

ORIGINAL

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**FILED**  
Superior Court of California  
County of San Francisco  
DEC 04 2014  
CLERK OF THE COURT  
BY: *[Signature]*  
BARRY BINK

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 COUNTY OF SAN FRANCISCO

13 INSURANCE COMMISSIONER OF THE  
14 STATE OF CALIFORNIA,

15 Applicant,

16 v.

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

20 Respondent.

Reservation No. 120314-03

Case No. CPF-01-320049

**NOTICE OF HEARING ON  
APPLICATION FOR ORDER  
APPROVING PAYMENT OF  
COMMISSIONER'S ADMINISTRATIVE  
EXPENSES IN CONSERVATION AND  
LIQUIDATION OF INSOLVENT  
INSURER**

Date: January 28, 2015  
Time: 9:30 a.m.  
Dept: 302  
Judge: Hon. Ernest H. Goldsmith

23 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

24 PLEASE TAKE NOTICE that on January 28, 2015, at 9:30 a.m. or as soon thereafter as the  
25 matter may be heard in Department 302 of the San Francisco Superior Court, the Insurance  
26 Commissioner of the State of California ("Commissioner"), in his capacity as conservator and  
27 liquidator of HIH America Compensation & Liability Insurance Company ("HIH America"), will  
28 and hereby does apply to the Court for an Order approving payment of the Commissioner's

By Fax

1 administrative expenses in the total amount of \$17,944,625 incurred and paid as part of the HIH  
2 America conservation and liquidation through June 30, 2014.

3 The Application is made pursuant to Insurance Code sections 736, 1035, 1036 and 1037,  
4 which authorize the Commissioner to pay expenses incurred in the administration of insolvent  
5 insurers, including the compensation of attorneys, pursuant to court approval. This Application  
6 will be based on the Application and declaration of Raymond J. Minehan filed in support thereof.

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Dated: 12/3/2014

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



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

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8 the State of California

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10 COUNTY OF SAN FRANCISCO

13 INSURANCE COMMISSIONER OF THE  
14 STATE OF CALIFORNIA,

15 Applicant,

16 v.

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

19 Respondent.  
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**APPLICATION FOR ORDER  
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COMMISSIONER'S ADMINISTRATIVE  
EXPENSES IN CONSERVATION AND  
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INSURER**

Date: January 28, 2015  
Time: 9:30 a.m.  
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22  
23 **INTRODUCTION AND FACTUAL BACKGROUND**

24 The Insurance Commissioner of the State of California (Commissioner), in his capacity as  
25 the court-appointed liquidator of HIH America Compensation & Liability Insurance Company  
26 (HIH America), applies to this Court for an order approving the Commissioner's administrative  
27 costs and expenses, including state agency attorney fees, in the total amount of \$17,944,625,  
28

BY FAX

1 incurred and paid as part of the conservation and liquidation of the insolvent HIH America estate  
2 during the time period of March 30, 2001 through June 30, 2014.

3 HIH America, a property and casualty insurer domiciled in California, was licensed to  
4 transact workers' compensation insurance in the following states: California, Arizona, Colorado,  
5 Florida, Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, Nebraska, Nevada, Oregon, South  
6 Dakota, Texas, Utah and Wisconsin. HIH America was placed into conservation by this Court on  
7 March 30, 2001, and into liquidation on May 8, 2001. The Commissioner was appointed as the  
8 liquidator of the insolvent HIH America estate and ordered to wind up the affairs of the company.  
9 As a result of this Court's order and finding of insolvency, the insurance guaranty associations (or  
10 IGAs) for each state in which HIH America transacted insurance became responsible for paying  
11 the claims of that state's residents. In turn, the IGA of each affected state filed a claim against the  
12 HIH America estate. (Such claims are considered "Class 2" claims, arising under Insurance Code  
13 section 1033, subdivision (a)(2).)<sup>1</sup>

14 As the liquidator of HIH America, the Commissioner's primary responsibilities are to  
15 collect and marshal all of the insolvent estate's available assets, to manage the company for the  
16 benefit of its policyholders, shareholders, creditors, and employees, and to prepare and execute a  
17 plan for the company's orderly winding down. (§ 1037.) To achieve these goals, the  
18 Commissioner, through his Conservation and Liquidation Office (CLO), has appointed deputy  
19 conservators and assistants, utilized facilities and information technology and contracted with  
20 vendors and professionals.

