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7 *Attorneys for Applicant*
8 *Dave Jones, Insurance Commissioner of the State of*
California, in his Capacity as Conservator of
9 *Majestic Insurance Company*

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

12
13
14 **DAVE JONES, INSURANCE**
15 **COMMISSIONER OF THE STATE OF**
16 **CALIFORNIA,**

17 Applicant,

18 v.

19 **MAJESTIC INSURANCE COMPANY, and**
20 **DOES 1-50-, inclusive,**

21 Respondents.

Case No. CPF-11-511261

**NOTICE OF HEARING ON
APPLICATION AND APPLICATION
FOR ORDER APPROVING PAYMENT
OF CONSERVATOR'S
ADMINISTRATIVE EXPENSES AND
PROFESSIONAL FEES**

Date: July 18, 2014
Time: 9:30 a.m.
Dept: 302
Reservation # 061214-04

ENDORSED
FILED
San Francisco County Superior Court

JUN 12 2014

CLERK OF THE COURT
BY: CAROLYN BALISTRERI
Deputy Clerk

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1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on July 18, 2014 at 9:30 a.m. or as soon thereafter as the
3 matter may be heard in Department 302 of the Superior Court of California for the City and
4 County of San Francisco, California, Insurance Commissioner Dave Jones ("Conservator"), in his
5 capacity as Conservator of the Majestic Insurance Company in Conservation ("Majestic"), will
6 and hereby does apply to the Court for an Order approving and ratifying payments made in 2013
7 for (1) administrative costs and expenses, including vendor payments and state agency attorney
8 fees, in the total amount of \$952,244.84 incurred as part of the Majestic conservation and
9 rehabilitation proceeding, and (2) professional service fees in the total amount of \$101,519.55 for
10 legal services rendered to the Conservator by the law firm of Orrick, Herrington & Sutcliffe LLP
11 ("Orrick").

12 The application is made pursuant to Insurance Code sections 1035 and 1036, which
13 authorize the Conservator to pay expenses incurred in the administration of insolvent insurers,
14 including the compensation of attorneys, pursuant to court approval.

15 This application is based on this notice, the provisions of the California Insurance Code,
16 including Insurance Code sections 1035 and 1036, the attached points and authorities, the
17 declarations of David Wilson and Thomas J. Welsh in support thereof, and the complete file and
18 records of this case.

19
20 Dated: June 12, 2014

Respectfully Submitted,

21
22 KAMALA D. HARRIS
Attorney General of California
23 JOYCE E. HEE
Supervising Deputy Attorney General

24 
25 ANNE MICHELLE BURR
26 Deputy Attorney General
27 *Attorneys for Applicant Insurance*
28 *Commissioner*

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Prior to the Conservator's placement of Majestic into conservation, Majestic had been subject to multiple lawsuits filed in California and New York alleging damages in excess of \$500 million, which could have endangered Majestic's ability to continue operating as an insurer, to the detriment of its policyholders and creditors. (See, Declaration of David Wilson in Support of Application for Order Approving Payment of Conservator's Administrative Expenses and Professional Fees ("Wilson Decl."), ¶ 2.) In order to protect the policyholders from any adverse consequences of the pending litigation, on April 21, 2011, and pursuant to Insurance Code section 1011(d), the Commissioner obtained a court order placing Majestic into conservation. (Wilson Decl., ¶ 3.) Thereafter, the Commissioner, as Conservator, successfully oversaw and implemented the Rehabilitation Plan for Majestic Insurance Company by transferring all of Majestic's policies and related claims to the A rated insurer, Technology Insurance Company, an AmTrust affiliate, thereby protecting the interests of Majestic policyholders and its claimants from the adverse consequences of Majestic's insolvency in the event that plaintiffs in the pending litigation were successful in asserting their damage claims. (Wilson Decl., ¶ 3.)

As the Conservator of Majestic, Insurance Commissioner Dave Jones' primary responsibilities are to collect and marshal all of Majestic's available assets, to manage Majestic for the benefit of its policyholders, shareholders, creditors, and employees, and to prepare and execute a plan for Majestic's rehabilitation. (Ins. Code, § 1037.) To achieve these goals, the Conservator, through his Conservation and Liquidation Office ("CLO"), has appointed a deputy conservator assistant, utilized facilities and information technology, and contracted with vendors and professionals.

The payment of expenses incurred in administering the Majestic conservation estate is governed by Insurance Code sections 1035 and 1036¹. Specifically, section 1035 authorizes the Conservator to pay the salaries of the special deputy conservators and employees and all other

¹ All further statutory references to the Insurance Code shall be by section number only.

1 expenses necessary to carry out the functions of the management of an insolvent insurer. Section
2 1036 empowers the Commissioner to employ and compensate legal counsel to advise the
3 Conservator on estate business, and to prosecute and defend actions on behalf of the estate. The
4 expenses incurred for these purposes are entitled to Class 1 priority status over and above all
5 other expenses of the estate pursuant to section 1033(a)(1).

6 While sections 1035 and 1036 require the Conservator to seek the Court's approval of
7 estate expenses, these statutory provisions do not set forth any specific approval procedures, and
8 thus defer to the discretion of the Conservator and the Court to establish the procedures that are
9 reasonable given the particular needs of the estate. Accordingly, the Conservator applies herein
10 for this Court's approval of the payment of administrative expenses and fees incurred during
11 conservation and after the Rehabilitation Period. This Application covers expenses paid in 2013.

12 Specifically, this Application seeks the Court's approval of administrative and legal
13 expenses incurred by the Majestic estate and paid in 2013 totaling \$1,053,764.39. This amount
14 includes administrative and operating expenses pursuant to section 1035 in the amount of
15 \$952,244.84, comprised of CLO invoiced expenses of \$609,942.79 and third-party direct vendor
16 and state assessment payments of \$342,302.05, plus legal fees and expenses for counsel outside
17 of California state service pursuant to section 1036 in the amount of \$101,519.55 (Wilson Decl.,
18 ¶ 26.) The administration expenses were incurred in connection with the implementation and
19 closure of the Rehabilitation Plan for Majestic, the proposed sale of Majestic's corporate shell,
20 licenses and statutory deposits for \$500,000.00 plus the value of the statutory deposits, the
21 preparation and filing of quarterly statutory statements and year ending financial statements, the
22 preparation of tax returns, and the review and adjudication of the various claims submitted against
23 the estate.²

24 Now that the Rehabilitation Plan has been successfully closed and fully implemented, the
25 Conservator anticipates that the expenses of administration will be incurred at a lower level as the
26 remaining aspects of the conservation proceeding are completed. That activity will be comprised

27 ² This application does not request approval of day to day expenses incurred by Majestic for its
28 employees, rent, utilities and other ordinary expenses.

1 primarily of the administration and resolution of all remaining non-policyholder claims, the
2 collection and liquidation of contingent assets, the management of the estate and its assets, and
3 the ultimate distributions of the company's assets to holders of allowed general creditor claims
4 and equity interests.

5 **II. ARGUMENT**

6 **A. General Operating And Administrative Expenses**

7 The Majestic estate's administrative fees and expenses generally concern the Conservator's
8 efforts to discharge his duties to Majestic's policyholders and creditors to marshal and manage
9 Majestic's assets, to direct the operations of Majestic while it is in conservation, to implement the
10 approved Rehabilitation Plan for Majestic, to solicit buyers for Majestic's corporate shell with its
11 licenses and statutory deposits, to prepare statutory financial statements, and to review and
12 adjudicate various proofs of claim filed by the vendors and litigants seeking damages from the
13 estate. The ongoing expenses incurred as a result of the administration of the Majestic
14 conservation estate are paid out of estate assets pursuant to section 1035, which authorizes the
15 Conservator to pay the salaries of the special deputy conservators and employees and all other
16 expenses necessary to carry out the functions of the management of an insolvent insurer.

