

1 XAVIER BECERRA  
Attorney General of California  
2 ANNE MICHELLE BURR  
Supervising Deputy Attorney General  
3 MARGUERITE C. STRICKLIN (State Bar No. 103161)  
Deputy Attorney General  
4 1515 Clay Street, 20<sup>th</sup> Floor  
Oakland, California 94612-0550  
5 Telephone: (510) 879-0986  
Facsimile: (510) 622-2270  
6 Email: Marguerite.Stricklin@doj.ca.gov

7 THOMAS J. WELSH (State Bar No. 142890)  
PATRICK B. BOCASH (State Bar No. 262763)  
8 ORRICK, HERRINGTON & SUTCLIFFE LLP  
400 Capitol Mall, Suite 3000  
9 Sacramento, California 95814-4497  
Telephone: (916) 447-9200  
10 Facsimile: (916) 329-4900  
Email: tomwelsh@orrick.com  
11 pbocash@orrick.com

12 Attorneys for Applicant Dave Jones,  
Insurance Commissioner of the State of California  
13 in his Capacity as Conservator of  
CastlePoint National Insurance Company  
14

**EXEMPT from filing fees per Govt.  
Code § 6103**

15 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
16 CITY AND COUNTY OF SAN FRANCISCO  
17

18 DAVE JONES, INSURANCE  
COMMISSIONER OF THE STATE OF  
19 CALIFORNIA,

Applicant,

20 v.  
21

22 CASTLEPOINT NATIONAL INSURANCE  
COMPANY, and DOES 1-50, inclusive,  
23

Respondents.  
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Case No. CPF-16-515183

Reservation No. 03130412-06

**DECLARATION OF DAVID WILSON  
IN SUPPORT OF INSURANCE  
COMMISSIONER'S MOTION FOR  
APPROVAL OF TRANSACTION**

**Date:** April 12, 2018  
**Time:** 9:30 a.m.  
**Dept:** 302  
**Judge:** Hon. Harold E. Kahn

ELECTRONICALLY  
**FILED**  
Superior Court of California,  
County of San Francisco  
**03/16/2018**  
Clerk of the Court  
BY: VANESSA WU  
Deputy Clerk

1 I, David E. Wilson, declare as follows:

2 1. I am the Chief Executive Officer of the Insurance Commissioner of the State of  
3 California's Conservation and Liquidation Office ("CLO") and am a Special Deputy Insurance  
4 Commissioner. I make this declaration in support of Insurance Commissioner Dave Jones'  
5 Motion for Approval of Transaction ("Motion"). I have personal knowledge of the matters set  
6 forth herein and if called upon as a witness, I would testify as set forth below.

7 2. I have been the Chief Executive Officer and Special Deputy Insurance  
8 Commissioner since March 1, 2005. Previously, from 1991 through 2005, I was the owner of a  
9 national insurance consulting firm, D.E. Wilson & Associates, Inc., which provided services to  
10 the insurance industry, state insurance departments, and the National Organization of Life &  
11 Health Insurance Guaranty Associations on general insurance matters, work-outs, rehabilitation,  
12 and insolvency. I have been licensed as a Certified Public Accountant since 1974 and was a  
13 partner at the public accounting firm of Ernst & Young.

14 3. As Chief Executive Officer of the CLO, I am responsible for management of all  
15 insolvencies for which the Insurance Commissioner has been appointed as conservator,  
16 rehabilitator, and/or liquidator, including CastlePoint National Insurance Company  
17 ("CastlePoint"). When I was appointed as Chief Executive Officer of the CLO, the CLO was  
18 managing 31 insolvencies with \$4.5 billion of assets under management. The CLO now manages  
19 15 insolvencies. Since 2005, the CLO has distributed approximately \$4.6 billion to injured  
20 policyholders and claimants. As Chief Executive Officer of the CLO, I am responsible for the  
21 oversight of each insolvency, including the handling of policy claims, general creditor claims,  
22 reinsurance (billing, collection, and arbitration), collection and disposition of assets, and  
23 litigation.

24 4. On July 28, 2016, CastlePoint was placed into Conservation by the San Francisco  
25 Superior Court. On September 13, 2016, the Court approved the Commissioner's Conservation  
26 and Liquidation Plan for CastlePoint (the "Plan"). CastlePoint was subsequently placed into  
27 Liquidation effective April 1, 2017.  
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5. Since the Court’s entry of its July 28, 2016, Order Appointing Insurance Commissioner As Conservator And Restraining Orders (“Conservation Order”), I have been serving as the Commissioner’s Deputy Conservator/Liquidator of CastlePoint. I have managed CastlePoint’s day-to-day operations, commenced marshaling CastlePoint’s assets, investigated CastlePoint’s financial condition, and carried out the Commissioner’s numerous other duties as Conservator and then Liquidator of CastlePoint. Before the Commissioner was appointed Conservator of CastlePoint, I monitored CastlePoint’s financial condition through its public filings and regular communications with its officers and employees. I am familiar with the business operations and financial condition of CastlePoint and the events leading up to the Conservation Order and Liquidation Order for CastlePoint. I am empowered under paragraph 18 of the Conservation Order to carry out any and all duties and exercise all powers and authority of the Conservator.