21 The payment of expenses incurred in administering the HIH America estate is governed by  
22 sections 1035 and 1036. Section 1035 authorizes the Commissioner to pay the salaries of the  
23 special deputies and employees and all other expenses necessary to carry out the functions of the  
24 management of an insolvent insurer. Section 1036 further empowers the Commissioner to  
25 employ and compensate legal counsel to advise him on estate business, and to prosecute and  
26 defend actions on behalf of the estate. The expenses incurred for these purposes are entitled to

27 \_\_\_\_\_  
28 <sup>1</sup> Unless otherwise indicated, all statutory references are to the Insurance Code.

1 Class 1 priority status over and above all other expenses of the estate pursuant to section 1033,  
2 subdivision (a)(1).

3 The total amount of administrative expenses, or Operating Expenses, of \$17,944,625  
4 incurred between March 30, 2001 and June 30, 2014, for which the Commissioner is seeking  
5 court approval for payment, is comprised of two general categories: (1) **Direct Administrative**  
6 **Expenses** and (2) **Allocated Expenses**. (See Declaration of Ray Minehan in Support of  
7 Application for Order Approving Payment of Commissioner's Administrative Expenses in  
8 Conservation and Liquidation of Insolvent Insurer ("Minehan Declaration ") at ¶ 6 & Exh. A.)

9 **CATEGORY ONE: DIRECT ADMINISTRATIVE EXPENSES**

10 Direct Administrative Expenses are expenses charged directly to the estate and consist of  
11 costs from four separate categories: (1) Legal Expenses; (2) Consultants and Contractors; (3)  
12 Compensation and Benefits; and (4) Office Expenses. Direct Administrative Expenses do not  
13 include expenses incurred by work performed by CLO employees, which are separately treated as  
14 Allocated Expenses. (Minehan Declaration at ¶ 7.)

15 **Legal Expenses**

16 Legal expenses have been incurred by the Commissioner, in his capacity as the conservator  
17 and liquidator of HHH America, in the amount of \$1,620,478. (Minehan Declaration at ¶ 8 & Ex.  
18 A.) These expenses have been divided into the categories of "DOI [Department of Insurance]  
19 Legal," "DOJ [Department of Justice] Legal," "Other Legal Expense" and "Other Litigation  
20 Expense." (Minehan Declaration at ¶ 9.)

21 The category of "DOI Legal" refers to legal expenses incurred by work performed by the  
22 legal staff of the California Department of Insurance in connection with the conservation and  
23 liquidation of the HHH America estate. (Minehan Declaration at ¶ 10.)

24 The category of "DOJ Legal" refers to legal expenses incurred primarily in connection with  
25 litigation work performed by the legal staff of the Attorney General's Office of the California  
26 Department of Justice for the conservation and liquidation of the HHH America estate. (Minehan  
27 Declaration at ¶ 11.)



1 "Actuarial Expense" refers to fees paid to Milliman USA, Inc. for actuarial studies  
2 performed for the HIH America estate's reinsurance. (Minehan Declaration at ¶ 17.)

3 "Temporary Help Expense" refers to compensation paid to temporary employees hired by  
4 the CLO. (Minehan Declaration at ¶ 18.)

5 "Other professional fees" includes amounts paid to benefits and employee assistance  
6 companies who assisted former HIH America employees on benefits questions and job  
7 counseling. These fees also include amounts paid for premium audit services and premium  
8 collection services – both tasks inherent in managing a workers' compensation carrier. (Minehan  
9 Declaration at ¶ 19.)

10 "Tax Consulting and Compliance" refers to amounts paid for the preparation of tax returns  
11 that HIH America is required to file and for tax consultation. (Minehan Declaration at ¶ 20.)

#### 12 **Compensation and Benefits**

13 Administrative expenses for compensation and benefits have been incurred and paid by the  
14 Commissioner, in his capacity as the conservator and liquidator of HIH America, in the amount of  
15 \$4,037,265. (Minehan Declaration at ¶ 21 & Ex. A.) These expenses have been divided into the  
16 categories of "Salaries & Wages Expense," "Payroll Tax Expense," "Pension Plan Expense,"  
17 "Employee Benefits Expense" and "Training & Education." This expense category refers to  
18 payroll, vacation accrual, COBRA benefits and other benefits for former employees of HIH  
19 America, who were hired by the Commissioner in the immediate aftermath of the conservation  
20 and early phases of the liquidation of HIH America. (Minehan Declaration at ¶ 22.)