17 Majestic's general estate operating and administrative expenses fall into two categories: (1)
18 estate operating expenses, which consist of CLO operating expenses and third-party vendor
19 related expenses, and (2) legal fees incurred by attorneys outside of state service who provided
20 professional services in the development of the plan for the sale of Majestic's corporate shell
21 (together with its licenses and statutory deposits and without its liabilities), the preparation of the
22 related transactional documentation, and the preparation of the application for approval of the sale
23 (to be addressed in Part B, below).

24 **1. The CLO Operating Expenses.**

25 The Majestic estate's operating expenses incurred in the administration of the estate by the
26 CLO for the period in question include services provided by CLO's personnel that are charged to
27 the estate on an hourly rate calculated each month times the total number of hours that CLO
28

1 personal provided services to the Majestic estate, together with professional fees for services
2 provided by third party vendors and CLO contractors.

3 The CLO's hourly rate charged to the Majestic estate for services provided in any given
4 month by CLO employees is a blended rate based on the CLO's operational expenses calculated
5 as follows: total CLO employees personnel expenses for a given month divided by the total
6 number of employee labor hours plus CLO monthly facility expenses divided by the total number
7 of labor hours for CLO employees and CLO contractors using CLO facilities for a given month to
8 arrive at hourly rate for CLO employees providing services to the Majestic estate. Facility
9 expenses are non-estate specific expenses and include office supplies, rent, utilities and other
10 occupancy expenses. (Wilson Decl., ¶ 6.)

11 The Conservator also utilized the services of CLO retained contractors to provide support
12 and services that are paid by the CLO and charged to the Majestic estate at the hourly rate agreed
13 to by the contractors who provided services to the CLO and the estates overseen by the Insurance
14 Commissioner. (Wilson Decl., ¶ 7.)

15 The Conservator has been represented by the California Attorney General as the lead
16 litigation counsel on the commencement of the conservation proceeding and the approval of the
17 Rehabilitation Plan. In addition, the Conservator receives legal services for non-litigation related
18 matters from the Commissioner's Legal Division of the California Department of Insurance.
19 Both the Commissioner's agency attorneys and the Attorney General's Office bill the
20 Conservator for estate-related legal services provided to the Majestic estate at an hourly rate set
21 by the state agencies. The expense of these state-employed attorneys is not required to be
22 separately approved pursuant to section 1036. These expenses are paid by the CLO and billed to
23 the Majestic estate on a monthly basis as part of Majestic's estate expenses. (Wilson Decl., ¶ 8.)

24 Fees for outside legal services are discussed in detail in Part B, below.

25 During 2012, the Majestic estate paid a total of \$609,942.79 for CLO personnel, CLO
26 contractor expenses and state-employed attorneys' fees. The expenses incurred based on the
27
28

CLO hourly rate for each month³ and its contractors along with their related expenses are as follows:

Dec. 1 – Dec. 31, 2012:	84.10 hrs. at the rate of \$172.29/hr	\$ 14,490.25
Dec. 1 – Dec. 31, 2012:	INS. Consultants, Inc. 133 hrs @ \$160	21,280.00
	INS Consultants, Inc. travel & expenses	5,112.04
	State Employee Legal Fees	<u>1,651.00</u>
	CLO December Billing ⁴ Subtotal	\$ 42,533.29
Jan. 1 – January 31, 2013:	182.96 hours at the rate of \$194.34/hr	\$ 35,555.75
Jan. 1 – January 31, 2013	INS Consultants, Inc. 128 hrs @ \$160/hr	20,480.00
	INS Consultants, Inc. travel and expenses	5,043.63
	State Employee Legal Fees	<u>4,776.00</u>
	CLO January Billing ⁵ Subtotal	\$ 65,855.38
Feb. 1 – February 28, 2013:	152.37 hrs at the rate of \$213.62 per hour	\$ 32,548.81
	State Employee Legal Fees	<u>1,813.00</u>
	CLO February Billing ⁶ Subtotal	\$ 34,361.81
March 1 - March 31, 2013:	133.13 hrs at the rate of \$205.05/hour	\$ 27,297.33
March 1 – March 31, 2013:	INS Consultants, Inc. 61 hrs @ \$160/hr	9,760.00
	State Employee Legal Fees	<u>1,237.00</u>
	CLO March Billing ⁷ Subtotal	\$ 38,294.33
April 1 – April 30, 2013:	146.74 hrs at the rate of \$179.84	\$ 26,389.29
April 1 – April 30, 2013:	INS Consultants, Inc. 59 hrs @ \$160/hr	9,440.00
	State Employee Legal Fees	<u>1,514.50</u>
	CLO April Billing ⁸ Subtotal	\$ 37,343.79

³ See Exhibit A attached to the Wilson Declaration for calculation of CLO personnel monthly hours rate.

⁴ Wilson Decl., ¶9.

⁵ Wilson Decl., ¶10.

⁶ Wilson Decl., ¶11.

⁷ Wilson Decl., ¶12.

⁸ Wilson Decl., ¶13.

1	May 1 - May 31, 2013: 174.49 hours at the rate of \$166.39/hour	\$ 29,033.92
2	May 1 – May 31, 2013: INS Consultants, Inc. 91 hrs @ \$160/hr	14,560.00
3	INS Consultants, Inc. travel and expenses	2,381.80
4	State Employee Legal Fees	<u>2,207.50</u>
5	CLO May Billing ⁹ Subtotal	\$ 48,183.22
6	June 1 - June 30, 2013: 139.12 hrs at the rate of \$202.11 per hour	\$ 28,116.68
7	June 1 – June 30, 2013: INS Consultants, Inc. 109 hrs @ \$160/hour	17,440.00
8	INS Consultants, Inc. travel and expenses	5,416.86
9	State Employee Legal Fees	<u>991.50</u>
10	CLO June Billing ¹⁰ Subtotal	\$ 51,965.04
11	July 1 - July 31, 2013: 158.25 hrs at the rate of \$176.11 per hour	\$ 27,869.49
12	July 1 – July 31, 2013: INS Consultants, Inc. 114 hrs @ \$160/hr	18,240.00
13	INS Consultants, Inc. travel and expenses	4,308.38
14	State Employee Legal Fees	<u>2,390.50</u>
15	CLO July Billing ¹¹ Subtotal	\$ 52,808.37
16	August 1 - August 31, 2013: 171.39/hrs at the rate of \$196.67 per hour	33,707.12
17	August 1 – August 31, 2013: INS Consultants, Inc. 112 hrs@160/hr	17,920.00
18	INS Consultants, Inc. travel & expenses	5,639.48
19	State Employee Legal Expenses	<u>2,504.25</u>
20	CLO August Billing ¹² Subtotal	\$ 59,770.85
21	Sept. 1 – Sept. 30, 2013: 160.50 hours at the rate of \$200.52/hr	\$ 32,184.43
22	Sept. 1 – Sept. 31, 2013: INS Consultants, Inc. 111 hrs @ \$160/hr	17,760.00
23	INS Consultants, Inc. travel & expenses	4,024.59
24	State Employee Legal Fees	<u>1,272.00</u>
25	CLO September Billing ¹³ Subtotal	\$ 55,241.02

⁹ Wilson Decl., ¶14.

¹⁰ Wilson Decl., ¶15.

¹¹ Wilson Decl., ¶16.

¹² Wilson Decl., ¶17.

1	Oct. 1 – Oct. 31, 2013: 164.25 hrs. at the rate of \$215.49/hr	\$ 35,394.86
2	Oct. 1 – Oct. 31, 2013: INS. Consultants, Inc. 123 hrs @ \$160	19,680.00
3	INS Consultants, Inc. travel & expenses	5,272.54
4	State Employee Legal Fees	<u>9,378.50</u>
5	CLO October Billing ¹⁴ Subtotal	\$ 69,725.90
6	Nov. 1 – November 31, 2013: 156.92 hours at the rate of \$210.16/hr	\$ 32,978.65
7	Nov. 1 – November 31, 2013: INS Consultants, Inc. 88 hrs @ \$160/hr	14,080.00
8	INS Consultants, Inc. travel and expenses	2,449.64
9	State Employee Legal Fees	<u>4,351.50</u>
10	CLO November Billing ¹⁵ Subtotal	\$ 53,859.79
11	Total	\$ 609,942.79

12 Accordingly, the total CLO operating expenses incurred by the Majestic estate for CLO
13 personnel, contractors, state employees, and related travel and expenses for which the
14 Conservator is seeking approval of is \$609,942.79. (Wilson Decl., ¶ 26.)