6. Prior to CastlePoint being placed into Conservation, CastlePoint, along with CastlePoint Bermuda Holdings Ltd. (“Holdings”), a company incorporated in Bermuda, and CastlePoint Reinsurance Company Ltd. (“CPRé”), a Bermuda entity with its entire issued share owned by Holdings, were all members of an affiliated group of companies. CastlePoint (directly and through its several predecessors by merger) and CPRé were parties to a reinsurance agreement under which CPRé had assumed liability to pay all claims accruing under CastlePoint’s policies, in exchange for the transfer from CastlePoint of materially all of CastlePoint’s assets that supported its liability reserves. After the full implementation of the Plan, CastlePoint was no longer affiliated with Holdings, CPRé or any other prior affiliate.

7. One of the court-approved agreements entered into to effectuate the Plan was an agreement to commute the in-force reinsurance agreement between CastlePoint and CPRé (“Commutation Agreement”). Pursuant to the Commutation Agreement, CPRé was released from all reinsurance obligations to CastlePoint in exchange for CPRé’s agreement to pay all of its tangible net assets to CastlePoint over time, after certain priority obligations were paid or

1 reserved against and after such periodic payments were approved by CPRe's regulator in  
2 Bermuda. CPRe has made periodic payments to CastlePoint under the Commutation Agreement  
3 since the implementation of the Plan.

4 8. As of September 30, 2017, CPRe's financial statements show the estimated  
5 amount that CastlePoint may expect to receive in the future under the Commutation Agreement as  
6 approximately \$11.3 million. CastlePoint has booked an account receivable in that amount. This  
7 CastlePoint account receivable is an illiquid asset that is subject to considerable uncertainty  
8 regarding the final amount that will be realized and the timing for receiving payments.

9 9. Near the end of 2017, Acumen Management Ltd. ("Acumen"), a company  
10 incorporated in Bermuda that specializes in acquiring insurance run-off operations, expressed  
11 interest in acquiring the entire issued capital of CPRe from Holdings, but subject to CastlePoint  
12 and CPRe contemporaneously agreeing on a final amount due to CastlePoint under the  
13 Commutation Agreement.

14 10. Based on that inquiry, I instructed staff to undertake a detailed financial and  
15 collection risk analysis to evaluate the uncertainty associated with CastlePoint's accounts  
16 receivable due from CPRe in order to determine a range of reasonable values for compromising  
17 and accelerating CastlePoint's receipt of funds due from CPRe. I then had staff engage in arms-  
18 length negotiations with CPRe and Acumen, and those negotiations resulted in an agreement in  
19 principle with respect to CPRe's participation in the Transaction with CastlePoint, subject to  
20 approval of the Court.

21 11. Under the proposed Transaction, Acumen will pay CastlePoint \$8,400,000 in full  
22 and final settlement of all amounts owing under the Commutation Agreement ("Settlement  
23 Amount"). The Settlement Amount remains subject to minor adjustment pursuant to a true-up  
24 process that will be completed following the completion of CPRe's financial statements for the  
25 year ended December 31, 2017. That financial reporting and true-up process should be  
26 completed prior to the hearing on the Motion, and we will report to the Court if the Settlement  
27 Amount has been adjusted.  
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2 12. On behalf of the Commissioner, I and my staff have carefully considered the  
3 Transaction at issue and I believe and represent that, given an estate of this size and the  
4 complexity and uncertainty surrounding the current amount due from CPRe to CastlePoint,  
5 approval of the Transaction is necessary, reasonable, and appropriate and in the best interests of  
6 the CastlePoint estate.

7  
8 13. The risks evaluated by the Commissioner included that the final amount and  
9 timing of payments of the approximately \$11 million owed by CPRe to CastlePoint under the  
10 Commutation Agreement is currently subject to significant uncertainty. In short, fixing the  
11 Settlement Amount at \$8.4 million, and receiving the full amount in cash at closing of the  
12 Transaction, will eliminate all future risk associated with this illiquid asset.

13 14. The Transaction would provide for an immediate payment of \$8.4 million (subject  
14 to the true-up process), while the \$11 million illiquid account receivable will not be paid in full  
15 for many years. This cash will be then be immediately available for the benefit of CastlePoint's  
16 policyholders and claimants as we continue to manage the liquidation and prepare for a future  
17 distribution to claimants.

18 This declaration was executed this 16th day of March, 2018, in San Francisco, California.

19 I declare under penalty of perjury according to the laws of the State of California that the  
20 foregoing is true and correct.

21  
22 *David E Wilson*

23 David E. Wilson