#### 21 **Office Expenses**

22 Administrative expenses for office expenses have been incurred and paid by the  
23 Commissioner, in his capacity as the conservator and liquidator of HIH America, in the amount of  
24 \$2,653,999. (Minehan Declaration at ¶ 23 & Ex. A.) These expenses have been divided into the  
25 categories of "Office Rent," "Storage Rent," "Record Retrieval" and "General & Administrative."  
26 For the most part, these expenses refer to amounts paid for leases and other occupancy costs for  
27 the various HIH America offices prior to the Commissioner's termination of those leases. The  
28 category of "General and Administrative" expense relates primarily to commissions paid to HIH

1 America agents and brokers for insurance products sold and to state premium taxes. The latter  
2 expenses no longer existed after the year 2003, and the remaining expenses in the category were  
3 fairly nominal. (Minehan Declaration at ¶ 23.)

#### 4 **CATEGORY TWO: ALLOCATED EXPENSES**

5 Allocated expenses are *indirect* CLO administrative expenses that cannot be directly  
6 charged to a specific estate but which were allocated to the HIH America estate under a formula  
7 based on the ratio of CLO employee hours charged directly to the specific estate to total CLO  
8 employee hours charged directly to all estates. For example, if CLO employees directly charged  
9 200 hours to a specific estate and 2,000 hours in total was directly charged to all estates, the  
10 allocation ratio would be 10 percent (200 hours divided by 2,000 total hours). Accordingly, 10  
11 percent of all indirect CLO administrative expenses that cannot be directly charged to a specific  
12 estate would be allocated to that specific estate. (Minehan Declaration at ¶ 24.)

13 CLO compensation expense is the largest component of expenses that are allocated  
14 (approximately 73 percent of allocated expense). Next is rent for the CLO's office, which is  
15 about 9 percent. Other expenses that cannot be charged directly to a specific estate are health  
16 insurance, payroll taxes, retirement plan contributions, training, vacation time and CLO meeting  
17 time that is not estate specific. To try to break down all such expenses so they could be allocated  
18 directly would not be economically feasible. (Minehan Declaration at ¶ 25.)

19 Thus, Allocated Expenses that have been incurred and paid by the Commissioner, in his  
20 capacity as the conservator and liquidator of HIH America, total \$5,939,962 for the period  
21 beginning with the conservation of HIH America, through June 30, 2014. (Minehan Declaration  
22 at ¶ 26 & Exh. A.) These expenses have been divided into the categories of "General Allocated  
23 Expenses," "Affiliate Allocations," "DOI Allocated Expenses" and "Allocation of Claims System  
24 admin." (Minehan Declaration at ¶ 26.)

#### 25 **General Allocated Expenses**

26 These expenses, in the amount of \$5,787,246, are primarily for compensation to CLO  
27 employees. In addition to salary, the expenses include health insurance, payroll taxes, CLO 457k  
28 contributions, training and non-estate specific meeting time. These expenses also includes CLO



1 office expenses, including rent, other facilities charges and office expenses. (Minehan  
2 Declaration at ¶ 27.)

3 **Affiliate Allocations**

4 These expenses, in the amount of \$29,158, primarily reflect the CLO's slight modification  
5 to its allocation formula in 2008 that resulted in undercharges in prior years to a number of  
6 insolvent estates, including HIH America. The amount above is the correction of undercharging  
7 HIH America in prior years. (Minehan Declaration at ¶ 28.)

8 **DOI Allocated Expenses**

9 These expenses, in the amount of \$20,346, reflect allocated expenses for time spent by an  
10 oversight committee consisting of Deputy Insurance Commissioners from the California  
11 Department of Insurance to oversee the activities of the CLO. Each state pays for a portion of  
12 these expenses based on an allocated formula. The allocations under this subcategory are not  
13 itemized separately after the year 2008, but are reflected in the total for the subcategory of DOI  
14 Allocated Expenses. (Minehan Declaration at ¶ 29.)

15 **Allocation of Claims System admin**

16 These expenses, in the amount of \$103,212, refer to the allocated expense of the GOLD  
17 database claims systems that is shared among all of the estate liquidations being handled by the  
18 Commissioner. (Minehan Declaration at ¶ 30.)