15 **2. The Third-Party Vendor Operating Expenses.**

16 In addition to CLO operating expenses, the Conservator has also incurred third-party
17 vendor related operating expenses for the Majestic conservation, which are directly paid from
18 estate assets. These expenses are primarily for Majestic vendors and consultants retained by the
19 Conservator specifically for the administration of the Majestic estate. For the relevant period,
20 payments made to the vendors through December 31, 2012 totaled \$342,302.05 (See Exhibit B
21 attached to the Wilson Declaration).

22 Majestic's Vendor Related Operating Expenses include:

23 a. Accounting Services

24	D'Arcangelo & Co., LLP	\$ 5,200.00
25	American Actuarial Consulting	37,578.76

26 (...continued)

27 ¹³ Wilson Decl., ¶ 18.

28 ¹⁴ Wilson Decl., ¶ 19.

¹⁵ Wilson Decl., ¶ 20.

1	JLK Rosenberger, LLP	42,654.72
2	BDO USA, LLP	27,618.50
3	Internal Revenue Services	25,470.80
4	b. <u>Investment Expenses</u>	
5	First National Bank of Alaska	750.00
6	Century Trust and Asset Management	148.76
7	State of California, Department of Insurance	122.00
8	General Re-NEAM	52,118.09
9	State Street	24,358.54
10	The Bank of Mellon	500.00
11	U. S. Bank N. A.	350.50
12	Union Bank	150.00
13	Wells Fargo Bank	3,524.84
14	c. <u>State Assessments, Fees, Licenses and Taxes</u>	
15	Alaska Division of Insurance	2,350.00
16	Arizona Department of Insurance	435.00
17	Commissioner of Insurance Montana	1,900.00
18	Commonwealth of Virginia Department of Insurance	2,380.00
19	Comptroller of Public Accounts	664.65
20	CT Corporation	1,704.00
21	Florida Department of Revenue	1,890.00
22	Idaho Department of Insurance	3,175.00
23	Idaho Industrial Commission	1,300.00
24	Illinois State Treasurer	921.00
25	National Association of Insurance	2,947.00
26	Nevada Division of Insurance	4,125.00
27	New Mexico Public Regulation	600.00
28	New York State Corporate Tax	250.00

1	New York State Department of Financial Services	19,569.55
2	Oregon Department of Revenue	150.00
3	Oregon Department of Consumer & Business	1,500.00
4	State of California Department of Insurance	633.00
5	State of Hawaii, Dept. of Commerce	601.00
6	State Treasurer of New Jersey	633.00
7	Utah Insurance Department	375.00
8	Washington Insurance Commissioner	633.00
9	Worker's Compensation Insurance	500.00
10	Workers Occupational Safety	100.00
11	d. <u>Legal Fees and Expenses for Majestic's pending litigation</u>	
12	Law Offices of Glassberg, Pollak	425.00
13	Liffey Thames Group, LLC	794.00
14	e. Other Professional Consulting Fees	
15	Day Seckler LLP	3,614.00
16	McKinney, Cynthia A.	10,044.80
17	Piper, David C.	24,850.00
18	Weaver McGrath LLP	37,641.25
19	f. Delivery, Record Retrieval and Storage	
20	Federal Express	\$ 657.06
21	United Parcel Service	17.22
22	Iron Mountain – Los Angeles	6,594.18
23	g. <u>Miscellaneous</u>	
24	Copymat	540.56
25	A. M. Best Company, Inc.	<u>3,800.00</u>
26		\$342,302.05
27		
28		

1 Accordingly, the CLO operating expenses, and the third-party vendor related operating
2 expenses for the Majestic conservation paid by the Majestic estate in 2013 for which the
3 Conservator is seeking approval totals \$952,244.84.

4 **B. PROFESSIONAL AND LEGAL FEES AND EXPENSES**

5 **1. Majestic's Conservation and Retention of Outside Legal Counsel**

6 The Conservator was represented by the law firm of Orrick, Herrington & Sutcliffe LLP
7 ("Orrick") in connection with the negotiation, preparation, court approval and closing of the
8 Rehabilitation Plan. Thereafter, Orrick was retained to assist in the review and analysis of certain
9 proof of claims with complex legal issues including a claim by CAP and related cross-complaints,
10 provided technical legal assistance in the termination of Majestic's 401(k) plan, drafted a new
11 401(k) plan, attended to tax issues related thereto, provided assistance in the preparation and
12 filing of the 2012 tax return, provided assistance concerning distribution plans to class 7
13 claimants and interim distribution to class 9 claimant, and provided assistance regarding potential
14 director and officer claims. Additionally, the Conservator elected to sell the Majestic Insurance
15 Company shell, together with its certificates of authority and statutory deposits, and retained
16 Orrick to assist in its sale. In connection therewith, Orrick assisted the Conservator on legal
17 matters including but not limited to: (a) representing the Conservator in the negotiation of the
18 terms and conditions for sale of the corporate shell, preparing the various agreements related to
19 the sale of corporate shell including proposed Purchase and Sales Agreement, preparing
20 Conservation Trust Agreement, drafting all related documents to cancel outstanding stock and
21 issuance of Trust Certificate and assist in drafting Notice Motion and Motion for Order
22 Approving Conservation Trust Agreement and Purchase and Sale and subsequent closing
23 activities related to the sale including the preparation of all corporate minutes, resolutions related
24 to the appointment and resignation of officers of Majestic; and (b) preparation of closing
25 documents and attend to post closing issues. (See, Declaration of Thomas J. Welsh in support of
26 Conservator's Application for Order Approving Conservator's Payment of Administrative
27 Expenses and Professional Fees ("Welsh Decl."), ¶ 3 and Exhibit A attached thereto.)
28

1 To carry out these multiple functions, the Conservator required the assistance and advice of
2 legal counsel. Generally, non-litigation legal services are provided to the Conservator by and/or
3 under the direction of the Commissioner's Department of Insurance attorneys. In addition, the
4 Attorney General's Office provides the litigation services needed by the Conservator. However,
5 to address the aforementioned specialized legal issues, the Conservator continued to need the
6 services of legal counsel with expertise in the areas of insurance, corporate law, real estate,
7 bankruptcy, reinsurance, employment, and taxation.

8 In this regard, and pursuant to section 1036, the Conservator, through his Special Deputy
9 Insurance Commissioner and the Attorney General's Office, retained outside legal counsel at
10 outset of the conservation proceeding to assist with many specialty areas of law¹⁶. Members of
11 Orrick have worked closely with and have advised the Conservator and his staff on complex legal
12 matters and have continued to report regularly to the Conservator throughout the conservation
13 proceedings.

14 **2. Fees for Legal Services Provided to the Conservator**

15 A schedule of all legal fees and expenses incurred by the Conservator for work performed
16 on behalf of the Majestic estate is attached to the Welsh Decl. as Exhibit A. The Conservator
17 hired Orrick to provide outside advice and assistance as noted above in B1. (Wilson Decl., ¶¶ 22,
18 23.)

19 **3. Review and Approval of Legal Services Bills by the Conservator**

20 The CLO has strict guidelines governing the hiring and compensation of private law firms
21 that perform services in conservation and liquidation matters. Those guidelines require, *inter*
22 *alia*, that outside law firms submit monthly bills describing each task performed, the date the task
23 was performed, and the time expended on each task (reported in increments of tenths of an hour).
24 With respect to disbursements, i.e. expenses incurred by the law firms, the CLO requires that
25 invoices contain an itemization of disbursements by category.

26
27
28 ¹⁶ The Conservator obtained the written consent of the Attorney General to retain outside counsel.

