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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,**

Applicant,

17 v.
18

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

Respondents.
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Case No. CPF-11-511261

**NOTICE OF HEARING AND
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on November 5, 2015 at 9:30 a.m. or as soon thereafter as
3 the 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 of the State of California Dave
5 Jones ("Commissioner), in his capacity as Conservator of the Majestic Insurance Company in
6 Conservation ("Majestic"), will and hereby does apply to the Court for an Order (1) approving
7 payments made for expenses incurred and paid from January 1, 2014 through March 31, 2015;
8 (2) approving the final distribution of Majestic's assets; (3) closing the estate of Majestic; and (4)
9 discharging the Commissioner as conservator of the Majestic estate.

10 The application is made pursuant to Insurance Code sections 1033, 1035, 1036 and 1037,
11 which authorize the Conservator to pay expenses incurred in the administration of insolvent
12 insurers, including the compensation of attorneys, pursuant to court approval, and to distribute
13 assets. This application is based on this notice, the provisions of the California Insurance Code,
14 the attached points and authorities, the declarations of David Wilson, John Battle, Raymond
15 Minehan and Thomas J. Welsh in support thereof, and the complete file and records of this case.

16
17 Dated: September 22, 2015

Respectfully submitted,

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

21 /s/ Anne Michelle Burr

22 ANNE MICHELLE BURR
23 Deputy Attorney General
24 *Attorneys for Applicant*
25 *Dave Jones, Insurance Commissioner*
26 *of the State of California,*
27 *in his Capacity as Conservator of Majestic*
28 *Insurance Company*

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

The Commissioner as Conservator of Majestic (“Conservator”) has completed the conservation of Majestic, and now wishes to close the estate. The Conservator has completed the conservation of Majestic’s insurance operations by selling Majestic’s corporate shell, resolving all post-sale issues, collecting all of its assets, and adjusting or otherwise resolving all of the claims against it. All administrative tasks have been completed. Accordingly, the Conservator wishes to make a final distribution of the remaining assets to Embarcadero Liquid Trust, the owner of any residual value in the estate, and close the Majestic estate.

By this application, therefore, the Conservator seeks an Order (1) approving payments made in 2014 and through March 31, 2015 of \$802,607.05 for administrative costs and expenses incurred as part of the Majestic conservation proceeding, including vendor payments and state agency attorney fees, in the total amount of \$697,675.55 and professional fees in the total amount of \$104,931.50 for legal services rendered to the Conservator by the law firm of Orrick, Herrington & Sutcliffe LLP (“Orrick”); (2) approving the proposed final distribution of Majestic’s assets; (3) closing of the estate of Majestic; and (4) discharging the Commissioner as Conservator upon the filing of a declaration that the Conservator has distributed the assets of Majestic in accordance with this Court’s order approving final distribution.

II. BACKGROUND

Prior to the 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 filed in support of this application (“Wilson Decl.”), ¶ 2.) In order to protect the policyholders from any adverse consequences of the pending litigation, on April 21, 2011, pursuant to California Insurance Code section 1011(d), the Commissioner obtained a court order placing Majestic into conservation.¹

¹ All further references to the California Insurance Code will be by section number only.

1 (Wilson Decl., ¶ 3.) Thereafter, the Conservator successfully oversaw and implemented a
2 Rehabilitation Plan for Majestic by transferring all of Majestic's policies and related claims to the
3 A rated insurer, Technology Insurance Company, an AmTrust affiliate, thereby protecting the
4 interests of Majestic policyholders and its claimants from the adverse consequences of Majestic's
5 insolvency in the event that plaintiffs in the pending litigation were successful in asserting their
6 damage claims. (Wilson Decl., ¶ 3.)

7 As the Conservator, the Commissioner's primary responsibilities are to collect and marshal
8 all of Majestic's available assets, to manage Majestic for the benefit of its policyholders,
9 shareholders, creditors, and employees, to prepare, execute and implement the plan for Majestic's
10 rehabilitation (§ 1037), and to distribute the assets rateably among the creditors (§ 1025), subject
11 to certain priorities (§ 1033). To achieve these goals, the Conservator, through his Conservation
12 and Liquidation Office ("CLO"), has appointed a Deputy Conservator, utilized facilities and
13 information technology, and contracted with vendors and professionals.

14 After successfully overseeing the Rehabilitation Plan for Majestic, the Conservator
15 obtained an order requiring the submission of all creditor claims by a bar date of January 31,
16 2012. A total of 1,308 Proof of Claims were mailed, of which 1,218 were unreturned. Based on
17 the mailing, the CLO's claims department received a total of ninety Proofs of Claim claiming a
18 total of \$205,291,880.55. Twenty-nine claims were rejected and fifteen were closed as resolved
19 through settlement with other entities other than the conserved company. The Conservator
20 approved forty-six (46) Proofs of Claim resulting in \$2,028,839.41 in approved claims.²
21 Pursuant to section 1032, if a Proof of Claim was rejected, compromised or approved for a lesser
22 amount, the CLO mailed notices to the claimants at the address set forth in their claims. No
23 claimant disputed the determinations. (See, Declaration of John Battle filed in support of this
24 Application ("Battle Decl."), ¶¶ 4-6.)

25 On December 20, 2013, the Conservator obtained a court order authorizing the payment of
26 \$2,028,839.41, together with interest, to the approved claimants, and the distribution of

27 ² The approved claims were claims made under section 1033, subdivision (a)(7), and
28 consisted of thirty-eight employee severance claims and seven commercial claims.

1 \$2,000,000.00 to Embarcadero Liquidating Trust, the owner of the residual value of the estate
2 under section 1033(a)(9). In January 2014, the Majestic estate completed its interim distribution
3 of \$4,028,839.41. (Battle Decl., ¶ 8.)

4 In June of 2014, the Conservator filed his application for an order approving his proposal
5 to disburse assets, and approving a special publication notice relating to Majestic's former "Great
6 Western" policies. On July 8, 2014, the court entered its order approving the application. The
7 Great Western policies publication notice was advertised in three newspapers on July 14, 2014.
8 Pursuant to the order, the Conservator was authorized to distribute and pay a total of \$5,000,000
9 to Embarcadero Liquidating Trust as the section 1033(a)(9) claimant, if no newly reported claims
10 potentially subject to coverage under the Great Western policies were received within forty-five
11 (45) days following the last publication of the Great Western notice. (Battle Decl., ¶ 9.)

12 On September 18, 2014, the Conservator filed a status report indicating no new claims or
13 reports had been received that could be entitled to payment under any of the Great Western
14 policies. The Conservator completed a second interim distribution to Embarcadero Liquidating
15 Trust in the amount of \$5,000,000 on September 24, 2014. (Battle Decl., ¶ 9.)

16 In November of 2014, the Majestic estate reported all remaining escheatable balances to
17 the appropriate state controller's offices.

18 **III. ARGUMENT**

19 **A. Payments Made for the General Operating and Administrative Expenses** 20 **Should be Approved.**

21 The Conservator seeks this Court's approval of payments made in 2014 and through March
22 31, 2015 for administrative costs and expenses incurred as part of the Majestic conservation and
23 rehabilitation proceeding, including vendor payments and state agency attorney fees, in the total
24 amount of \$697,675.55, and for professional fees in the total amount of \$104,931.50 for legal
25 services rendered to the Conservator by Orrick.

26 The payment of expenses incurred in administering the Majestic conservation estate is
27 governed by sections 1035 and 1036. Specifically, section 1035 authorizes the Conservator to
28 pay the salaries of the special deputy conservators and employees and all other expenses

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

10 Accordingly, the Conservator applies herein for this Court's approval of the total payment
11 of \$802,607.05 for administrative expenses and fees paid from January 1, 2014 through March
12 31, 2015. This amount includes (1) administrative and operating expenses pursuant to section
13 1035 in the amount of \$697,675.55 comprised of CLO invoiced expenses of \$528,121.00 and
14 third-party direct vendor and state assessment payments of \$169,554.55, and (2) legal fees and
15 expenses for counsel outside of California state service pursuant to section 1036 in the amount of
16 \$104,931.50. (Wilson Decl., ¶ 27.)

17 The administration expenses were incurred in connection with mediating disputes with the
18 bankrupt parent company regarding director and officer policy claims, preparing and addressing
19 2013 tax return issues, researching and providing factual support for the application for the court
20 order for a bar date regarding Great Western liability policies issued prior to 2000, preparing the
21 application for distributions, resolving estate tax compliance issues, preparing the 2013 tax return
22 for the estate, resolving issues related to disputes regarding the purchase of the Majestic shell and
23 the challenges related to the filing of NAIC statutory statements and financials, working towards
24 resolving remaining claims, and preparing for winding up the estate for final distribution.
25 (Wilson Decl., ¶¶ 9 – 22.)