19 **CONCLUSION**


20 WHEREFORE, the Commissioner, as conservator and liquidator of the HIH America  
21 estate, respectfully requests that the Court issue an Order:

- 22 1. Approving the Commissioner's payment of administrative expenses in the total  
23 amount of \$17,944,625 for services rendered to the insolvent HIH America estate from March 30,  
24 2001 through June 30, 2014; and
- 25 2. Authorizing the Commissioner to take any and all action necessary to accomplish the  
26 purposes of the order prayed for herein.
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Dated: 12/3/2014

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



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

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13 INSURANCE COMMISSIONER OF THE  
14 STATE OF CALIFORNIA,

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16 v.

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

19 Respondent.

Reservation No. 120314-03

Case No. CPF-01-320049

**DECLARATION OF RAYMOND J.  
MINEHAN IN SUPPORT OF  
APPLICATION FOR ORDER  
APPROVING PAYMENT OF  
COMMISSIONER'S ADMINISTRATIVE  
EXPENSES IN CONSERVATION AND  
LIQUIDATION OF INSOLVENT  
INSURER**

Date: January 28, 2015  
Time: 9:30 a.m.  
Dept: 302  
Judge: Hon. Ernest H. Goldsmith

23  
24 I, Raymond J. Minehan, make this Declaration in San Francisco, California, under penalty  
25 of perjury of the laws of the State of California and declare:

26 1. I am the Chief Financial Officer of the California Conservation and Liquidation  
27 Office (CLO) of the California Department of Insurance.  
28

By Fax



1           10. The category of "DOI Legal" refers to legal expenses incurred by work performed by  
2 the legal staff of the California Department of Insurance in connection with the conservation and  
3 liquidation of the HIH America estate.

4           11. The category of "DOJ Legal" refers to legal expenses incurred primarily in  
5 connection with litigation work performed by the legal staff of the Attorney General's Office of  
6 the California Department of Justice for the conservation and liquidation of the HIH America  
7 estate.

8           12. The category of "Other Legal Expense" refers to legal expenses incurred in  
9 connection with the retention of outside counsel by the Commissioner. Specifically, the  
10 Commissioner retained Ebsworth and Ebsworth, an Australian law firm, for the purpose of  
11 providing legal counsel on issues relating to two cancellation deeds with reinsurer Hannover Re.  
12 Cancellation of the deeds (treaties) occurred after lengthy negotiations with the reinsurer and with  
13 HIH America's parent, which itself was in liquidation in Australia. The Commissioner's  
14 cancellation of the deeds resulted in an infusion into the estate of \$27,791,544.68.

15           13. The category of "Other Litigation Expense" also refers to legal expenses incurred in  
16 connection with the retention of the law firm of Epstein Turner Weiss to secure a favorable  
17 decision for the Commissioner in an arbitration involving Superior Access Insurance Services,  
18 Inc., which was the managing general agent for HIH America, for recovery of premium and  
19 premium collection costs, plus attorneys' fees. The arbitration occurred in 2007 and resulted in  
20 the arbitration panel's issuing an award directing Superior Access to pay \$1,413,773.43. Superior  
21 Access complied with the arbitration decision and paid the funds to the HIH America estate in  
22 January 2008.

23           14. For the second separate category of Direct Administrative Expenses, administrative  
24 expenses for Consultants and Contractors have been incurred and paid by the Commissioner, in  
25 his capacity as the conservator and liquidator of HIH America, in the amount of \$3,692,920.  
26 These expenses have been divided into the categories of "Accounting & Auditing," "Software  
27 Contractor Expense," "Actuarial Expense," "Temporary Help Expense," "Other Professional  
28 Fees," and "Tax Consulting and Compliance."

1           15. The category of "Accounting and Auditing" refers to fees paid to the accounting firm  
2 of Pricewaterhouse and the California Department of Finance for financial and tax audits.

3           16. The category of "Software Contractor Expense" refers to fees paid to consultants who  
4 managed the databases for HIH America.

5           17. The category of "Actuarial Expense" refers to fees paid to Milliman USA, Inc. for  
6 actuarial studies performed for the HIH America estate's reinsurance.

7           18. The category of "Temporary Help Expense" refers to compensation paid to temporary  
8 employees hired by the CLO.