1 When the Conservator receives invoices for legal services, his staff carefully reviews the
2 invoices in order to determine whether they comply with the CLO's guidelines and whether the
3 fees and expenses sought are reasonable, necessary, accurate, and appropriate. Outside law firms
4 are only paid the amounts sought in their invoices after the invoices have been carefully reviewed
5 and approved. The procedures established by the CLO are intended to ensure that no
6 unreasonable or unnecessary fees or expenses are approved and paid. The personnel who review
7 the legal bills have regular contact with the outside attorneys, regularly see the attorneys' work
8 product, and are knowledgeable about the legal work being performed by the law firms. (Wilson
9 Decl., ¶¶ 24, 25.)

10 The Conservator's staff has reviewed the invoices submitted by Orrick in this application
11 and has approved the amounts sought by Orrick as reasonable, necessary, accurate, appropriate,
12 and in the best interest of Majestic. The fees for legal services provided by Orrick in 2013 totaled
13 \$101,519.55. (Wilson Decl., ¶ 23.)

14 **4. Payment for Legal Services Owed to Orrick**

15 Orrick has provided legal services to the Conservator and to Majestic in connection with the
16 issues and matters set forth above. Due to the small size of Majestic and the relatively short
17 duration of Orrick's involvement as outside counsel, the Conservator does not believe that an in
18 camera review of Orrick's bills for its work on the Majestic conservation will be necessary, but
19 stands ready to provide for such review if the Court deems it appropriate. Summaries of the
20 invoices for work performed by Orrick for the Conservator with relation to the Majestic
21 conservation are attached as Exhibit A to the Welsh Declaration. These invoices have been
22 prepared for this application and accurately reflect the fees and expenses charged and the
23 activities conducted. Based on the Conservator's careful management of Orrick, and the CLO's
24 stringent review and approval process, the Conservator has determined that the fees incurred by
25 and paid to Orrick for its services are reasonable and appropriate, and thus should be approved by
26 the Court.

27 **III. CONCLUSION**

28 WHEREFORE, the Conservator respectfully requests that the Court issue an Order:

1 1. Approving the Conservator's payment for general operating and administrative
2 expenses in the total amount of \$952,244.84 for services rendered to the Majestic estate and paid
3 in 2013;

4 2. Approving the Conservator's payment of professional fees and expenses to Orrick,
5 Herrington and Sutcliffe, LLP in the total amount of \$101,519.55 for legal services provided to
6 the Conservator for the Majestic estate and paid in 2013; and

7 3. Authorizing the Conservator to take any and all action necessary to accomplish the
8 purposes of the Order prayed for herein.

9
10
11 Dated: June 3, 2014

Respectfully Submitted,

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



ANNE MICHELLE BURR
Deputy Attorney General
Attorneys for Applicant
Dave Jones, Insurance Commissioner of
the State of California, in his Capacity as
Conservator of Majestic Insurance
Company

JUN 12 2014

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*Attorney for Applicant Dave Jones,
Insurance Commissioner of the State of California
in his Capacity as Conservator of
Majestic Insurance Company*

SUPERIOR COURT FOR THE STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO

INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Applicant,

v.

MAJESTIC INSURANCE COMPANY,
and DOES 1-50, inclusive,

Respondents.

Case No. CPF-11-511261

**[PROPOSED] ORDER APPROVING
PAYMENT OF CONSERVATOR'S
ADMINISTRATIVE EXPENSES AND
PROFESSIONAL FEES**

Date: July 18, 2014

Time: 9:30 AM

Dept.: 302

Reservation #: 061214-04

1 California Insurance Commissioner Dave Jones ("Conservator"), as Conservator of
2 Majestic Insurance Company ("Majestic"), has applied for an Order approving payment of
3 expenses of administration and professional fees paid for services rendered through November
4 30, 2013. The Court having considered the Conservator's Application, the Declaration of David
5 Wilson and the Declaration of Thomas J. Welsh in support of the Conservator's Motion, and good
6 cause appearing therefore:

7 IT IS ORDERED that:

8 (1) The Conservator's payments in 2013 for general operating and administrative
9 expenses in the total amount of \$952,244.84 for services rendered to the Majestic estate are
10 approved.

11 (2) The Conservator's payments of professional fees and expenses to Orrick,
12 Harrington and Sutcliffe, LLP in the total amount of \$101,519.55 for legal services provided to
13 the Conservator for the Majestic estate from December 2012 through November 30, 2013 are
14 approved; and

15 (3) The Conservator is authorized to take any and all actions necessary to accomplish the
16 purposes of this Order.

17
18
19 Dated: _____, 2014

20 _____
21 Judge of the Superior Court
22
23
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25
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27
28

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Attorney General of the State of California
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7

ENDORSED
FILED
San Francisco County Superior Court

JUN 12 2014

CLERK OF THE COURT
BY: CAROLYN BALISTRERI
Deputy Clerk

8 *Attorneys for Applicant*
Dave Jones, Insurance Commissioner of the State of
9 California in his Capacity as Conservator of
Majestic Insurance Company
10

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 CITY AND COUNTY OF SAN FRANCISCO
13

14 DAVE JONES, INSURANCE
COMMISSIONER OF THE STATE OF
15 CALIFORNIA,

16 Applicant,

17 v.

18 MAJESTIC INSURANCE COMPANY,
and DOES 1-50, inclusive,

19 Respondents.
20

Case No. CPF-11-511261

**DECLARATION OF DAVID WILSON IN
SUPPORT OF APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL FEES**

Date: July 18, 2014
Time: 9:30 a.m.
Dept.: 302
Reservation #: 061214-04

21 I, David Wilson, declare:

22 1. I am the Chief Executive Officer and Special Deputy Insurance Commissioner of
23 the Conservation & Liquidation Office ("CLO") of the California Department of Insurance
24 ("CDI") and have held this position since 2005, when I was appointed as CEO of the CLO by the
25 California Insurance Commissioner (Commissioner) and confirmed by the California State
26 Senate. I am the Court-appointed Deputy Conservator of Majestic. In the foregoing capacities I
27 am knowledgeable about the financial affairs of Majestic. I make this declaration in support of
28

1 Insurance Commissioner Dave Jones' Application for Order Approving Payment of
2 Conservator's Administrative Expenses and Professional Fees. The following facts are known by
3 me to be true and correct and of my own personal knowledge, except to those which I have
4 expressed as being based upon my information and belief, and if called upon to testify thereto I
5 would and could competently do so.

6 2. Prior to the filing of the Insurance Commissioner's petition to conserve Majestic
7 Insurance Company ("Majestic"), Majestic Insurance Company was subject to multiple lawsuits
8 filed in California and New York alleging damages in excess of \$500 million that could endanger
9 Majestic's ability to continue operating as an insurer, to the detriment of its policyholders and
10 creditors. In particular, the New York State Compensation Board in the matter of *New York*
11 *Worker's Compensation Board vs. Compensation Risk Managers, et al*, State of New York:
12 Supreme Court of Albany, Index Number 10288-09 alleged damages of \$472 million against
13 Majestic, and the Contractors Access Program of California in the matter of *Contractors Access*
14 *Program of California vs. Majestic Capital Ltd, et al*, San Francisco Superior Court case number
15 CGC-10-506422, alleged damages in excess of \$38 million as to Majestic.

16 3. In order to protect the policyholders from any adverse consequences of the
17 pending litigation, pursuant to Insurance Code section 1011(d), the Commissioner obtained a
18 court order placing Majestic into conservation. Thereafter, the Commissioner, as Conservator,
19 successfully oversaw and implemented the Rehabilitation Plan for Majestic Insurance Company.
20 The Conservator transferred all of Majestic's policies and related claims to the A rated insurer,
21 Technology Insurance Company, an AmTrust affiliate, thereby protecting the interests of
22 Majestic policyholders and its claimants from the adverse consequences of Majestic's insolvency
23 in the event that plaintiffs in the above-named cases were successful in asserting their damage
24 claims.

25 4. As of March 31, 2014, the Majestic estate had over \$8.9 million in assets available
26 to pay all future expenses of administration and still have sufficient assets available to distribute
27 and pay in full any unknown potential California Insurance Code section 1033 claims through
28

1 Class 7, with any remaining assets to the estate's shareholders or other owners in the residual
2 value of the estate.

3 5. The CLO employees and contractors were used to oversee the continuing
4 operations of the Majestic estate, secure Majestic's financial and policy data, and provide general
5 oversight and other technical and financial support as deemed appropriate in the oversight of the
6 estate.