26 The Majestic estate's administrative fees and expenses generally concern the
27 Conservator's efforts to discharge his duties to Majestic's policyholders and creditors to marshal
28 and manage Majestic's assets, to direct the operations of Majestic while it is in conservation, to

1 implement the approved Rehabilitation Plan for Majestic, to solicit buyers for Majestic's
2 corporate shell with its licenses and statutory deposits, to prepare statutory financial statements,
3 and to review and adjudicate various proofs of claim filed by the vendors and litigants seeking
4 damages from the estate. The ongoing expenses incurred as a result of the administration of the
5 Majestic conservation estate are paid out of estate assets pursuant to section 1035, which
6 authorizes the Conservator to pay the salaries of the special deputy conservators and employees
7 and all other expenses necessary to carry out the functions of the management of an insolvent
8 insurer.

9 Majestic's general estate operating and administrative expenses fall into two categories:
10 (1) estate operating expenses, which consist of CLO operating expenses and third-party vendor
11 related expenses, and (2) legal fees incurred by attorneys outside of state service who provided
12 professional services in the development of the plan for the sale of Majestic's corporate shell
13 (together with its licenses and statutory deposits and without its liabilities), the preparation of the
14 related transactional documentation, and the preparation of the application for approval of the
15 sale.

16 **1. The CLO Operating Expenses.**

17 The Majestic estate's operating expenses incurred in the administration of the estate by the
18 CLO for the period December 1, 2013 through January 31, 2015 and paid by March 31, 2015
19 include services provided by CLO's personnel that are allocated to the estate on an hourly rate
20 calculated each month times the total number of hours that CLO personnel provided services to
21 the Majestic estate, together with professional fees for services provided by third party vendors
22 and CLO contractors.

23 The CLO's hourly rate allocated to the Majestic estate for services provided in any given
24 month by CLO employees is a blended rate based on the CLO's operational expenses calculated
25 as follows: total CLO employees personnel expenses for a given month divided by the total
26 number of employee labor hours plus CLO monthly facility expenses divided by the total number
27 of labor hours for CLO employees and CLO contractors using CLO facilities for a given month to
28 arrive at hourly rate for CLO employees providing services to the Majestic estate. Facility

1 expenses are non-estate specific expenses and include office supplies, rent, utilities and other
2 occupancy expenses. (Wilson Decl., ¶ 6.)

3 The Conservator also utilized the services of CLO retained contractors to provide support
4 and services that are paid by the CLO and allocated to the Majestic estate at the hourly rate
5 agreed to by the contractors who provided services to the CLO and the estates overseen by the
6 Insurance Commissioner. (Wilson Decl., ¶ 7.)

7 The Conservator has been represented by the California Attorney General as the lead
8 litigation counsel on the commencement of the conservation proceeding and the approval of the
9 Rehabilitation Plan. In addition, the Conservator receives legal services for non-litigation related
10 matters from the Commissioner's Legal Division of the CDI. Both the Commissioner's agency
11 attorneys and the Attorney General's Office bill the Conservator for estate-related legal services
12 provided to the Majestic estate at an hourly rate set by the state agencies. The expense of these
13 state-employed attorneys is not required to be separately approved pursuant to section 1036.

14 These expenses are paid by the CLO and allocated to the Majestic estate on a monthly basis as
15 part of Majestic's estate expenses. (Wilson Decl., ¶ 8.) Fees for outside legal services are
16 discussed in detail in Part B, below.

17 For the time period from December 1, 2013 through March 31, 2015, the Majestic estate
18 paid a total of \$528,121.00 for CLO personnel, CLO contractor expenses and state-employed
19 attorneys' fees. The expenses incurred based on the CLO hourly rate for each month³ and its
20 contractors along with their related expenses are as follows⁴ :

21 **CLO December 2013 Charges⁵**

22	December, 2013: 110.50 hrs. @ \$277.75/hr	\$ 30,691.99
23	December, 2013: INS. Consultants, Inc. 97 hrs @ \$160	15,520.00
24	INS Consultants, Inc. travel & expenses	7,163.15

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

27 ⁴ Due to the rounding of allocated hours and hourly rates calculated, calculated amounts may
28 slightly differ, but the amounts listed as paid reflects the actual expenses paid by the estate for services
provided.

⁵ Wilson Decl., ¶9.

State Employee Legal Fees 1,690.25

Subtotal \$ 55,065.39

CLO January 2014 Charges⁶

January 2014: 209.10 hours @ \$247.38/hr \$ 51,727.86

January, 2014 INS Consultants, Inc. 105 hrs @ \$160/hr 16,800.00

INS Consultants, Inc. travel and expenses 8,029.50

State Employee Legal Fees 686.75

Subtotal \$ 77,244.11

CLO February 2014 Charges⁷

February, 2014: 134.92 hrs @ \$209.13 per hour \$ 28,214.78

February, 2014; INS Consultants, Inc. 112 hrs @ \$160/hr 17,920.00

INS Consultants, Inc. travel and expenses 8,289.89

State Employee Legal Fees 42.50

Subtotal \$ 54,467.17

CLO March 2014 Charges⁸

March, 2014: 146.01 hrs @ \$246.57/hour \$ 36,001.17

March, 2014: INS Consultants, Inc. 103 hrs @ \$160/hr 16,480.00

State Employee Legal Fees 122.00

Subtotal \$ 52,603.17

CLO April 2014 Charges⁹

April, 2014: 72.75 hrs at the rate of \$205.19 \$ 14,926.78

April, 2014: INS Consultants, Inc. 94 hrs @ \$160/hr 15,040.00

INS Consultants, Inc. travel and expenses 3,565.29

State Employee Legal Fees 39.75

Subtotal \$ 33,571.82

⁶ Wilson Decl., ¶10.

⁷ Wilson Decl., ¶11.

⁸ Wilson Decl., ¶12.

⁹ Wilson Decl., ¶13.

CLO May 2014 Charges¹⁰

May, 2014: 78.62 hours @ \$210.25/hour	\$ 16,529.44
May, 2014: INS Consultants, Inc. 64 hrs @ \$160/hr	10,240.00
INS Consultants, Inc. travel and expenses	3,776.01
State Employee Legal Fees	<u>1,995.75</u>
Subtotal	\$ 32,541.20

CLO June 2014 Charges¹¹

June, 2014: 65.70 hrs @ \$229.90 per hour	\$ 15,104.29
June, 2014: INS Consultants, Inc. 28 hrs @ \$160/hour	4,480.00
State Employee Legal Fees	<u>1,937.00</u>
Subtotal	\$ 21,521.29

CLO July 2014 Charges¹²

July, 2014: 61.11 hrs @ \$216.97 per hour	\$ 13,259.97
July, 2014: INS Consultants, Inc. 82 hrs @ \$160/hr	13,120.00
INS Consultants, Inc. travel and expenses	6,041.95
State Employee Legal Fees	<u>1,144.75</u>
Subtotal	\$ 33,566.67

CLO August 2014 Charges¹³

August, 2014: 42.07/hrs @ \$214.84 per hour	\$ 9,037.27
August, 2014: INS Consultants, Inc. 90 hrs@160/hr	14,400.00
INS Consultants, Inc. travel & expenses	5,748.44
State Employee Legal Expense	<u>85.00</u>
Subtotal	\$ 29,270.71

¹⁰ Wilson Decl., ¶ 14.

¹¹ Wilson Decl., ¶ 15.

¹² Wilson Decl., ¶ 16.

¹³ Wilson Decl., ¶ 17.

CLO September 2014 Charges¹⁴

September, 2014: 59.97 hours @ \$201.42 per hour	\$ 12,079.42
Sept., 2014: INS Consultants, Inc. 86 hrs @ \$160/hr	13,760.00
INS Consultants, Inc. travel & expenses	6,502.51
State Employee Legal Fees	<u>254.75</u>
Subtotal	\$ 32,596.68

CLO October 2014 Charges¹⁵

October, 2014: 72.79 hrs. at the rate of \$184.48/hr	\$ 13,427.47
October, 2014: INS. Consultants, Inc. 86 hrs @ \$160	13,760.00
INS Consultants, Inc. travel & expenses	7,247.93
State Employee Legal Fees	<u>127.00</u>
Subtotal	\$ 34,562.40

CLO November 2014 Charges¹⁶

November, 2014: 27.93 hours @ \$279.23/hr	\$ 7,799.76
Nov., 2014: INS Consultants, Inc. 67 hrs @ \$160/hr	10,720.00
INS Consultants, Inc. travel and expenses	4,263.90
State Employee Legal Fees	<u>850.00</u>
Subtotal	\$ 23,633.66

CLO December 2014 Charges¹⁷

December, 2014: 36.26 hours @ \$256.09/hr	\$ 9,286.00
Dec., 2014: INS Consultants, Inc. 48 hrs @ \$160/hr	7,680.00
INS Consultants, Inc. travel and expenses	<u>2,802.98</u>
Subtotal	\$ 19,768.98

¹⁴ Wilson Decl., ¶ 18.