9           19. The category of "Other professional fees" includes amounts paid to benefits and  
10 employee assistance companies who assisted former HIH America employees on benefits  
11 questions and job counseling. These fees also include amounts paid for premium audit services  
12 and premium collection services – both tasks inherent in managing a workers' compensation  
13 carrier.

14           20. The category of "Tax Consulting and Compliance" refers to amounts paid for the  
15 preparation of tax returns that HIH America is required to file and for tax consultation.

16           21. For the third separate category of Direct Administrative Expenses, administrative  
17 expenses for Compensation & Benefits have been incurred and paid by the Commissioner, in his  
18 capacity as the conservator and liquidator of HIH America, in the amount of \$4,037,265.

19           22. These expenses have been divided into the categories of "Salaries & Wages  
20 Expense," "Payroll Tax Expense," "Pension Plan Expense," "Employee Benefits Expense" and  
21 "Training & Education." This expense category refers to payroll, vacation accrual, COBRA  
22 benefits and other benefits for former employees of HIH America, who were hired by the  
23 Commissioner in the immediate aftermath of the conservation and early phases of the liquidation  
24 of HIH America.

25           23. For the fourth separate category of Direct Administrative Expenses, administrative  
26 expenses for Office Expenses have been incurred and paid by the Commissioner, in his capacity  
27 as the conservator and liquidator of HIH America, in the amount of \$2,653,999. These expenses  
28 have been divided into the categories of "Office Rent," "Storage Rent," "Record Retrieval" and

1 "General & Administrative." For the most part, these expenses refer to amounts paid for leases  
2 and other occupancy costs for the various HIH America offices prior to the Commissioner's  
3 termination of those leases. The category of "General and Administrative" expense relates  
4 primarily to commissions paid to HIH America agents and brokers for insurance products sold  
5 and to state premium taxes. The latter expenses no longer existed after the year 2003, and the  
6 remaining expenses in the category were fairly nominal.

7 Allocated Expenses

8 24. Allocated expenses are *indirect* CLO administrative expenses that cannot be directly  
9 charged to a specific estate but which were allocated to the HIH America estate under a formula  
10 based on the ratio of CLO employee hours charged directly to the specific estate to total CLO  
11 employee hours charged directly to all estates. For example, if CLO employees directly charged  
12 200 hours to a specific estate and 2,000 hours in total was directly charged to all estates, the  
13 allocation ratio would be 10 percent (200 hours divided by 2,000 total hours). Accordingly, 10  
14 percent of all indirect CLO administrative expenses that cannot be directly charged to a specific  
15 estate would be allocated to that specific estate.

16 25. CLO compensation expense is the largest component of expenses that are allocated  
17 (approximately 73 percent of allocated expense). Next is rent for the CLO's office, which is  
18 about 9 percent. Other expenses that cannot be charged directly to a specific estate are health  
19 insurance, payroll taxes, retirement plan contributions, training, vacation time and CLO meeting  
20 time that is not estate specific. To try to break down all such expenses so they could be allocated  
21 directly would not be economically feasible.

22 26. Allocated Expenses that have been incurred and paid by the Commissioner, in his  
23 capacity as the conservator and liquidator of HIH America, total \$5,939,962 for the period  
24 beginning with the conservation of HIH America, through June 30, 2014. These expenses have  
25 been divided into the categories of "General Allocated Expenses," "Affiliate Allocations," "DOI  
26 Allocated Expenses" and "Allocation of Claims System admin."

27 27. For the first separate category of Allocated Expenses, General Allocated Expenses in  
28 the amount of \$5,787,246, have been incurred primarily for compensation to CLO employees. In

1 addition to salary, the expenses include health insurance, payroll taxes, CLO 457k contributions,  
2 training and non-estate specific meeting time. These expenses also includes CLO office  
3 expenses, including rent, other facilities charges and office expenses.

4 28. For the second separate category of Allocated Expenses, expenses for Affiliate  
5 Allocations in the amount of \$29,158, primarily reflect the CLO's slight modification to its  
6 allocation formula in 2008 that resulted in undercharges in prior years to a number of insolvent  
7 estates, including HIH America. The amount above is the correction of under charging HIH  
8 America in prior years.

9 29. For the third separate category of Allocated Expenses, DOI Allocated Expenses in the  
10 amount of \$20,346, reflect allocated expenses for time spent by an oversight committee  
11 consisting of Deputy Insurance Commissioners from the California Department of Insurance to  
12 oversee the activities of the CLO. Each state pays for a portion of these expenses based on an  
13 allocated formula. The allocations under this subcategory are not itemized separately after the  
14 year 2008, but are reflected in the total for the subcategory of DOI Allocated Expenses.

