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FILED
San Francisco County Superior Court
MAR 30 2001

THE ANNEXED INSTRUMENT IS A
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ATTEST: CERTIFIED

ALAN CARLSON, Clerk
BY: Alan Carlson
Deputy Clerk

MAR 30 2001
GORDON PARK-Li, Clerk
San Francisco County Superior Court
BY: Kevin R. Dougherty
DEPUTY CLERK

8 Attorneys for Applicant Insurance Commissioner of the State of California

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

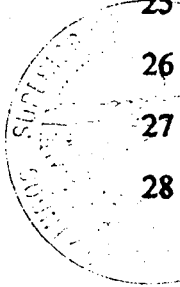
13 INSURANCE COMMISSIONER OF THE STATE
OF CALIFORNIA,
14
15 Applicant,
16 v.
17 HIH AMERICA COMPENSATION & LIABILITY
INSURANCE COMPANY,
18 Respondent.

Case No. 320049
ORDER APPOINTING
CONSERVATOR [PROPOSED]
[Ins. Code, § 1011]

20 On March 30, 2001, applicant Insurance Commissioner of the State of
21 California's verified Ex Parte Application for Order Appointing Conservator of respondent HIH
22 America Compensation & Liability Insurance Company came on regularly for hearing as an ex
23 parte matter in Department 301 of the San Francisco County Superior Court. Deputy Attorneys
24 General David Lew and Anne Michelle Burr appeared on behalf of Applicant. No appearance
25 was made on behalf of Respondent.

26 GOOD CAUSE APPEARING FROM APPLICANT'S VERIFIED
27 APPLICATION, THIS COURT MAKES THE FOLLOWING FINDINGS:

- 28 1. Applicant has determined that Respondent (a) is insolvent; (b) is in such



1 condition that the further transaction of business by respondent will be, and is, hazardous to its
2 policyholders, creditors, and the public; and (c) by reason of its insolvency, Respondent does not
3 meet the requirements for issuance to it of a Certificate of Authority.

4 2. Each of the above-stated conditions constitutes a ground for conservation
5 under Insurance Code section 1011, subdivisions (i), (d) and (h).

6 3. There exist sufficient factual and legal grounds for placing Respondent into
7 conservation under the supervision of Applicant.

8 WHEREFORE, GOOD CAUSE APPEARING, THIS COURT MAKES THE
9 FOLLOWING ORDERS:

10 1. The Insurance Commissioner of the State of California ("Commissioner") is
11 appointed as the Conservator of Respondent and is directed as such to conduct the business of
12 Respondent, or so much thereof as said Conservator may deem appropriate.

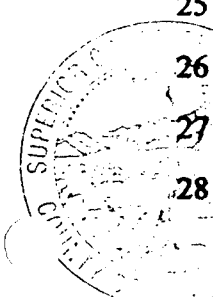
13 2. The Commissioner, in his discretion, is authorized to pay or defer payment of
14 all proper claims and all obligations against Respondent accruing prior to or subsequent to his
15 appointment as Conservator.

16 3. The Commissioner is authorized to take possession of all of Respondent's
17 assets, books, records, and property, both real and personal, wheresoever situated.

18 4. The Commissioner is vested with title to all of said property and assets of
19 Respondent, wheresoever situated, in the Commissioner or his successor in office, in his official
20 capacity as Conservator. All persons (individuals and entities alike) are enjoined from
21 interfering with the Commissioner's possession and title to said property and assets.

22 5. Respondent, its officers, directors, governors, agents and employees are
23 enjoined from transacting any of the business of Respondent, whether in the State of California
24 or elsewhere, or from disposing of any or assisting any person in the transfer or alienation of the
25 property or assets of Respondent until further order of this Court.