¹⁵ Wilson Decl., ¶ 19

¹⁶ Wilson Decl., ¶ 20

¹⁷ Wilson Decl., ¶ 21

CLO January 2015 Charges¹⁸

January, 2015: 65.26 hours @ \$250.50/hr	\$ 16,347.75
January, 2015: INS Consultants, Inc. 71 hrs @ \$160/hr	<u>11,360.00</u>
Subtotal	<u>\$ 27,707.75</u>
Total	\$528,121.00

Accordingly, the total CLO operating expenses incurred and paid between January 1, 2014 through March 31, 2015 by the Majestic estate for CLO personnel, contractors, state employees, and related travel and expenses for which the Conservator is seeking approval of is \$528,121.00. (Wilson Decl., ¶ 27.)

2. The Third-Party Vendor Operating Expenses.

In addition to CLO operating expenses, the Conservator has also incurred third-party vendor related operating expenses for the Majestic conservation, which are paid directly from estate assets. These expenses are primarily for Majestic vendors and consultants retained by the Conservator specifically for the administration of the Majestic estate. For the relevant period, payments made to the vendors through March 31, 2015 totaled \$169,554.55. (Wilson Decl., ¶ 23 and attached Exhibit B).

Majestic's Vendor Related Operating Expenses include:

a. Accounting Services

1099 Pro, Inc. (payroll processing)	\$ 499.00
ADP, Inc.	1,904.00
BDO USA, LLP (tax consulting)	26,710.25
State of California Dept. of Finance (accounting & audit)	24,193.89
PriceWaterhouseCoopers	75,999.00

b. Investment Expenses

First National Bank of Alaska	750.00
Commonwealth of Virginia, Dept.	325.00

¹⁸ Wilson Decl., ¶ 22

1	Allocated Investment Expense	8,408.71
2	State Street	2,189.64
3	c. <u>Legal Fees and Expenses for Majestic's pending litigation</u>	
4	McCarthy, Burgess & Wolff	950.00
5	Liffey Thames Group, LLC	315.00
6	d. <u>Other Professional Consulting Fees</u>	
7	Day Seckler LLP	18,826.40
8	McKinney, Cynthia A.	2,000.00
9	Piper, David C.	2,200.00
10	Weaver McGrath LLP	805.00
11	Orion Recovery Services	407.10
12	e. <u>Delivery, Record Retrieval and Storage</u>	
13	Federal Express	\$ 34.67
14	United Parcel Service	17.43
15	Iron Mountain – Los Angeles	<u>3,019.46</u>
16	Total	\$169,554.55

17 Accordingly, the CLO operating expenses and the third-party vendor related operating
18 expenses for the Majestic conservation paid by the Majestic estate from January 1, 2014 through
19 March 31, 2015 for which the Conservator is seeking approval totals \$169,554.55.

20
21 **B. Payments Made for the Professional and Legal Fees and Expenses Should
be Approved.**

22 To carry out his multiple functions as Conservator, the Commissioner required the
23 assistance and advice of legal counsel. Generally, non-litigation legal services are provided to the
24 Conservator under the direction of the Commissioner's CDI attorneys. In addition, the Attorney
25 General's Office provides the litigation services needed by the Conservator. However, to address
26 the specialized legal issues, the Conservator needed the services of legal counsel with expertise in
27 the areas of insurance, corporate law, real estate, bankruptcy, reinsurance, employment, and
28 taxation.

1 In this regard, and pursuant to section 1036, the Conservator, through his Special Deputy
2 Insurance Commissioner and the Attorney General's Office, retained the Orrick law firm at the
3 outset of the conservation proceeding to assist with the many specialty areas of law.¹⁹ Members
4 of Orrick have worked closely with and have advised the Conservator and his staff on complex
5 legal matters, and have continued to report regularly to the Conservator throughout the
6 conservation proceedings.

7 Specifically, Orrick assisted the Conservator in connection with the negotiation,
8 preparation, court approval and closing of the Rehabilitation Plan. Orrick also assisted the
9 Conservator in the review and analysis of certain proof of claims with complex legal issues,
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, assisted in the preparation and filing of the
12 2012 and 2013 tax returns, assisted in the planned distribution to the section 1033(a)(7) claimants
13 and an interim distribution to the section 1033 (a)(9) claimant, and provided assistance regarding
14 potential director and officer claims.

15 Additionally, the Conservator elected to sell the Majestic Insurance Company shell,
16 together with its certificates of authority and statutory deposits. In connection therewith, Orrick
17 assisted the Conservator on legal matters including representing the Conservator in the
18 negotiation of the terms and conditions for sale of the corporate shell, preparing the various
19 agreements related to the sale of the corporate shell, including a proposed Purchase and Sales
20 Agreement, preparing the Conservation Trust Agreement, drafting all related documents to cancel
21 outstanding stock and issuance of Trust Certificate, assisting in drafting the motion for an order
22 approving the Conservation Trust Agreement and subsequent closing activities related to the sale
23 including the preparation of all corporate minutes, resolutions related to the appointment and
24 resignation of officers of Majestic, and the preparation of closing documents and attending to post
25 closing issues. (See, Declaration of Thomas J. Welsh in support of Conservator's Application
26 ("Welsh Decl."), ¶ 3 and Exhibit A attached thereto.)

27
28 ¹⁹ The Conservator obtained the written consent of the Attorney General to retain outside counsel.

1 The CLO has strict guidelines governing the hiring and compensation of private law firms
2 that perform services in conservation and liquidation matters. Those guidelines require, *inter*
3 *alia*, that outside law firms submit monthly bills describing each task performed, the date the task
4 was performed, and the time expended on each task (reported in increments of tenths of an hour).
5 With respect to disbursements, i.e. expenses incurred by the law firms, the CLO requires that
6 invoices contain an itemization of disbursements by category. Outside law firms are only paid the
7 amounts sought in their invoices after the invoices have been carefully reviewed and approved.
8 The procedures established by the CLO are intended to ensure that no unreasonable or
9 unnecessary fees or expenses are approved and paid. The personnel who review the legal bills
10 have regular contact with the outside attorneys, regularly see the attorneys' work product, and are
11 knowledgeable about the legal work being performed by the law firms. (Wilson Decl., ¶ 26.)

12 When the Conservator receives invoices for legal services, his staff carefully reviews the
13 invoices in order to determine whether they comply with CLO's guidelines and whether the fees
14 and expenses sought are reasonable, necessary, accurate, and appropriate. The Conservator's
15 staff has reviewed the invoices submitted by Orrick in this application and has approved the
16 amounts sought by Orrick as reasonable, necessary, accurate, appropriate, and in the best interest
17 of Majestic. (Wilson Decl., ¶ 26.)

18 Due to the small size of Majestic and the relatively short duration of Orrick's involvement
19 as outside counsel, the Conservator does not believe that an in camera review of Orrick's bills for
20 its work on the Majestic conservation will be necessary, but stands ready to provide for such
21 review if the Court deems it appropriate. Summaries of the invoices for work performed by
22 Orrick for the Conservator with relation to the Majestic conservation are attached as Exhibit A to
23 the Welsh Declaration.

24 **C. The Conservator's Request that Majestic's Assets be Distributed, that the**
25 **Majestic Estate be Ordered Closed and that the Commissioner be**
26 **Discharged as Conservator Should be Approved.**

27 The Commissioner is authorized by section 1033 to make a distribution of assets on claims
28 in a statutory insolvency proceeding in accordance with the priorities specified therein. Now that
various post sale matters related to the sale of the corporate shell have been resolved, the

1 remaining non-policyholder claims settled and the estate's assets collected, the estate's remaining
2 assets are ready to be distributed and the estate is ready to be closed. (Wilson Decl., ¶ 29.)

3 The financial status of the Majestic estate is set forth in Majestic's Statement of Assets and
4 Liabilities, attached as Exhibit A to the Declaration of Raymond Minehan ("Minehan Decl.")
5 filed in support of this motion. (Mr. Minehan is the Chief Financial Officer of the
6 Commissioner's Conservation and Liquidation Office.) The Statement shows that after
7 completion of the sale of Majestic's insurance operations to AmTrust, retained assets totaled
8 \$22,779,303.00. Approved creditor claims totaled \$2,028,839. After paying the creditor claims,
9 \$20,750,464 in assets remained. After paying general and administrative expenses and making
10 distributions, the estate's net assets as of March 31, 2015 total \$3,563,000. (Minehan Decl., ¶¶ 3-
11 7.)

12 The Conservator proposes to make a final distribution of assets on claims in accordance
13 with the priorities specified as authorized by section 1033, and thereafter close the estate.