15 30. For the fourth separate category of Allocated Expenses, expenses for Allocation of  
16 Claims System admin in the amount of \$103,212, refer to the allocated expense of the GOLD  
17 database claims systems that is shared among all of the estate liquidations being handled by the  
18 Commissioner.

19 31. I have personal knowledge of the events to which I attest, all of which I acquired in  
20 the course of my employment with the CLO. I am over the age of eighteen years and could  
21 competently testify to all of the events to which I attest.

22 I hereby execute this declaration under penalty of perjury of the states of the State of  
23 California in San Francisco, California, on the 18 day of Nov, 2014.

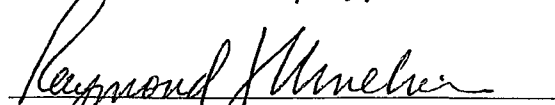
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26 Raymond J. Minehan  
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EXHIBIT A

Insurance Commissioner of the State of California  
 Conservation & Liquidation Office  
**HH America Comp. & Liability Ins Co**  
 INCOME AND EXPENSES

	Dec 31 2001	Dec 31 2002	Dec 31 2003	Dec 31 2004	Dec 31 2005	Dec 31 2006	Dec 31 2007	Dec 31 2008	Dec 31 2009	Dec 31 2010	Dec 31 2011	Dec 31 2012	Dec 31 2013	Jun 30 Ytd 2014	Liquidation to Date
<b>OPERATING EXPENSES</b>															
<b>DIRECT ADMINISTRATIVE EXPENSES</b>															
<b>Legal</b>															
DOJ Legal	26,500	74,233	47,874	19,712	17,546	10,323	9,693	6,125	1,785	696	4,113	508	1,005	1,113	221,226
Other Legal Expense	14,064	20,160	9,550	7,929	67,381	6,818	55,182	4,148	59	-	9,520	-	-	3,230	198,040
Other Litigation Expenses	46,025	336,398	97,751	101,190	53,673	147,954	368,715	10,403	-	-	-	-	-	-	1,160,110
Total Legal Expenses	86,589	430,791	155,175	128,831	131,625	195,173	431,590	20,677	1,844	696	13,633	508	1,005	4,343	41,103
<b>Consultants and Contractors</b>															
Accounting & Auditing	153,229	83,477	28,145	56,877	15,597	-	-	-	7,860	7,723	15,216	4,780	14,371	7,430	394,705
Software Contractor Expense	47,942	4,264	-	-	1,081	584	100	3,025	1,093	1,926	2,148	399	50	-	62,611
Actuarial Expense	669	-	1,765	77,310	11,973	14,903	20,034	1,635	-	-	-	-	-	-	128,489
Temporary Help Expense	185,656	25,841	216	6,962	11,907	47	47	-	664	-	9,000	-	-	-	241,293
Other Professional Fees	1,473,954	771,593	54,910	75,951	134,325	99,270	57,328	9,288	2,968	335	195	-	555	846	2,691,126
Tax Consulting and Compliance	-	10,300	10,300	12,478	14,424	14,300	11,839	14,550	14,301	15,376	18,537	16,425	14,299	7,528	174,697
Total Consultant Expenses	1,862,259	895,476	105,335	229,578	189,297	128,057	89,348	28,536	26,866	25,360	45,096	21,614	29,275	15,804	3,692,920
<b>Compensation &amp; Benefits</b>															
Salaries & Wages Expense	3,364,108	912,268	-	-	-	-	-	-	-	-	-	-	-	-	4,276,375
Payroll Tax Expense	221,096	78,517	-	-	-	-	-	-	-	-	-	-	-	-	299,613
Pension Plan Expense	121,539	-	-	-	-	-	-	-	-	-	-	-	-	-	121,539
Employee Benefits Expense	(700,863)	30,430	7,445	-	-	-	-	-	-	-	-	-	-	-	(663,088)
Training & Education	2,334	482	-	-	-	-	-	-	-	-	-	-	-	-	2,826
Total Compensation & Benefits	3,008,114	1,021,706	7,445	-	-	-	-	-	-	-	-	-	-	-	4,037,265
<b>Office Expenses</b>															
Office Rent	184,313	(30)	21,482	-	-	-	-	-	-	-	-	-	-	-	205,745
Storage Rent	46,517	42,372	18,451	21,978	19,229	18,337	18,149	15,625	13,645	32,973	22,842	17,460	21,947	9,137	318,663
Record Retrieval	571	4,868	3,730	70,265	5,193	2,049	2,452	961	992	2,185	2,370	2,084	874	317	98,901
General & Administrative	1,705,795	176,477	39,843	220,280	24,264	(191,697)	13,671	12,970	25,380	90	3,222	128	31	137	2,030,690
Total Office Expenses	1,937,196	223,677	83,986	312,523	48,686	(171,311)	34,272	29,567	40,017	35,248	28,434	19,673	22,852	9,560	2,653,999
<b>ALLOCATED EXPENSES</b>															
General Allocated Expenses	145,721	984,137	678,535	698,456	545,925	451,557	530,772	459,203	319,470	187,865	374,707	161,794	143,597	105,508	6,787,246
Affiliate Allocations	-	-	-	-	(2,520)	819	-	30,860	-	-	-	-	-	-	29,158
DOI Allocated Expenses	(73)	8,147	4,202	2,424	2,037	1,626	1,250	735	-	-	-	-	-	-	20,346
Allocation of Claims System admin	-	-	-	-	-	-	(709)	12,859	15,628	13,083	11,925	19,888	21,021	9,506	103,212
Total Net Allocated Expenses	145,647	992,284	682,737	700,880	543,441	454,002	531,313	503,667	335,098	200,948	386,633	181,682	164,617	116,014	5,939,962
<b>Direct Admin Exp only</b>	6,894,156	2,571,649	351,542	670,931	389,609	150,916	555,209	76,770	68,746	81,304	87,162	41,795	53,132	29,737	12,004,663
<b>Total Operating Expenses</b>	7,039,805	3,563,933	1,034,278	1,371,811	935,050	604,920	1,085,622	582,437	403,844	262,252	473,795	223,477	217,749	144,761	17,544,625