7 6. Services provided by the CLO are billed based on a blended hourly rate for the
8 hours that each employee provided services to the Majestic estate. The blended hourly rate is
9 calculated as follows: total CLO employees personnel expenses for a given month are divided by
10 the total number of employee labor hours worked plus CLO monthly facility expenses divided by
11 the total number of labor hours for CLO employees and CLO contractors using CLO facilities for
12 a given month to arrive at hourly rate that is charged to the Majestic estate for CLO employees
13 providing services to the Majestic estate. Facility expenses are non-estate specific expenses and
14 include office supplies, rent, utilities and other occupancy expenses. Attached hereto as Exhibit
15 "A" is the spreadsheet calculating the CLO hourly rate charged to the Majestic estate for the
16 months of December 2012 through November 2013.

17 7. As part of the CLO's monthly billing, any CLO contractor-provided services,
18 along with related travel and expenses, are paid by the CLO and charged to the Majestic estate at
19 the hourly rate agreed to by the contractor providing services to the CLO and the estates overseen
20 by the Insurance Commissioner. INS Consultant is the only CLO contractor paid for services
21 provided to the Majestic estate in 2013.

22 8. The Conservator has been represented by the California Attorney General, as the
23 lead litigation counsel on the commencement of the conservation proceeding and the approval of
24 the Rehabilitation Plan and continues to be represented by the California Attorney General. In
25 addition, the Conservator receives legal services for non-litigation related matters from the
26 Commissioner's Legal Division of the California Department of Insurance. Both the
27 Commissioner's attorneys and the Attorney General's Office bill the estate for legal services
28 provided to the Majestic estate at an hourly rate set by the state agencies. The expense of these

1 state-employed attorneys is not required to be separately approved pursuant to Insurance Code
2 section 1036. These expenses are paid by the CLO and billed to the Majestic estate on a monthly
3 basis and included as part of the expenses paid by the CLO and reimbursed by the estate.

4 9. For the period of December 1 through December 31, 2012, the total amount billed
5 by the CLO for services provided and paid by the Majestic estate total \$42,533.29. In addition to
6 providing continued oversight of the Majestic estate, the services provided during the month of
7 December included continuing work on employee severance related matters, such as termination
8 of Majestic employee benefit plans and 401(k) plan, reviewing and analyzing proofs of claims
9 submitted by the New York Workers' Compensation Bureau ("NYWCB") and Stratacare, and
10 review, research and preparation of a response to subpoena for Majestic records and documents
11 and continued process of retaining Majestic's digital records and paper files. The CLO billing to
12 the Majestic estate encompasses payment to the CLO for services provided by CLO employees,
13 the CLO's contractor INS Consultant, and legal services provided by California state employees
14 together with related travel and expenses.

15 10. For the period of January 1 through January 31, 2013, the total amount billed by
16 the CLO for services provided and paid by the Majestic estate total \$65,855.38. In addition to
17 providing continued oversight of the Majestic estate, the services provided during the month of
18 January included review of New York workers' compensation assessments, preparation of
19 necessary information related to the filing of Conservator's application for approval of the sale of
20 Majestic's corporate shell, and continued inputting of proofs of claims into the CLO database and
21 transitioning all of Majestic's remaining business operations, files, etc. over to CLO's offices.
22 The CLO billing to the Majestic estate encompasses payment to the CLO for services provided by
23 CLO employees, the CLO's contractor INS Consultant, and legal services provided by California
24 state employees together with related travel and expenses.

25 11. For the period of February 1 through February 28, 2013, the total amount billed by
26 the CLO for services provided and paid by the Majestic estate total \$34,361.81. In addition to
27 providing continued oversight of the Majestic estate, the services provided during the month of
28 February included extensive work related to evaluating Proof of Claims submitted by various

1 individuals and entities, preparing for and entering into settlement negotiations concerning the
2 Marquette Proof of Claim, and coordinating and overseeing the financial audit of Majestic's
3 books and records. The CLO billing to the Majestic estate encompasses payment to the CLO for
4 services provided by CLO employees, and legal services provided by California state employees
5 together with related travel and expenses.

6 12. For the period of March 1 through March 31, 2013, the total amount billed by the
7 CLO for services provided and paid by the Majestic estate total \$38,294.33. In addition to
8 providing continued oversight of the Majestic estate, the services provided during the month of
9 March included extensive work related to Annual Statement Preparation for year ending 2012,
10 review of Form A submitted by AmTrust pertaining to the sale of Majestic's corporate shell,
11 review and analysis of Majestic Capital USA's (parent company of Majestic) potential claim
12 against the Directors and Officers related to their actions in regard to CRM, continued review
13 and analysis of large complex Proof of Claims with follow up requests for further information to
14 support said claims, and work on Premium Audit Collections (workers' compensation premiums
15 usually have three reviews related to audit of employment records, etc). The CLO billing to the
16 Majestic estate encompasses payment to the CLO for services provided by CLO employees, the
17 CLO's contractor INS Consultant, and legal services provided by California state employees
18 together with related travel and expenses.

19 13. For the period of April 1 through April 30, 2013, the total amount billed by the
20 CLO for services provided and paid by the Majestic estate total \$37,343.79. In addition to
21 providing continued oversight of the Majestic estate, the services provided during the month of
22 April included work on issues related to policy audit penalties related to 2008-2010 workers'
23 compensation claims, extensive work related to review and analysis of documentation related to
24 the underwriting of an excess policy for the Contractor's Access Program ("CAP") which
25 submitted an \$8 million proof of claim for unjust enrichment, compilation of financial data
26 necessary for filing tax return, and continued evaluation of large complex Proof of Claims and
27 draft requests for further information to support said claims. The CLO billing to the Majestic
28 estate encompasses payment to the CLO for services provided by CLO employees, the CLO's

1 contractor INS Consultant, and legal services provided by California state employees together
2 with related travel and expenses.

3 14. For the period of May 1 through May 2013, the total amount billed by the CLO for
4 services provided and paid by the Majestic estate total \$48,183.22. In addition to providing
5 continued oversight of the Majestic estate, the services provided during the month of May
6 included extensive work related to resolving issues concerning policy audit penalties related to
7 2008-2010 workers' compensation claims, continued evaluation of large complex of Proofs of
8 Claim, completion of the negotiation of and finalization of a settlement agreement with
9 Marquette, preparation of closing documents for the sale of Majestic corporate shell, review and
10 analysis of documentation and records for possible errors and omissions claims, preparation of
11 escheat reports, and quarterly statutory financial statement for quarter ending March 2013 for
12 filing with the regulatory agencies in the states that Majestic was doing business. The CLO
13 billing to the Majestic estate encompasses payment to the CLO for services provided by CLO
14 employees, the CLO's contractor INS Consultant, and legal services provided by California state
15 employees together with related travel and expenses.

16 15. For the period of June 1 through June 30, 2013, the total amount billed by the CLO
17 for services provided and paid by the Majestic estate total \$51,965.04. In addition to providing
18 continued oversight of the Majestic estate, the services provided during the month of June
19 included, but were not limited to, preparation for and negotiation to settle CAP proof of claim,
20 review and analysis of old liability policies issued by Great Western Insurance Company (former
21 name of Majestic), review and responses to suspension of certificates of authority previously
22 issued by other state insurance departments, remittance of escheated funds, continued evaluation
23 of large complex Proof of Claims and draft requests for further information to support said
24 claims, and continued auditing of employers' with workers' compensation policies issued by
25 Majestic for additional premium owed and recovery of same. The CLO billing encompasses
26 payment to the CLO for services provided by CLO employees, the CLO's contractor INS
27 Consultant, and legal services provided by California state employees together with related travel
28 and expenses.