14 Specifically, the Conservator proposes to make a final distribution of estate assets in the amount
15 of \$3,100,000.00 to Embarcadero Liquidating Trust under section 1033(a)(9) since all other
16 section 1033 claimants claims have been fully satisfied. (Minehan Declaration, ¶ 9.) The amount
17 available for distribution is subject to adjustment for investment income and changes in the
18 market value of investments that have been posted as of the date the investment is withdrawn
19 from the investment pool.

20 Finally, the Conservator proposes to reserve \$403,421 to pay administrative expenses for
21 the next three years. (Wilson Decl., ¶ 31, Minehan Declaration, ¶ 9.) The administrative
22 expenses include storage and destruction of records, legal expenses, audit expenses, tax
23 consultation and tax preparation, and indirect expenses. (Wilson Decl., ¶ 31.) The Conservator
24 also proposes to maintain some of Majestic's records in the CLO's imaged databases. (Wilson
25 Decl., ¶ 30.) A portion of the records will be maintained in hardcopy format at a storage
26 warehouse. (*Ibid.*) The Conservator proposes to maintain these records for three years from the
27 date of this Court's order, and thereafter will destroy said records, except for those records
28 necessary for examination or audit by the Department of Finance or other auditor. (*Ibid.*)

1 **IV. CONCLUSION**

2 The Conservator has completed the conservation of Majestic Insurance Company and
3 should be allowed to disburse the remaining assets so that this estate can be closed and the
4 Conservator discharged.

5 WHEREFORE, the Conservator respectfully requests that the court issue an order:

6 1. Approving the Conservator's payment for general operating and administrative
7 expenses in the total amount of \$697,675.55 for services rendered to the Majestic estate and paid
8 from January 1, 2014 through March 31, 2015;

9 2. Approving the Conservator's payment of professional fees and expenses to Orrick,
10 Herrington and Sutcliffe, LLP in the total amount of \$104,931.50 for legal services provided to
11 the Conservator for the Majestic estate and paid between January 1, 2014 through March 31,
12 2015;

13 3. Authorizing the Conservator to distribute approximately \$3,100,000.00 to
14 Embarcadero Liquidating Trust, and to retain the sum of \$403,421 for payment of administrative
15 expenses incurred but not paid by the Conservator as of March 31, 2015, and for future
16 administrative and closing costs with any remaining balance to be distributed to Embarcadero
17 Liquidating Trust or its successor in interest;

18 4. Approving the closure of the Majestic estate, and discharging the Commissioner as
19 Conservator of Majestic, upon the filing of a declaration that the Conservator has distributed the
20 assets of Majestic in accordance with this Court's order approving final distribution.
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1 Dated: September 22, 2015

Respectfully Submitted,

2 Kamala D. Harris
3 Attorney General of California
4 Joyce E. Hee
5 Supervising Deputy Attorney General

6 /s/ Anne Michelle Burr
7 Anne Michelle Burr
8 Deputy Attorney General
9 Attorneys for Applicant
10 *Dave Jones, Insurance Commissioner of the*
11 *State of California, in his Capacity as*
12 *Conservator of Majestic Insurance*
13 *Company*

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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.
22

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, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

23 I, David Wilson, declare:

24 1. I am the Chief Executive Officer ("CEO") and Special Deputy Insurance
25 Commissioner of the Conservation & Liquidation Office ("CLO") of the California Department
26 of Insurance ("CDI"). I have held this position since 2005, when I was appointed as CEO of the
27 CLO by the California Insurance Commissioner ("Commissioner") and confirmed by the
28

1 California State Senate. I am the court-appointed Deputy Conservator of Majestic Insurance
2 Company ("Majestic"). In the foregoing capacities I am knowledgeable about the financial affairs
3 of Majestic. The following facts are known by me to be true and correct and of my own personal
4 knowledge, except to those which I have expressed as being based upon my information and
5 belief, and if called upon to testify thereto I would and could competently do so.

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

16 3. In order to protect the policyholders from any adverse consequences of the pending
17 litigation, the Commissioner obtained a court order placing Majestic into conservation as
18 authorized by Insurance Code section 1011(d),¹ Thereafter, the Commissioner as Conservator
19 ("Conservator") successfully oversaw and implemented a Rehabilitation Plan for Majestic by
20 transferring all of Majestic's policies and related claims to the A rated insurer, Technology
21 Insurance Company, an AmTrust affiliate, thereby protecting the interests of Majestic
22 policyholders and its claimants from the adverse consequences of Majestic's insolvency in the
23 event that plaintiffs in the pending litigation were successful in asserting their damage claims.

24 4. As of March 31, 2015, the Majestic estate has over \$3.7 million in assets available to
25 pay all current and future expenses of administration, with any remaining assets to the estate's
26 shareholders or other owners in the residual value of the estate.

27 _____
28 ¹ All further statutory references to the Insurance Code will be by section number only.

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

4 6. Services provided by the CLO are allocated based on a blended hourly rate for the
5 hours that each employee provided services to the Majestic estate. The blended hourly rate is
6 calculated as follows: total CLO employees personnel expenses for a given month are divided by
7 the total number of employee labor hours worked plus CLO monthly facility expenses divided by
8 the total number of labor hours for CLO employees and CLO contractors using CLO facilities for
9 a given month to arrive at hourly rate that is charged to the Majestic estate for CLO employees
10 providing services to the Majestic estate. Facility expenses are non-estate specific expenses and
11 include office supplies, rent, utilities and other occupancy expenses. Attached hereto as Exhibit
12 "A" is the spreadsheet calculating the CLO hourly rate allocated to the Majestic estate for the
13 months of December 2013 through January 2015.

14 7. As part of the CLO's monthly allocation, any CLO contractor providing services
15 along with related travel and expenses are paid by the CLO and charged to the Majestic estate at
16 the hourly rate agreed to by the contractor providing services to the CLO and the estates overseen
17 by the Insurance Commissioner. INS Consultants is the only CLO contractor paid for services
18 provided to the Majestic estate in 2013 through 2015.

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

1 9. For the period of December 1 through December 31, 2013, the total amount billed by
2 the CLO for services provided and paid by the Majestic estate total \$55,065.39. In addition to
3 providing continued oversight of the Majestic estate, the services provided during the month of
4 December included responding to various subpoena requests and work with AmTrust in
5 responding to CDI examination concerning policies and related claims assumed from Majestic
6 Insurance Company. The CLO billing to the Majestic estate encompasses payment to the CLO
7 for services provided by CLO employees, the CLO's contractor INS Consultants, and legal
8 services provided by California state employees, together with related travel and expenses.

9 10. For the period of January 1 through January 31, 2014, the total amount billed by the
10 CLO for services provided and paid by the Majestic estate total \$77,244.11. In addition to
11 providing continued oversight of the Majestic estate, the services provided during the month of
12 January included completing first interim distribution, work on matters related to the sale of the
13 corporate shell, and preparation for mediation of directors and officers claims. The CLO billing
14 to the Majestic estate encompasses payment to the CLO for services provided by CLO
15 employees, the CLO's contractor INS Consultants, and legal services provided by California state
16 employees, together with related travel and expenses.

17 11. For the period of February 1 through February 28, 2014, the total amount billed by
18 the CLO for services provided and paid by the Majestic estate total \$54,467.17. In addition to
19 providing continued oversight of the Majestic estate, the services provided during the month of
20 February included reviewing documentation in preparation for mediation of director and officer
21 claims related to the conduct of Majestic's insurance operations prior to entry of Order of
22 Conservation, and coordinating and overseeing the financial audit of Majestic's books and
23 records. The CLO billing to the Majestic estate encompasses payment to the CLO for services
24 provided by CLO employees, and legal services provided by California state employees, together
25 with related travel and expenses.

26 12. For the period of March 1 through March 31, 2014, the total amount billed by the
27 CLO for services provided and paid by the Majestic estate total \$52,603.17. In addition to
28 providing continued oversight of the Majestic estate, the services provided during the month of

1 March included extensive work related to the Annual Statement Preparation for year ending 2013,
2 reconciling various accounts, work on drafting responses regarding tax compliance and post shell
3 sale, preparing 2013 returns for estate and related Tax Certificate, and investigating and
4 reviewing business records related to Great Western policy files to determine potential liability
5 retained by Majestic. The CLO billing to the Majestic estate encompasses payment to the CLO
6 for services provided by CLO employees, the CLO's contractor INS Consultants, and legal
7 services provided by California state employees, together with related travel and expenses.

8 13. For the period of April 1 through April 30, 2014, the total amount billed by the
9 CLO for services provided and paid by the Majestic estate total \$33,571.82 In addition to
10 providing continued oversight of the Majestic estate, the services provided during the month of
11 April included work on issues related to policy audit penalties concerning workers' compensation
12 claims, compilation of financial data necessary for filing the tax return, and preparing documents
13 needed for submitting a second application for an order of distribution and cutting of claims
14 related to Great Western policies issued in the 1980s. The CLO billing to the Majestic estate
15 encompasses payment to the CLO for services provided by CLO employees, the CLO's
16 contractor INS Consultants, and legal services provided by California state employees, together
17 with related travel and expenses.