ORIGINAL

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8 the State of California

**FILED**  
Superior Court of California  
County of San Francisco  
DEC 04 2014  
CLERK OF THE COURT  
BY: *[Signature]*  
Deputy Clerk

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 COUNTY OF SAN FRANCISCO

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

15 Applicant,

16 v.

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

20 Respondent.

Reservation No. 120314-03

Case No. CPF-01-320049

**DECLARATION OF SERVICE**

Date: January 28, 2015  
Time: 9:30 a.m.  
Dept: 302  
Judge: Hon. Ernest H. Goldsmith

21 SEE ATTACHED.

24 SF2001CV0406  
25 90459092.doc

By Fax

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: *Insurance Commissioner of the State of California v. HIH America  
Compensation Liability Insurance Company*

Case No.: CPF-01-320049

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service that same day in the ordinary course of business.

On December 4, 2014, I served the followings:

-- **NOTICE OF HEARING ON APPLICATION FOR ORDER APPROVING PAYMENT OF COMMISSIONER'S ADMINISTRATIVE EXPENSES IN CONSERVATION AND LIQUIDATION OF INSOLVENT INSURER;**

--- **APPLICATION FOR ORDER APPROVING PAYMENT OF COMMISSIONER'S ADMINISTRATIVE EXPENSES IN CONSERVATION AND LIQUIDATION OF INSOLVENT INSURER;** and

-- **DECLARATION OF RAYMOND J. MINEHAN IN SUPPORT OF APPLICATION FOR ORDER APPROVING PAYMENT OF COMMISSIONER'S ADMINISTRATIVE EXPENSES IN CONSERVATION AND LIQUIDATION OF INSOLVENT INSURER** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the internal mail collection system at the Office of the Attorney General at 1515 Clay Street, 20th Floor, Oakland, CA 94612-0550, addressed as follows:

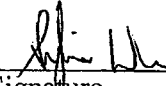
Conservation and Liquidation Office  
P. O. Box 26894  
San Francisco, CA 94126-0894

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Jennifer A. Chambers  
Department of Insurance - San Francisco  
45 Fremont Street, 24<sup>th</sup> Floor  
San Francisco, CA 94105

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 4, 2014, at Oakland, California.

Sylvia Wu  
\_\_\_\_\_  
Declarant

  
\_\_\_\_\_  
Signature