1 16. For the period of July 1 through July 31, 2013, the total amount billed by the CLO
2 for services provided and paid by the Majestic estate total \$52,808.37. In addition to providing
3 continued oversight of the Majestic estate, services provided during the month of July included,
4 but were not limited to, review and analysis of actuary study submitted in support of CAP proof
5 of claim, and continued evaluation of large complex Proof of Claims and draft requests for further
6 information to support said claims and continued analysis, review and defense to pending Equal
7 Employment Opportunity Commission Claims. The billing encompasses payment to the CLO
8 for services provided by CLO employees, the CLO's contractor INS Consultant, and legal
9 services provided by California state employees together with related travel and expenses.

10 17. For the period of August 1 through August 31, 2013, the total amount billed by the
11 CLO for services provided and paid by the Majestic estate total \$59,770.85. In addition to
12 providing continued oversight over the Majestic estate, services provided included, but were not
13 limited to, preparing documentation for and finalizing quarterly balance sheet for quarter ending
14 June 2013, continued review and analysis of potential error and omission claims and discussions
15 of same with counsel for bankrupt parent corporation and its affiliates, preparation of application
16 for court approval of estate's administrative expenses paid in 2012 for filing with the
17 conservation court, continued evaluation of large complex Proof of Claims and draft requests for
18 further information to support said claims, and continued auditing of employers' employment
19 records related to workers' compensation policies issued by Majestic for additional premium and
20 recovery of same. The billing encompasses payment to the CLO for services provided by CLO
21 employees, the CLO's contractor INS Consultant, and legal services provided by California state
22 employees together with related travel and expenses.

23 18. For the period September 1 through September 30, 2013, the total amount billed
24 by the CLO for services provided and paid by the Majestic estate total \$55,241.02. In addition to
25 providing continued oversight over the Majestic estate, services provided included, but were not
26 limited to, closure of remaining bank accounts, continued preparation of application for court
27 approval of estate's administrative expenses paid in 2012, continued auditing of employers'
28 employment records related to workers' compensation policies issued by Majestic for additional

1 premium and recovery of same, and continued evaluation of other large complex Proof of Claims
2 and draft requests for further information to support said claims. The billing encompasses
3 payment to the CLO for services provided by CLO employees, the CLO's contractor INS
4 Consultant, and legal services provided by California state employees together with related travel
5 and expenses.

6 19. For the period of October 1 through October 31, 2013, the total amount billed by
7 the CLO for services provided and paid by the Majestic estate total \$69,725.90. In addition to
8 providing continued oversight over the Majestic estate, services provided included review of
9 financials for the preparation of Majestic's 2012 year ending balance sheet, continued evaluation
10 of Proofs of Claims submitted by various vendors, continued auditing of employers' employment
11 records related to workers' compensation policies issued by Majestic for additional premium and
12 recovery of same, and preparation of application for court order to approve proposed interim
13 distribution of assets to Majestic claimants. The billing encompasses payment to the CLO for
14 services provided by CLO employees, the CLO's contractor INS Consultant, and legal services
15 provided by California state employees together with related travel and expenses.

16 20. For the period of November 1 through November 30, 2013, the total amount billed
17 by the CLO for services provided and paid by the Majestic estate total \$53,859.79. In addition to
18 providing continued oversight over the Majestic estate, services provided included, but were not
19 limited to, preparing escheat reports, closing of Majestic's 401K employee accounts and the
20 finalization of Conservator's application for court order approving the estate's administrative
21 expenses paid in 2012 and Conservator's application for court order authorizing distribution of
22 Majestic assets to approved claimants and creditors of estate. The billing encompasses payment
23 to the CLO for services provided by CLO employees, the CLO's contractor INS Consultant, and
24 legal services provided by California state employees together with related travel and expenses.

25 21. The Conservator was required to pay various third party vendors that provided
26 professional or technical services, including accounting services and consulting services related to
27 Majestic's prior insurance and business operations as well as payment of state assessments,
28 license fees, taxes, computer maintenance and software services, record retrieval expenses,

1 insurance policy records, copying and other miscellaneous expenses and legal services related to
2 pending lawsuits paid in 2013, and were not included in the Conservator's prior application.
3 Additionally, the Conservator was required to incur storage fees, shipping fees and other expenses
4 related to the oversight of the Majestic estate and maintenance of its licenses. Before payments
5 were made, it was determined that the payments were necessary to the administration of the estate
6 and maintaining the licenses and statutory deposits for the Majestic estate. Payments to third
7 party vendors totaling \$342,302.05 were made directly from the Majestic accounts for services
8 provided and listed by category. Attached hereto as Exhibit B is the list of third party vendors
9 that provided services to the Conservator during the referenced time period and the amounts paid.

10 22. The Conservator at the commencement of the conservation proceeding retained
11 Orrick, Herrington and Sutcliffe ("Orrick") to provide outside advice and assistance in preparing
12 and implementing the successful rehabilitation plan, and thereafter provided legal advice
13 regarding technical legal issues related to terminating 401(k) benefit plans and adopting a new
14 401(k) plan, provided legal support and analysis related to audit and penalty assessments by the
15 Department of Industrial Relations and AmTrust's responsibility for same, provided advice
16 related to proof of claims of bankrupt parent entities submitting claims, provided legal services
17 related to the drafting of the Request For Proposal and Sale, and assisted in negotiating terms of
18 sale and drafted Term Sheet for sale of Majestic's corporate shell with certificates of authority
19 and statutory deposits which were ultimately sold in 2013 for \$500,000.00 plus the value of the
20 statutory deposits.

21 23. In conjunction with the legal services provided by Orrick to the Conservator,
22 Orrick billed and the Conservator paid \$101,519.55 in 2013. The services provided are outlined
23 in the Declaration of Tom Welsh submitted in support of the Conservator's Application.

24 24. Before authorizing payment for the services provide by Orrick, I or my staff
25 reviewed the billings for its reasonableness and to confirm that the services provided were within
26 the scope of the legal services requested. Based on my or my staff's review, the legal fees and
27 expenses incurred and charged were determined to be reasonable and related to the legal services
28 provided. After determining that the billings for legal services provided were reasonable and

1 within the scope of engagement, I authorized payment of the full amount billed and request the
2 court to approve payment thereof. Payment was made directly from the Majestic accounts.

3 25. This application seeks approval of the payments made in 2013 for CLO services
4 including INS Consultants, Inc. and state attorneys in the amount of \$609,942.79, for payment of
5 \$342,302.05 to the various third-party vendors that provided services to the Majestic estate for
6 total administrative expenses of \$952,244.84; and attorneys' fees billed and paid to the Orrick
7 Herrington and Sutcliffe law firm in the amount of \$101,519.55.

8 26. The Insurance Commissioner in his capacity as conservator of Majestic Insurance
9 Company seeks approval of the foregoing expenses for payments made in 2013 by the Majestic
10 estate for services provided. The total administrative expenses and Insurance Code section 1036
11 legal expenses for which the Conservator seeks court approval totals \$1,053,764.39.

12 27. The Conservator's Application for Order Approving Payment of Conservator's
13 Administrative and Professional Fees does not include other operating expenses paid by the
14 Majestic estate for payroll, employee severance, rent, utilities and other ongoing operational
15 expenses that were incurred and paid by the estate prior to closure of Majestic's offices and
16 transfer of its operation to the CLO.