18 14. For the period of May 1 through May 31, 2014, the total amount billed by the CLO
19 for services provided and paid by the Majestic estate total \$32,541.20. In addition to providing
20 continued oversight of the Majestic estate, the services provided during the month of May
21 included extensive work related to resolving issues concerning policy audit penalties related to
22 20010-2012 workers' compensation claims, preparing final paper work related to 401k plan and
23 overseeing the closure of 401k plan, preparing the application for approval of expenses of the
24 estate paid in 2013, distribution of assets to its creditors and/or owners and for approval of order
25 regarding potential claims related to Great Western policies, and preparing the escheat reports and
26 the quarterly statutory financial statement for quarter ending March 2014 for filing with the
27 regulatory agencies in the states that Majestic was doing business. The CLO billing to the
28 Majestic estate encompasses payment to the CLO for services provided by CLO employees, the

1 CLO's contractor INS Consultants, and legal services provided by California state employees,
2 together with related travel and expenses.

3 15. For the period of June 1 through June 30, 2014, the total amount billed by the CLO
4 for services provided and paid by the Majestic estate total \$21,521.29. In addition to providing
5 continued oversight of the Majestic estate, the services provided during the month of June
6 included arranging for and escheating unclaimed property and preparing necessary support for the
7 application for approving disbursements. The CLO billing encompasses payment to the CLO for
8 services provided by CLO employees, the CLO's contractor INS Consultants, and legal services
9 provided by California state employees, together with related travel and expenses.

10 16. For the period of July 1 through July 31, 2014, the total amount billed by the CLO
11 for services provided and paid by the Majestic estate total \$33,566.67. In addition to providing
12 continued oversight of the Majestic estate, services provided during the month of July included
13 arranging for publishing of required notices concerning potential claims against Great Western
14 liability policies issued in 1980s under prior ownership. The billing encompasses payment to the
15 CLO for services provided by CLO employees, the CLO's contractor INS Consultants, and legal
16 services provided by California state employees, together with related travel and expenses.

17 17. For the period of August 1 through August 31, 2014, the total amount billed by the
18 CLO for services provided and paid by the Majestic estate total \$29,270.71. In addition to
19 providing continued oversight over the Majestic estate, services provided included preparing
20 documentation for and finalizing quarterly balance sheet for quarter ending June 2014,
21 responding to issues related to NAIC filing requirements, and continuing auditing employers'
22 employment records related to workers' compensation policies issued by Majestic for additional
23 premium and recovery of same. The billing encompasses payment to the CLO for services
24 provided by CLO employees, the CLO's contractor INS Consultants, and legal services provided
25 by California state employees, together with related travel and expenses.

26 18. For the period September 1 through September 30, 2014, the total amount billed by
27 the CLO for services provided and paid by the Majestic estate total \$32,596.68. In addition to
28 providing continued oversight over the Majestic estate, services provided included completing

1 second interim distribution, continuing auditing of employers' employment records related to
2 workers' compensation policies issued by Majestic for additional premium and recovery of same,
3 and continued evaluation of other large complex Proof of Claims and draft requests for further
4 information to support said claims. The billing encompasses payment to the CLO for services
5 provided by CLO employees, the CLO's contractor INS Consultants, and legal services provided
6 by California state employees, together with related travel and expenses.

7 19. For the period of October 1 through October 31, 2014, the total amount billed by the
8 CLO for services provided and paid by the Majestic estate total \$34,562.40. In addition to
9 providing continued oversight over the Majestic estate, services provided included review of and
10 updating financials in preparation of Majestic's 2014 third quarter balance sheet, and continued
11 auditing of employers' employment records related to workers' compensation policies issued by
12 Majestic for additional premium and recovery of same. The billing encompasses payment to the
13 CLO for services provided by CLO employees, the CLO's contractor INS Consultants, and legal
14 services provided by California state employees, together with related travel and expenses.

15 20. For the period of November 1 through November 30, 2014, the total amount billed
16 by the CLO for services provided and paid by the Majestic estate total \$23,633.66. In addition to
17 providing continued oversight over the Majestic estate, services provided included preparing
18 escheat reports and finalizing the third quarter balance sheet. The billing encompasses payment
19 to the CLO for services provided by CLO employees, the CLO's contractor INS Consultants, and
20 legal services provided by California state employees, together with related travel and expenses.

21 21. For the period of December 1 through December 31, 2014, the total amount billed
22 by the CLO for services provided and paid by the Majestic estate total \$19,768.98. In addition to
23 providing continued oversight over the Majestic estate, services provided included preparing
24 escheat reports and finalizing the third quarter balance sheet. The billing encompasses payment
25 to the CLO for services provided by CLO employees, the CLO's contractor INS Consultants, and
26 legal services provided by California state employees, together with related travel and expenses.

27 22. For the period of January 1 through January 31, 2015, the total amount billed by
28 the CLO for services provided and paid by the Majestic estate total \$27,707.75. In addition to

1 providing continued oversight over the Majestic estate, services provided included preparing
2 escheat reports and finalizing the third quarter balance sheet. The billing encompasses payment
3 to the CLO for services provided by CLO employees, the CLO's contractor INS Consultants, and
4 legal services provided by California state employees, together with related travel and expenses.

5 23. The Conservator was required to pay various third party vendors that provided
6 professional or technical services, including accounting services and consulting services related to
7 Majestic's prior insurance and business operations as well as payment of state assessments,
8 license fees, taxes, computer maintenance and software services, record retrieval expenses,
9 insurance policy records, copying and other miscellaneous expenses and legal services related to
10 pending lawsuits paid in 2014 and which were not included in the Conservator's prior application.
11 Additionally, the Conservator was required to incur storage fees, shipping fees and other expenses
12 related to the oversight of the Majestic estate and maintenance of its licenses. Before payments
13 were made, it was determined that the payments were necessary to the administration of the estate
14 and for maintaining the licenses and statutory deposits for the Majestic estate. Payments to third
15 party vendors totaling \$169,554.55 were made directly from the Majestic accounts for services
16 provided and listed by category. Attached hereto as Exhibit B is the list of third party vendors
17 that provided services to the Conservator during the referenced time period and the amounts paid.

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

1 25. In conjunction with the legal services provided by Orrick to the Conservator,
2 Orrick billed for legal services and the Conservator paid \$104,931.50 for services rendered from
3 December 1, 2013 through and including March 31, 2015. The services provided are outlined in
4 the Declaration of Tom Welsh submitted in support of the Conservator's Application.

5 26. Before authorizing payment for the services provide by Orrick, I or my staff
6 reviewed the billings for its reasonableness and to confirm that the services provided were within
7 the scope of the legal services requested. Based on my or my staff's review, the legal fees and
8 expenses incurred and charged are determined to be reasonable and related to the legal services
9 provided. After determining that the billings for legal services provided were reasonable and
10 within the scope of engagement, I authorized payment of the full amount billed and request the
11 Court to approve payment thereof. Payment was made directly from the Majestic accounts.

12 27. Given the above, the Conservator seeks approval of the payments made in 2014
13 and 2015 for the above-noted CLO services, including INS Consultants, Inc. and state attorneys,
14 in the amount of \$528,121.00, of the payment of \$169,554.55 to the various third-party vendors
15 that provided services to the Majestic estate for total administrative expenses in the amount of
16 \$697,675.55, and of the attorneys' fees billed and paid to Orrick in the amount of \$104,931.50,
17 for a total of \$802,607.55.

18 28. The Conservator's Application does not include other operating expenses paid by
19 the Majestic estate for payroll, employee severance, rent, utilities and other ongoing operational
20 expenses that were incurred and paid by the estate prior to closure of Majestic's offices and
21 transfer of its operation to the CLO.

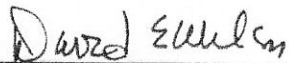
22 29. Over the course of the conservation, the Commissioner as Conservator monetized
23 Majestic's assets, terminated real estate and equipment leases, resolved and disposed of furniture,
24 fixtures, and equipment, resolved all legal matters, wrote of all uncollectable amounts, and
25 distributed assets to Majestic creditors and to its residual owner. The conservation of the
26 Majestic estate is now complete and all legal matters closed or concluded.

27 30. The Conservator proposes to maintain some of Majestic's records in
28 the CLO's imaged databases. A portion of the records will be maintained in hardcopy format at

1 a storage warehouse. The Conservator proposes to maintain these records for three years from
2 the Court's order, and thereafter will destroy said records, except for those records necessary for
3 examination or audit by the Department of Finance or other auditor.