26 6. All persons are enjoined from instituting, prosecuting or maintaining any
27 action or proceeding in law or suit in equity, including but not limited to actions or proceedings
28 to compel discovery or production of documents or testimony, matters in arbitration against



1 Respondent or the Commissioner as Conservator, except for matters before the Workers
2 Compensation Appeals Board, and from attaching, executing foreclosure upon, redeeming of or
3 taking any other legal proceedings against any of the property of Respondent, and doing any act
4 interfering with the conduct of said business by the Commissioner, except after an order from
5 this Court obtained after reasonable notice to the Commissioner.

6 7. Respondent and all officers, directors, agents and employees of Respondent are
7 directed to forthwith deliver to the Commissioner all assets, books, records, equipment and other
8 property of Respondent, wheresoever situated.

9 8. The Commissioner is authorized to pay all reasonable costs of operating
10 Respondent as Conservator (including direct and allocated direct costs, direct and allocated
11 general and administrative costs and overhead, and other allocated costs) out of the funds and
12 assets of Respondent.

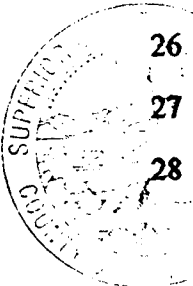
13 9. All funds and assets, including certificates of deposit and bank accounts of
14 Respondent in various financial depository institutions, including banks, savings and loan
15 associations, industrial loan companies, mutual funds or stock brokerages, in the State of
16 California or elsewhere, are vested in the Commissioner and subject to withdrawal upon his
17 order only.

18 10. All persons who maintain records for Respondent, pursuant to written
19 contract or any other agreement, are directed to maintain such records and to deliver such records
20 to the Commissioner upon his request.

21 11. All agents of Respondent and all brokers who have done business with
22 Respondent are directed to make all remittances of funds collected by them or in their hands
23 directly to the Commissioner.

24 12. All persons having possession of any lists of policyholders of Respondent are
25 directed to deliver all such lists to the Commissioner. All persons are enjoined from using any
26 such lists or any information contained therein without the consent of the Commissioner.

27 13. The Commissioner is authorized to initiate such equitable or legal actions or
28 proceedings in this or other states as may appear to him necessary to carry out his functions as



1 Conservator.

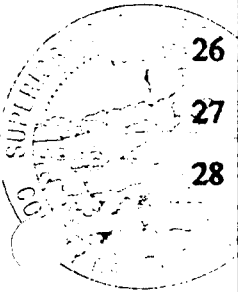
2 14. The Commissioner is authorized to appoint and employ special deputies,
3 estate managers, other professionals, clerks and assistants and to give each of them such power
4 and authority as may be deemed necessary by the Commissioner. The Commissioner is also
5 authorized to compensate these persons from the assets of Respondent as he shall deem
6 appropriate.

7 15. The Commissioner is authorized to divert, take possession of and secure all
8 mail of Respondent, in order to screen such mail, and to effect a change in the rights to use any
9 and all post office boxes and other mail collection facilities used by Respondent.

10 16. Respondent and its respective officers, directors, agents, servants, employees,
11 successors, assigns, affiliates, and other persons or entities under their control and all persons or
12 entities in active concert or participation with them, and each of them, shall turn over to the
13 Commissioner all records, documentation, charts and/or descriptive material of all funds, assets,
14 property owned beneficially or otherwise, and all other assets of Respondent wherever situated,
15 and all books and records of accounts, title documents and other documents in their possession or
16 under their control, which relate, directly or indirectly, to assets or property of Respondent
17 belonging to or now held by Respondent or any of them or to the business or operations of
18 Respondent.

19 17. Except by leave of this Court, issued after a hearing in which the
20 Commissioner has received reasonable notice, all persons are enjoined from executing or issuing
21 or causing the execution or issuance of any court attachment, subpoena, replevin, execution or
22 other process for the purpose of impounding or taking possession of or interfering with or
23 creating or enforcing a lien on any property owned or in the possession of Respondent or its
24 affiliates, or the Commissioner as Conservator, wheresoever situated.