17 Executed this 10th day of June, 2014.

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

20 
21 David E. Wilson
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EXHIBIT A

Conservation Liquidation Office
December 2012- December 2013 Rates

Source:
XX.70001

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Dec 2012- Dec 2013
Department Expense														
11-Executive	140,965	189,309	171,914	169,619	169,739	162,546	168,513	168,948	157,434	161,841	184,205	157,191	168,588	2,170,813
21-ETB	79,782	34,694	44,384	52,112	37,377	50,237	48,555	45,631	46,523	39,354	34,819	23,893	39,302	576,765
31-IT	163,083	131,398	148,960	153,441	145,558	131,244	122,766	117,997	100,901	134,737	125,584	81,203	124,503	1,681,376
32-ACTNG	115,231	96,307	95,177	83,496	83,369	78,621	77,892	77,575	82,215	86,934	71,176	62,643	81,647	1,092,283
33- REINS	82,681	47,862	59,643	60,565	60,704	63,271	63,225	62,873	55,644	66,636	55,893	39,773	51,314	770,082
41- ADM.	31,537	4,550	10,478	17,334	11,929	14,878	14,807	10,377	17,015	13,646	12,495	4,606	7,262	170,913
42- Claims	51,739	54,757	56,110	45,245	49,305	47,482	48,013	49,083	48,720	56,349	38,328	16,826	25,834	587,789
43- HR	5,898	9,516	4,933	6,135	5,884	6,211	5,648	6,089	5,088	6,999	6,642	6,124	10,119	85,486
Total Dept Expenses	670,915	568,393	591,597	587,947	563,866	554,492	549,618	538,572	513,540	566,496	529,243	392,258	508,569	7,135,507
Facilities Expenses														
62	(130,749)	155,615	137,834	127,438	147,481	49,366	167,086	131,239	202,632	123,723	90,155	89,438	123,189	1,414,447
Total Expenses	540,166	724,008	729,431	715,385	711,347	603,859	716,704	669,812	716,172	690,219	619,398	481,696	631,758	8,549,954

Source:
JDE
92002

Source:
JDE
92001

Month	Total Dept Exp	Total Dir. Hrs	Facility Exp	Contractor Hrs	Total Exp	Dir + Cont Hrs	Hrly Rate
Dec-12	\$670,915	3,168.50	(130,749)	145.50	540,166	3,314.00	\$ 172.29
Jan-13	\$568,393	3,696.75	155,615	138.00	724,008	3,834.75	\$ 194.34
Feb-13	\$591,597	3,370.75	137,834	246.25	729,431	3,617.00	\$ 213.62
Mar-13	\$587,947	3,462.75	127,438	151.75	715,385	3,614.50	\$ 205.05
Apr-13	\$563,866	3,928.49	147,481	143.50	711,347	4,069.99	\$ 179.84
May-13	\$554,492	3,618.24	49,366	139.00	603,859	3,757.24	\$ 166.39
Jun-13	\$549,618	3,505.50	167,086	180.75	716,704	3,686.25	\$ 202.11
Jul-13	\$538,572	3,776.50	131,239	141.25	669,812	3,917.75	\$ 176.11
Aug-13	\$513,540	3,577.50	202,632	236.95	716,172	3,814.45	\$ 196.67
Sep-13	\$566,496	3,421.75	123,723	117.45	690,219	3,539.20	\$ 200.52
Oct-13	\$529,243	2,843.00	90,155	230.50	619,398	3,073.50	\$ 215.49
Nov-13	\$392,258	2,257.00	89,438	202.30	481,696	2,459.30	\$ 210.16
Dec-13	\$508,569	2,248.50	123,189	140.25	631,758	2,388.75	\$ 277.75

EXHIBIT B

MAJESTIC 2013 VENDOR EXPENSES

Accounting Services			
D'Arcangelo & Co., LLP	5,200.00	Accounting & Auditing	401 K AUDIT INSTALLMENT # 1
American Actuarial Consulting	37,578.76		
BDO USA, LLP	27,618.50		
JLK Rosenberger, LLP	42,654.72	Accounting & Auditing	MAJESTIC 2012 AUDIT
Internal Revenue Service	8,582.01	Federal Income Tax Expense	MAJESTIC TAXES 2009
Delivery, Record Retrieval, and Storage Expenses			
Federal Express	657.06		
United Parcel Service	17.22		
Iron Mountain-Los Angeles	6,594.18		
Investment Expenses			
Wells Fargo Bank	3,524.84		
First National Bank Alaska	750.00	Bank Charges	MAJESTIC 01/01/12-12/31/12
Century Trust And Asset Management	148.76	Investment Expense	A/C:4830 MAJESTIC 6/13
Dept. of Insurance, State of CA	122.00		
General Re-NEAM	52,118.09		
State Street	24,358.54		
The Bank of New York Mellon	500.00		
U.S. Bank N.A.	350.00		
Union Bank	150.00		
State Assessment Fees, Licenses, and Taxes			
Alaska Division of Insurance	2,350.00	Misc Licenses, Fees and Taxes	MAJESTIC ALASKA COA FEE
Arizona Department of Insurance	435.00	Misc Licenses, Fees and Taxes	MAJESTIC ARIZONA COA FEE
Commissioner of Insurance Montana	1,900.00	Misc Licenses, Fees and Taxes	MAJESTIC MONTANA COA FEE
Commonwealth of Virginia	2,380.00		
Comptroller of Public Accounts	664.65		
CT Corporation	1,704.00	Misc Licenses, Fees and Taxes	MAJESTIC 02/01/13-01/31/14
Florida Department	1,890.00		
Idaho Department of Insurance	3,175.00		
Idaho Industrial Commission	1,300.00		
ILLINOIS STATE TREASURER	921.00		
Washintgon Insurance Commissioner	633.00	Misc Licenses, Fees and Taxes	MAJESTIC PREMIUM TAX Q4-2012
National Association of Insurance	2,947.00		
Nevada Division of Insurance	4,125.00		
New Mexico Public Regulation	600.00		
New York State Corporation Tax	250.00	Misc Licenses, Fees and Taxes	NY FRANCHISE TAX 2012
NYS Department of Financial Services	19,569.55	Misc Licenses, Fees and Taxes	Majestic NY 2011 Final Retaliatory Billing
Oregon Department of Revenue	150.00	Misc Licenses, Fees and Taxes	Majestic Excise Tax2012
Oregon Dept. of Consumer & Bus	1,500.00	Misc Licenses, Fees and Taxes	Majestic Tax Return
State of California-Dept of Ins	633.00	Misc Licenses, Fees and Taxes	LIC. FEE 7/1/13-6/30/14
State of Hawaii, Dept of Commerce	601.00	Misc Licenses, Fees and Taxes	#151 Asses.Resolution Fund
State Treasurer of New Jersey	633.00	Misc Licenses, Fees and Taxes	MAJESTIC NJ FILING FEE
Utah Insurance Department	375.00	Misc Licenses, Fees and Taxes	MAJESTIC INS. CO.NAIC ID:42269
Workers' Compensation Insurance	500.00	Misc Licenses, Fees and Taxes	2013 ASSOC MEMB FEE
Workers' Occupational Safety	100.00	Misc Licenses, Fees and Taxes	MAJESTIC WORKERS' COMP
Other Professional Fees			
Weaver McGrath LLP	37,641.25		
McKinney, Cynthia A	10,044.80		
Piper, David C.	24,850.00		
Day Seckler LLP	3,614.40		
Other Legal Expense			
Law Offices Glassberg, Pollak	425.00	Other Legal Expense	MAJESTIC COURT APPEARANCE
SFL Data/Liffey Thames, LLC	794.00		
Miscellaneous			
Mojabi, Mohammed	3,890.00	Software Expense	Majestic AM Best Renewal
Copymat	440.72	Office Supplies	#151 White 20# Bond/Copies
FPRS Depository Account	341.00		

Vendors TOTAL \$ 342,302.05

1 KAMALA D. HARRIS
Attorney General of California
2 JOYCE E. HEE
Supervising Deputy Attorney General
3 ANNE MICHELLE BURR
Deputy Attorney General
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7 *Attorneys for Applicant*
8 *Dave Jones, Insurance Commissioner of the State of*
California in his Capacity as Conservator of
9 *Majestic Insurance Company*

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

14 **DAVE JONES, INSURANCE**
15 **COMMISSIONER OF THE STATE OF**
16 **CALIFORNIA,**

Applicant,

17 v.

18
19 **MAJESTIC INSURANCE COMPANY, and**
20 **DOES 1-50-, inclusive,**

Respondents.

Case No. CPF-11-511261

**DECLARATION OF THOMAS WELSH
IN SUPPORT OF APPLICATION FOR
ORDER APPROVING PAYMENT OF
ADMINISTRATIVE EXPENSES AND
PROFESSIONAL FEES AND EXPENSES**

Date: July 18, 2014

Time: 9:30 a.m.