4 31. The Conservator has reserved \$403,421 of Majestic's assets for its closing budget
5 for payment of expenses incurred in 2015 but paid after January 31, 2015, and for administrative
6 expenses for three years following closure of estate. The administrative expenses include storage
7 and destruction of records, legal expenses, audit expenses, tax consultation and tax preparation,
8 and indirect expenses.

9 I declare under penalty of perjury under the laws of the State of California that the
10 foregoing is true and correct and that this declaration was executed on Sept 22, 2015, at
11 San Francisco, California.

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13 David E. Wilson
14 Special Deputy Commissioner
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8 *Dave Jones, Insurance Commissioner of the State of*
California, in his Capacity as Conservator of
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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO
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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.
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Case No. CPF-11-511261

**EXHIBIT A TO DECLARATION OF
DAVID WILSON IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

Conservation Liquidation Office
2014-2015 Rates

<u>Month</u>	<u>Total Dept Exp</u>	<u>Total Dir. Hrs</u>	<u>Facility Exp</u>	<u>Contractor Hrs</u>	<u>Total Exp</u>	<u>Dir + Cont Hrs</u>	<u>Hrly Rate</u>
Dec-13	\$508,569	2,248.50	123,189	140.25	631,758	2,388.75	\$ 277.7519
Jan-14	\$581,271	2,732.00	101,956	213.50	683,227	2,945.50	\$ 247.3780
Feb-14	\$408,414	2,539.50	130,793	168.25	539,207	2,707.75	\$ 209.1276
Mar-14	\$517,869	2,542.25	123,195	331.75	641,064	2,874.00	\$ 246.5704
Apr-14	\$462,253	2,794.50	128,092	426.25	590,344	3,220.75	\$ 205.1859
May-14	\$481,655	2,822.24	121,199	239.50	602,854	3,061.74	\$ 210.2492
Jun-14	\$511,342	2,731.25	128,516	280.00	639,859	3,011.25	\$ 229.8980
Jul-14	\$466,361	2,631.56	120,480	399.25	586,841	3,030.81	\$ 216.9702
Aug-14	\$429,453	2,508.24	128,100	428.50	557,553	2,936.74	\$ 214.8368
Sep-14	\$443,147	2,704.51	113,145	307.25	556,293	3,011.76	\$ 201.4228
Oct-14	\$412,851	2,858.84	129,708	378.50	542,559	3,237.34	\$ 184.4783
Nov-14	\$475,973	2,072.00	117,889	308.75	593,862	2,380.75	\$ 279.2342
Dec-14	\$482,727	2,306.50	120,319	264.50	603,045	2,571.00	\$ 256.0880
Jan-15	\$479,549	2,343.75	114,743	156.25	594,292	2,500.00	\$ 250.5046

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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
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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.
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Case No. CPF-11-511261

**EXHIBIT B TO DECLARATION OF
DAVID WILSON IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

MAJESTIC Jan. 2014 - Mar. 2015 VENDOR EXPENSES

Accounting Services			
1099 Pro, Inc	499.00	Payroll Processing	W2 Pro 2014 / eFiling
ADP, Inc	1,904.00	Misc Licenses, Fees and Taxes	
BDO USA, LLP	26,710.25	Tax Consulting and Compliance	#151 5/12-12/12 Tax
State of California-Dept of Finance	24,193.89		
PriceWaterhouseCoopers - 53919	75,999.00		
Delivery, Record Retrieval, and Storage Expenses			
Federal Express	34.67	Delivery	
Iron Mountain-Los Angeles	3,019.46	Delivery, Storage	
United Parcel Service	17.43	Delivery	AC46981W 1/7-1/13/14
Investment Expenses			
FIRST NATIONAL BANK ALASKA	750.00	Bank Charges	MAJ 57757300 Yr 2013 Fee
State Street	2,189.64	Investment Expense	Majestic Nov. 2013
Commonwealth of Virginia, Dept	325.00	Investment Expense	AC7033722 Fee Dec.2012
Allocate Investment Exp	8,408.71		
Other Legal Expense			
McCarthy, Burgess & Wolff	950.00		
Discovia/SFL Data/Liffey Thame	315.00		
Other Professional Fees			
McKinney, Cynthia A	2,000.00		
Day Seckler LLP	18,826.40		
Orion Recovery Services, Inc.	407.10		
Piper, David C.	2,200.00	Other Professional Fees	Majestic 3/2-3/6/14
Weaver McGrath LLP	805.00	Other Legal Expense	Majestic 1/27 - 6/30/14
Vendors TOTAL		\$ 169,554.55	

1 KAMALA D. HARRIS
Attorney General of California
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7 *Attorneys for Applicant*
8 *Dave Jones, Insurance Commissioner of the State of*
9 *California, in his capacity as Conservator of*
Majestic Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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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

**DECLARATION OF RAYMOND
MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE OF MAJESTIC
INSURANCE COMPANY IN
CONSERVATION**

22 Date: November 5, 2015
23 Time: 9:30 a.m.
24 Dept: 302
Reservation No. 09221105-13

25
26 I, Raymond J. Minehan, declare:
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1 1. I make this declaration in my official capacity as the Chief Financial Officer at the
2 California Insurance Commissioner's Conservation and Liquidation Office ("CLO"). I have
3 served as the Chief Financial Officer of the CLO since May 2005. Previously, I was a Chief
4 Financial Officer and Chief Administrative Officer at two investment banks. Prior to that, I spent
5 17 years, the last five of which as an audit partner, at Arthur Andersen & Co. I hold a Bachelor
6 of Arts degree in finance from Golden Gate University.

7 2. My duties as the CLO's Chief Financial Officer include oversight of the CLO
8 Accounting Department and the Human Resources Department. In addition, I am a member of the
9 Executive Committee of the CLO. As the CLO's Chief Financial Officer, I supervise the
10 preparation of financial statements at the CLO, which are prepared in a systematic manner in the
11 ordinary course of business, with entries being made into those financial statements at or about
12 the time that the events described occur. I am familiar with the documents and files maintained
13 by the CLO pertaining to the records of Majestic Insurance Company ("Majestic") and the assets
14 and liabilities of the Majestic estate. I have personal knowledge of the matters contained in this
15 declaration and, if called as a witness to testify, I could and would competently testify to them.

16 3. Attached and incorporated herein as Exhibit "A" is a true and correct copy of the
17 "Statement of Assets and Liabilities" for Majestic Insurance Company in Conservation. The
18 Statement shows that after completion of the sale of Majestic's insurance operations to AmTrust,
19 the estate retained assets totaling \$22,779,303.00. Approved creditor claims totaled \$2,028,839.
20 After paying the creditor claims, \$20,750,464 in assets remained. Moreover, from the date of
21 entry of the Majestic Conservation order through January 31, 2015, the Insurance Commissioner
22 as Conservator ("Conservator") has incurred general and administrative expenses (including
23 vendor costs) of \$3,219,960.78, legal and professional fees of \$730,080.78 and \$3,059,174.14 in
24 allocation expenses (including CLO expenses and state attorneys fees) for a total of
25 \$7,009,215.11. After paying general and administrative expenses and making distributions, as of
26 March 31, 2015 the Majestic had assets in the total amount of \$3,739,900 and liabilities in the
27 total amount of \$176,900, which result in a net asset balance of \$3,563,000.

4. In determining the proposed amount to be distributed by Majestic, the Conservator has retained sufficient assets to provide for the payment of estimated closing expenses of administration.

5. After taking into account the amount included for the proposed distribution, the Conservator has reserved an additional \$403,421 in excess liquid investment assets available for a closing budget, which is more than adequate to cover expenses incurred in 2015 after January 31, 2015 and not paid as of March 31, 2015, and for future administrative expenditures.

6. In June 2015, the CLO completed the escheatment of \$176,900 in unclaimed property, which represented a portion of the assets previously distributed in the form of checks, but which were never cashed.

7. From the net asset balance of \$3,563,000, the Conservator proposes to distribute approximately \$3,100,000.00 to the Majestic estate's Insurance Code section 1033(a)(9) owner and retain \$403,421.00 for payment of expenses incurred in 2015, but unpaid as of March 31, 2015 and for future administrative expenses.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on September 22, 2015 at San Francisco, California.