25 18. Except by leave of this Court, issued after a hearing in which the
26 Commissioner has received reasonable notice, all persons are enjoined from accelerating the due
27 date of any obligation or claimed obligation; exercising any right of set-off; taking, retaining,
28 retaking or attempting to retake possession of any real or personal property; withholding or

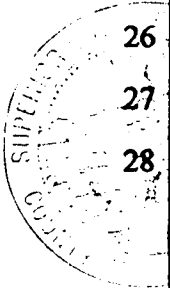


1 diverting any rent or other obligation; doing any act or other thing whatsoever to interfere with
2 the possession of or management by the Commissioner of the property and assets, owned or
3 controlled by Respondent or in the possession of Respondent or in any way to interfere with the
4 Commissioner or to interfere in any manner during the pendency of this proceeding with the
5 exclusive jurisdiction of this Court over Respondent.

6 19. Any and all provisions of any agreement entered into by and between any
7 third party and Respondent, including, by way of illustration, but not limited to, the following
8 types of agreements (as well as any amendments, assignments, or modifications thereto):
9 financial guarantee bonds, promissory notes, loan agreements, security agreements, deeds of
10 trust, mortgages, indemnification agreements, subrogation agreements, subordination
11 agreements, pledge agreements, assignments of rents or other collateral, financial statements,
12 letters of credit, leases, insurance policies, guaranties, escrow agreements, management
13 agreements, real estate brokerage and rental agreements, servicing agreements, consulting
14 agreements, easement agreements, license agreements, franchise agreements, or employment
15 contracts that provide in any manner that selection, appointment or retention of a conservator or
16 trustee by any court, or entry of any order such as hereby made, shall be deemed to be, or
17 otherwise operate as, a breach, violation, event of default, termination, event of dissolution, event
18 of acceleration, insolvency, bankruptcy, or liquidation, shall be stayed, and the assertion of any
19 and all rights and remedies relating thereto shall also be stayed and barred, except as otherwise
20 ordered by this Court and this Court shall retain jurisdiction over any cause of action that has
21 arisen or may otherwise arise under any such provision.

22 20. The Commissioner is authorized to invest Respondent's assets and funds in
23 such a manner as may seem suitable to him for the best interest of Respondent's creditors, which
24 funds are not immediately distributable to Respondent's creditors. However, no investment or
25 reinvestment shall be made which exceeds the sum of \$100,000 without first obtaining
26 permission of this Court.

27 21. The Commissioner is authorized to pay for his costs in bringing and
28 maintaining this action, and such other actions as are necessary to carry out his functions as



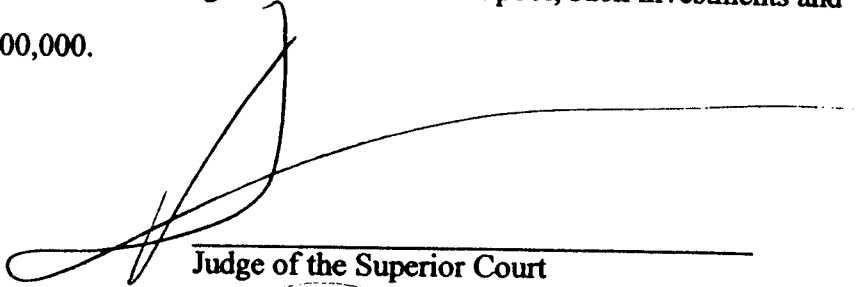
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Conservator, out of the funds and assets of Respondent.

22. The Commissioner is authorized, pursuant to Insurance Code section 1037, subdivision (g), to invest and reinvest all assets of Respondent in a manner as he deems to be in the best interest of the creditors of the estate, including investing and reinvesting assets through an investment pool consisting exclusively of assets from conserved estates. To the extent that the Commissioner invests and reinvests through such an investment pool, such investments and reinvestments may exceed \$100,000.

Dated:

3/30/01



Judge of the Superior Court