Dept: 302

Reservation #: 061214-04

ENDORSED
FILED
San Francisco County Superior Court

JUN 12 2014

CLERK OF THE COURT
BY: CAROLYN BALISTRERI
Deputy Clerk

I, Thomas J. Welsh, declare:

DECLARATION OF THOMAS J. WELSH

EXHIBIT A



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
November 2012	15.10	\$7,221.06	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Preparation of Notice of Motion and Motion.• Drafting of Conservation Trust Agreement.• Review of and legal advice regarding claims against Majestic by affiliates.• Preparation of Memorandum re Conservation Trust Agreement and Term Sheet re Shell Sale.• Preparation of Memorandum of Points and Authorities.• Preparation of Declaration.• Due Diligence and documentation issues on Shell Sale transaction.
December 2012	21.30	9,798.72	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Communications re structure of proposed Stock Purchase Agreement.• Client and Purchaser meeting re structure of shell sale.• Review of and edits to Purchase and Sale Agreement.• Edits to Conservation Trust Agreement and related closing documents.• Continued preparation of Motion for Approval of Shell Sale Transaction.• Preparation of Stipulation re cancellation of stock and issuance of Trust Certificate.• Communications re Stipulation and related documents.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
January 2013	47.00	\$22,704.40	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Review of and edits to Conservation Trust Agreement, Shell Sale Purchase and Sale Agreement, and Form A (Regulatory Approval application),• Negotiations with counter-party (Purchaser) regarding shell sale transaction documents.• Preparation of Notice of Motion, Motion, Declaration, Proposed Order, Stipulation in support of Shell Sale Transaction.• Preparation of Master Service List for Majestic Shell Sale approval motion.• Research regarding Majestic legacy D&O insurers.• Communications and distribution of pleadings for Shell Sale Transaction.• Review of Order from Superior Court regarding reassignment of case to new judge.• Meetings re Majestic Shell Sale and related issues.• Negotiate and draft proposed Join Prosecution Agreement with affiliates relating to D&O Claims.
February 2013	15.90	\$7,481.12	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none">• Motion for Approval of Shell Sale Transaction.• Preparation of Notice to Court re No Opposition.• Continued negotiations and revisions of Joint Prosecution Agreement re D&O Claims.• Analysis of D&O insurance coverage.• Communications re closing of Shell Sale.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none">• Review of Severance Agreement with former Officers.• Legal analysis and advice re 2012 tax return for Majestic.• Attend to Order approving Shell Sale Transaction.• Preparations for closing of transaction.
March 2013	4.50	\$2,472.80	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Preparation of Notice of Entry of Order approving Shell Sale.• Preparation of Closing Checklist for Transaction.• Advice on Form A Regulatory Approval Process for Shell Sale Transaction.• Review of proposed Novation Agreement on Gen Re insuring reinsurance contracts.• Finalization of Joint Prosecution Agreement on D&O Claims.• Communications re proposed Tolling Agreement.• Attend to revising draft Tolling Agreement.• Review of Joint Prosecution Agreement's Confidentiality Provisions.
April 2013	13.90	\$6,481.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Review of Draft D&O Complaint.• Attention to settlement discussion issues.• Advise on Proof of Claim matters, including claimant Contractors Access Program ("CAP") settlement with parent company and affiliates' liquidating trusts.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
 (Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none"> Attend to CAP lawsuits and cross-complaints by members, in violation of the Superior Court's anti-suit injunction; draft demand letter seeking dismissal of Majestic from action. Communications and pre-closing activities related to Shell Sale Transaction and Form A approval.
May 2013	59.40	\$28,183.24	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> Pre-closing activities for Shell Sale Transaction, including, preparation and organization of closing documents. Preparation of closing documents and transcript. Communications re closing process following approval of Form A by Regulator. Client meetings re closing of Shell Sale. Preparation of Conservator Consent appointment and resignation of officers of Majestic Insurance Company. Preparation for and participation in Shell Sale Closing. Attend to shell sale post-closing issues. Assist with CAP claim adjudication and settlement options, and analysis of briefs and legal research on "filed rate doctrine." Review of CAP proof of claim and supporting documents; client meeting regarding adjudication process.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
June 2013	22.60	\$10,686.77	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Reconciliation of expenses from Shell Sale and closing documents.• Communications re affidavit of lost stock certificate.• Preparation of master set of closing documents.• Attend to transmittal of various executed closing documents.• Communications re Issuance of Trust Certificate.• Preparation of Trust Certificate.• Communications re 401k plan termination; and Review of 401k plan documents.• Communications re Notice to Participants of Termination of 401k plan; analysis and advice on authorization for termination and risks related thereto.• Review of Gen Re Novation Agreement form related to transfer of reinsurance rights.• Communications re CAP claim status and status of actuarial review.
July 2013	2.50	\$1,181.40	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Client Meeting re execution and delivery of Trust Certificate to Embarcadero Liquidating Trust• Post-closing issues with Shell Sale, and Purchaser's request for assistance in preparation of Statutory Quarterly Financial Statements.• Review of status of CAP claim.• Client Meeting regarding adjudication and settlement of CAP proof of claim.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
August 2013	1.50	\$690.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Communications re D&O litigation status.• Review of D&O complaint and agreement re coordination of prosecution.
September 2013	.50	\$230.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Settlement of CAP proof of claim and related litigation.• Assist with claims settlement documentation issues.
October 2013	16.00	\$7,369.07	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Preparation and filing of 2012 tax returns for Majestic.• Review of status of claim settlement and CAP proof of claim materials.• Planning for distributions from estate in 2013.• Attend to memo re "Great Western" policies and potential long-tail liabilities.• Preparation of report re investigation into custody of Great Western legacy files.• Communications re accrual of interest on allowed Class 7 claims.• Review of Majestic Rehab Plan Reinsurance Agreement relative to coverage for claims under Great Western legacy policies.• Client meeting re provisions for potential claims under legacy Great Western policies and strategic alternatives.



Summary of Attorneys' Fees Paid in 2013
For Services as Counsel to Insurance Commissioner Dave Jones,
Statutory Conservator of Majestic Insurance Company
(Service Period: November 1, 2012 – November 30, 2013)

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
November 2013	9.20	\$4,241.03	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• CLO distribution plan for payment of allowed Class 7 claims and interim distribution to Class 9 Claimant (Embarcadero Liquidating Trust).• Advise on distribution legal issues.• Strategy development regarding long-tail exposure under Great Western Policies.

ENDORSED
FILED
San Francisco County Superior Court

JUN 12 2014

CLERK OF THE COURT
BY: CAROLYN BALISTRERI
Deputy Clerk

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California in his Capacity as Conservator of
Majestic Insurance Company

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN FRANCISCO

CIVIL DIVISION

DAVE JONES, INSURANCE
COMMISSIONER OF THE STATE OF
CALIFORNIA

Applicant,

v.

MAJESTIC INSURANCE COMPANY, and
DOES 1-50, inclusive,

Respondents.

Case No. CPF-11-511261

**DECLARATION OF SERVICE RE
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL FEES**

Date: July 18, 2014

Time: 9:30 AM

Dept.: 302

Reservation #: 061214-04

DECLARATION OF SERVICE

Case Name: Dave Jones, Insurance Commissioner of the State of California v. Majestic Insurance Company, and Does 1-50-inclusive

No.: CPF-11-511261

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; my business address is: 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004. 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 with postage thereon fully prepaid that same day in the ordinary course of business.

On June 12, 2014, I served the attached:


1. NOTICE OF HEARING ON APPLICATION AND APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES;
2. DECLARATION OF DAVID WILSON IN SUPPORT OF APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES;
3. DECLARATION OF THOMAS WELCH IN SUPPORT OF APPLICATION FOR ORDER APPROVING PAYMENT OF ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES AND EXPENSES;
4. [PROPOSED] ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES

by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004, addressed as follows:

SEE ATTACHED 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 June 12, 2014, at San Francisco, California.

Danielle Bouilly-Chinn


Signature

SERVICE LIST

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