By:

Raymond J. Minehan
Chief Financial Officer, CLO

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2 JOYCE E. HEE
Supervising Deputy Attorney General
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8 *Dave Jones, Insurance Commissioner of the State of*
9 *California, as conservator for Majestic Insurance*
Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
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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.
21
22

Case No. CPF-11-511261

**EXHIBIT A TO DECLARATION OF
RAYMOND MINEHAN IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE OF MAJESTIC
INSURANCE COMPANY IN
CONSERVATION**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

Majestic Insurance Company in Conservation
STATEMENT OF ASSETS AND LIABILITIES
Post Rehabilitation Order

BALANCE SHEET

ASSETS	Balance	3/31/2015	Change
Invested Assets	18,071,592	3,704,600	(14,366,992)
Statutory Deposits	4,583,998		(4,583,998)
Accrued Investment Income	123,713	7,700	(116,013)
Other Assets	-	27,600	27,600
TOTAL ASSETS	22,779,303	3,739,900	(19,039,403)
LIABILITIES			
Approved General Creditor Claims	2,028,839		2,028,839
Unclaimed Property		176,900	(176,900)
TOTAL LIABILITIES	2,028,839	176,900	1,851,939
NET ASSETS (DEFICIENCY)	\$ 20,750,464	\$ 3,563,000	\$ (17,187,464)

STATEMENT OF CHANGES TO NET ASSETS
Post Rehab Order to March 31, 2015

INCOME			
Net Investment Income	\$131,013		
Sale of State Licenses	<u>\$500,000</u>		\$631,013
Less: Operating Expenses			
Professional and Legal Fees	\$730,080		
General Administration Expenses	3,219,961		
Allocated Expenses	<u>3,059,174</u>		-7,009,214.92
Taxes, Fees, copying and other incidental expenses			-1,528,139.00
Less: Distributions to Class 7 Claimants			
Approved Creditor Claims	\$2,028,839		
Interest Paid on Approved Creditor Claims	<u>252,284</u>		-2,281,123
Embarcadero Distributions			-7,000,000.00
			(\$17,187,464)

1 KAMALA D. HARRIS
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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
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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

**DECLARATION OF THOMAS J.
WELSH IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE OF MAJESTIC
INSURANCE COMPANY IN
CONSERVATION**

22 Date: November 5, 2015
23 Time: 9:30 a.m.
24 Dept: 302
25 **Reservation No. 09221105-13**

1 **DECLARATION OF THOMAS J. WELSH IN SUPPORT OF**
2 **APPLICATION FOR ORDER APPROVING PAYMENT OF**
3 **ADMINISTRATIVE AND PROFESSIONAL FEES AND EXPENSES.**

4 I, Thomas J. Welsh, declare:

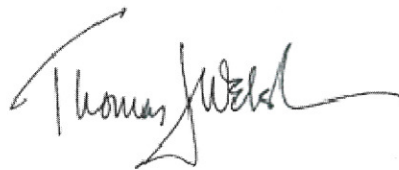
5 1. I am a partner with the law firm of Orrick, Herrington & Sutcliffe LLP ("Orrick"),
6 counsel to California Insurance Commissioner Dave Jones, in his capacity as conservator of
7 Majestic Insurance Company ("Majestic") in the above captioned action. I am a member of the
8 State Bar of California, and I am admitted to practice before the Courts of the State of California.
9 I have personal knowledge of the facts contained in this declaration and, if called as a witness,
10 would testify to the facts contained herein.

11 2. On April 21, 2011, the date on which the Commissioner was formally appointed
12 by the Court as statutory conservator of Majestic ("Conservator"), Orrick was retained as counsel
13 to the Conservator to assist in the formulation, approval and implementation of a comprehensive
14 plan of rehabilitation and wind-up for Majestic.

15 3. Attached hereto as Exhibit A is an accurate summary of the legal services
16 performed by Orrick, including aggregate legal service hours and aggregate attorneys' fees
17 incurred by the Conservator for legal services from December 1, 2013 through and including
18 March 31, 2015. Exhibit A also includes a summary of the reimbursable expenses incurred by
19 Orrick during this period.

20 Executed this 1st day of June, 2015, at Sacramento, California.

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

23 

24 _____
25 Thomas J. Welsh

1 KAMALA D. HARRIS
Attorney General of the State of California
2 JOYCE E. HEE (State Bar No. 88610)
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9 *California in his Capacity as Conservator of*
Majestic Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
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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.
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Case No. CPF-11-511261

**EXHIBIT A TO DECLARATION OF
THOMAS J. WELSH IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE OF MAJESTIC
INSURANCE COMPANY IN
CONSERVATION**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
December 2013	0.80	\$368.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none"> • Communications re CDI Examination Request to AmTrust and D&O mediation. • Attend to mediation logistics.
January 2014	7.90	\$3,634.00	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none"> • Communications re mediation, shell sale and tax compliance. • Review of materials for mediation. • Review of briefs.
February and March 2014	44.00	\$23,448.74	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none"> • Preparation for mediation. • Communications re mediation. • Review of materials for mediation. • Participation in mediation. • Review of and draft responses regarding tax compliance and post shell sale. • Communications re mediation status and tax compliance issues. • Meeting re estate tax compliance issues for 2013. • Communications re 2013 returns for estate. • Communications re Trust Certificate and tax treatment. • Attend to obtaining tax identification number for Trust. • Preparation of tax identification number application. • Preparation of minor amendments to Trust Agreement.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none"> • Communications re tax identification number. • Communications re status of D&O negotiations and case status. • Communications re estate wind-up issues. • Review of Rehabilitation Plan provisions. • Communications re status of data request on Great Western policies.
April 2014	18.20	\$12,044.70	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Communications re issuers' separate mediation. • Communications re waivers and confidentiality issues. • Communications re Estate wind-up and claim issues. • Review of Conservation Trust Agreement. • Review of plan of rehabilitation re wind-up issues. • Attend to Distribution Motion and claims assignment issues. • Communications re motion for leave for final distribution and discharge. • Communications re status and distribution issues. • Communications re Notice and publication, and limited policies.
May 2014	67.40	\$39,280.90	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Attend to draft of motion re Great Western policies and interim distribution. • Communications re distribution motion. • Communications re Trust Agreement and tax issues. • Prepare updated billing summary for 2013 and declaration verifying same.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none">• Attend to proposed amendments to Trust Agreement to correct errors re grantor trust status.• Attend to updating Distribution Motion with new sections.• Communications re scheduling motion to approve distribution of assets and notice re Great Western claims.• Prepare Trust Agreement.• Prepare draft declarations in support of application to approve disbursement and publication notice.• Communications re Distribution Motion• Attend to revising motion authorizing distribution.• Communications re status of motion and D&O settlement efforts.• Review of draft declarations.• Review of draft of Assignment of D&O Claims.• Communications re application for order approving distribution and notice.• Review of grantor trust documents.• Communications regarding appeal periods and “finality” of authorization to assign D&O claims.• Meeting re filing of motion and declarations.• Attend to updating Motion re Distributions and Declarations.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
June 2014	15.30	\$9,708.80	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Prepare execution versions of declarations in support of application for order approving disbursement and notice. • Communications re declarations. • Attend to updating Amended & Restated Trust Agreement. • Prepare draft proposed order and documents for filing application for order approving distribution and notice. • Attend to filing Distribution Motion. • Attend to final edits to form of Order. • Communications re application for order approving disbursement and notice. • Communications re hearing. • Assist with publication notice issues re distribution plan and website publication of pleadings. • Meeting re distribution motion and notice via publication.
July 2014	11.90	\$8,503.41	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Communications re response to Motion. • Communications re tentative ruling from court. • Prepare for hearing. • Attend hearing and argue motion. • Communications re final order and next steps on estate wind-up. • Attend to D&O Claim Assignment form. • Attend to revising Form of Assignment of D&O Claims.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none"> • Review of earlier executed Joint Prosecution Agreement. • Communications re negotiating changes to Assignment. • Attend to finalizing edits and negotiations re Assignment.
August 2014	2.20	\$1,514.70	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Communications re Greenpath's challenges with filing NAIC statutory statements and financials. • Communications re Reps & Warranties in Shell Purchase Agreement. • Review of and preliminary revisions to Conservation Trust Agreement.
September 2014	9.10	\$6,265.35	<p>Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to:</p> <ul style="list-style-type: none"> • Communications re distribution of ELT following Great Western notice publication. • Prepare Status Report to court. • Assist with AmTrust's request for information on notice letter. • Attend to Notice issues and timing of distribution. • Prepare draft Notice to Court re status of Great Western. • Communications re response to Notice. • Prepare draft Status Report to Court. • Review of Application and Order re Status Report to Court. • Attend to finalizing Status Report to Court re Great Western Notice and responses.



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
			<ul style="list-style-type: none">• Review of Plans for estate closing process.• Review of filed version of Status Report to Court re Great Western Notice and impending distribution.• Communications re plan of distribution.
October 2014	0.00	\$0.00	
November 2014	0.00	\$0.00	
December 2014	0.00	\$0.00	



**Summary of Attorneys' Fees as
Counsel to Insurance Commissioner, as Statutory Conservator of
Majestic Insurance Company
(December 1, 2013 – March 31, 2015)**

Service Month	Total Hours	Total Fees & Disbursements	Summary of Services
January 2015	0.00	\$0.00	
February 2015	0.30	\$162.90	Advice and services to Insurance Commissioner, as Conservator of Majestic Insurance Co., related to: <ul style="list-style-type: none">• Communications re preparing 2014 Fee Application materials.
March 2015	0.00	\$0.00	

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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN FRANCISCO

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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

**DECLARATION OF JOHN BATTLE IN
SUPPORT IN SUPPORT OF
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE OF MAJESTIC
INSURANCE COMPANY IN
CONSERVATION**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

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24
25
26 I, John Battle, declare:

27 1. I am employed by the Insurance Commissioner of the State of California's
28 Conservation and Liquidation Office ("CLO") as its Chief Claims Officer. I have personal

1 knowledge of the facts set forth herein and if called upon as a witness, I would testify as set forth
2 below.

