any Laws to which Menzies or the Reinsurer is subject, or any material
11 indenture, contract, agreement or instrument to which Menzies or the Reinsurer is a party; nor
12 will such execution, delivery and performance materially conflict with, or result in a material
13 violation of, or constitute a material default under, any term or provision of applicable Law, or
14 any judgment, writ, injunction, decree or order of any court, governmental authority or
15 arbitrator relating to Menzies or the Reinsurer.

16 7. Financial Statements.

- 17 a. CIC has heretofore made available to Conservator true and complete copies of the
18 annual statutory financial statements and audited statutory financial statements of CIC
19 for the calendar year ending December 31, 2019 and the unaudited statutory financial
20 statements for subsequent calendar quarters in each case filed with the CDI (the
21 “Financial Statements”). The Financial Statements, at the time such Financial
22 Statements were prepared, present fairly, in all material respects, the statutory financial
23 condition of CIC as of the dates thereof and the statutory results of operations for each
24 of the periods ended at such dates in each case in accordance with SAP.
- 25 b. Except (1) for liabilities and obligations incurred in the ordinary course of business after
26 December 31, 2019; (2) for liabilities and obligations disclosed in or covered by the
27 audited statutory financial statement of the Company as of December 31, 2018, and (3)
28 for liabilities and obligations incurred in connection with the transactions contemplated

1 hereby or otherwise as contemplated by the Plan, since December 31, 2018, CIC has not
2 incurred any liabilities or obligations that would be required to be reflected or reserved
3 against in a balance sheet of CIC, prepared in accordance with SAP as applied in
4 preparing the unaudited consolidated balance sheet of CIC, as included in the Financial
5 Statements.

6 8. The Plan and Transaction Documents are lawful, reasonable, and appropriate to protect the
7 interests of CIC's policyholders, their employees, the public, and it should therefore be
8 approved;

9 9. The Plan and Transaction Documents are not an abuse of the Conservator's discretion and are in
10 the best interest of CIC's policyholders, shareholders, and other stakeholders.

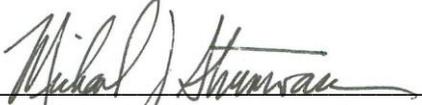
11 This Application is based on the accompanying Declarations of Joseph B. Holloway, Giovanni
12 A. Muzzarelli, and Larry J. Lichtenegger, a Memorandum of Points and Authorities, the prior record of
13 proceedings in this action, and such additional evidence and argument as may be offered at the time of
14 the Hearing on this Application.

15
16 Dated: October 19, 2020

Respectfully submitted,

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20 Caroline Chiappetti
21 Julia Michel

22 ORRICK, HERRINGTON & SUTCLIFFE LLP
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24 Justin Giovannettone

25 By 
26 Michael J. Strumwasser

27 *Attorneys for Applicant Insurance Commissioner
28 of the State of California and Conservator for
California Insurance Company*