3 2. As the Chief Claims Officer, I supervise the CLO's Claims Department. I oversee
4 the administration of all claims submitted by policyholders and creditors of the insolvent insurers
5 being liquidated or conserved by the Commissioner, including the Majestic Insurance Company.

6 3. I have 47 years in handling claims, primarily in a workers compensation and
7 general liability environment. Prior to my employment with the CLO, I was employed in various
8 management capacities since 1975, and later as the Vice President for Claims for the Superior
9 National Insurance Group, Inc. and its subsidiary companies which liquidated in 2000. I have
10 worked in a liquidation environment exclusively since Superior National's liquidation. On July
11 1, 2004, I became employed by the CLO and am responsible for Majestic Insurance Company's
12 ("Majestic") claims.

13 4. Pursuant to Insurance Code section 1021, the Insurance Commissioner as
14 Conservator of Majestic Insurance Company ("Conservator") published notices to creditors that
15 claims against the estate of Majestic had to be filed by no later than the Claims Bar Date of
16 January 31, 2012.

17 5. The Conservator mailed 1,308 Proof of Claim ("POC") forms to any person
18 possibly interested in making a claim against Majestic, of which 1,218 were unreturned. There
19 were 90 POC forms that were timely filed claiming a total of \$205,291,880.55.

20 6. The Conservator completed the substantive review of the 90 POCs that were
21 timely filed. Twenty-nine claims were rejected and fifteen were closed as resolved through
22 settlement with other entities other than Majestic. The Conservator approved forty-six (46) POCs
23 in the total amount of \$2,028,839.41.

24 7. Pursuant to Insurance Code section 1032, if a Proof of Claim was rejected,
25 compromised or approved for a lesser amount, the CLO mailed notices to the claimants at the
26 address set forth in their claims. No claimant disputed the determination. Based on forty-six
27 approved POCs, the Conservator obtained a court order authorizing the payment of \$2,028,839.41
28 together with interest to the approved claimants.

8. On December 20, 2013, the Conservator obtained a court order authorizing the payment of \$2,028,839.41, together with interest, to the section approved claimants, and the distribution of \$2,000,000.00 to Embarcadero Liquidating Trust, the owner of the residual value of the estate under Insurance Code section 1033(a)(9). In January 2014, the Majestic estate completed its interim distribution of \$4,028,839.41.

9. In June of 2014, the Conservator filed his application for an order approving his proposal to disburse assets, and approving a special publication notice relating to Majestic's former "Great Western" policies. On July 8, 2014, the court entered its order approving the application. The Great Western policies publication notice was advertised in three newspapers on July 14, 2014. Pursuant to the order, the Conservator was authorized to distribute and pay a total of \$5,000,000 to Embarcadero Liquidating Trust as the section 1033(a)(9) claimant, if no newly reported claims potentially subject to coverage under the Great Western policies were received within forty-five (45) days following the last publication of the Great Western notice. On September 18, 2014, the Conservator filed a status report indicating no new claims or reports had been received that could be entitled to payment under any of the Great Western policies. The Conservator completed a second interim distribution to Embarcadero Liquidating Trust as the section 1033(a)(9) claimant in the amount of \$5,000,000 on September 24, 2014.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on SEPT. 18, 2015, at San Francisco, California.

John Battle

1 KAMALA D. HARRIS
Attorney General of the State of California
2 JOYCE E. HEE (State Bar No. 88610)
Supervising Deputy Attorney General
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8 *in his Capacity as Conservator of*
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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
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15 **DAVE JONES, INSURANCE**
16 **COMMISSIONER OF THE STATE OF**
CALIFORNIA,

17 Applicant,

18 v.

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

21 Respondents.
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27
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Case No. CPF-11-511261

**[PROPOSED] ORDER APPROVING
PAYMENT OF CONSERVATOR'S
ADMINISTRATIVE EXPENSES AND
PROFESSIONAL FEES, APPROVING
THE FINAL DISTRIBUTION OF
ASSETS, AND CLOSING THE ESTATE**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

1 The Insurance Commissioner as Conservator of Majestic Insurance Company (also
2 “Conservator”), has applied for an order approving payment of administrative expenses and
3 professional fees, the final distribution of assets, and closing the conservation estate of Majestic
4 Insurance Company (the Majestic estate”).

5 Good cause appearing, IT IS HEREBY ORDERED that:

6 1. The Conservator’s payment of \$697,675.55 for general operating and
7 administrative expenses for services rendered to the Majestic estate and paid from January 1,
8 2014 through March 31, 2015 is approved;

9 2. The Conservator’s payment of professional fees and expenses to Orrick,
10 Herrington and Sutcliffe, LLP in the total amount of \$104,931.50 for legal services provided to
11 the Conservator for the Majestic estate and paid between January 1, 2014 through March 31, 2015
12 is approved;

13 3. The Conservator is authorized to distribute approximately \$3,100,000.00 to
14 Embarcadero Liquidating Trust, pursuant to Insurance Code section 1033(a)(9). The distributions
15 shall be made within two weeks of receipt of the signed order from the Court;

16 4. The Conservator is authorized to retain the sum of \$403,421 for payment of
17 administrative expenses incurred but not yet paid by the Conservator as of March 31, 2015, and
18 for future administrative and closing costs with any remaining balance to be distributed to the
19 Embarcadero Liquidating Trust or its successor in interest;

20 5. The Insurance Commissioner is authorized to maintain in the Conservation &
21 Liquidation Office imaged databases of all records of Majestic for a period of three years from
22 the date of the Court’s order, and thereafter the Insurance Commissioner is authorized to destroy
23 all records of Majestic Insurance Company, except for those records necessary for examination
24 by the Department of Finance or the auditor of the Insurance Commissioner’s books and records
25 pursuant to section 1061;

26 6. The estate of Majestic Insurance Company shall be closed and the Insurance
27 Commissioner shall be discharged as Conservator upon the filing of a declaration that the
28 Insurance Commissioner has distributed the assets of Majestic in accordance with this Court’s

1 order approving final distribution. The Insurance Commissioner, his Special Deputies, the
2 Conservation and Liquidation Office, its employees, the California Department of Insurance, and
3 its personnel, and the Insurance Commissioner's agents and attorneys, shall be, upon such filing,
4 discharged from any and all claims, debts, liabilities, or duties to further account for the assets or
5 liabilities of Majestic Insurance Company through the date of the declaration, and shall have no
6 liability of any kind or nature for such claims or debts; and

7 7. The Insurance Commissioner is authorized to take any and all action necessary to
8 accomplish the purposes of the Order prayed for herein.

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11 Dated: _____, 2015.

12 _____
13 Judge of the Superior Court
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8 *Dave Jones, Insurance Commissioner of the State of*
9 *California in his Capacity as Conservator of*
Majestic Insurance Company

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SAN FRANCISCO
12 CIVIL DIVISION
13

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.
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Case No. CPF-11-511261

**DECLARATION OF SERVICE OF
NOTICE OF HEARING AND
APPLICATION FOR ORDER
APPROVING PAYMENT OF
CONSERVATOR'S ADMINISTRATIVE
EXPENSES AND PROFESSIONAL
FEES, APPROVING THE FINAL
DISTRIBUTION OF ASSETS, AND
CLOSING THE ESTATE, AND
SUPPORTING DECLARATIONS**

Date: November 5, 2015
Time: 9:30 a.m.
Dept: 302
Reservation No. 09221105-13

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 September 22, 2015 I served the attached:

(1) NOTICE OF HEARING AND APPLICATION FOR ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES, APPROVING THE FINAL DISTRIBUTION OF ASSETS, AND CLOSING THE ESTATE;

(2) DECLARATION OF DAVID WILSON IN SUPPORT THEREOF;

(3) DECLARATION OF RAY MINEHAN IN SUPPORT THEREOF;

(3) DECLARATION OF THOMAS J. WELSH IN SUPPORT THERE;

(4) DECLARATION OF JOHN BATTLE IN SUPPORT THEREOF;

(5) PROPOSED ORDER [PROPOSED] ORDER APPROVING PAYMENT OF CONSERVATOR'S ADMINISTRATIVE EXPENSES AND PROFESSIONAL FEES, APPROVING THE FINAL DISTRIBUTION OF ASSETS, AND CLOSING THE ESTATE

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 September 22, 2015 at San Francisco, California.

Giromana Guardado


Signature

SERVICE LIST

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