

STATE OF VERMONT

SUPERIOR COURT
WASHINGTON UNIT

_____)	
COMMISSIONER OF THE)	
DEPARTMENT OF FINANCIAL)	
REGULATION)	
PLAINTIFF,)	
)	
v.)	
)	
GLOBAL HAWK INSURANCE CO.)	
RISK RETENTION GROUP,)	
RESPONDENT.)	
_____)	

CIVIL DIVISION
DOCKET NO. 196-5-20 Wncv

LIQUIDATOR'S FIFTH STATUS REPORT

I, J. David Leslie, Special Deputy Liquidator, hereby submit this Fifth Status Report regarding the liquidation of Global Hawk Insurance Company Risk Retention Group ("Global Hawk RRG" or the "Company").

1. On May 15, 2020, the Commissioner of the Department of Financial Regulation ("Commissioner") filed an *ex parte* Petition for Seizure Order pursuant to 8 V.S.A. § 7042(b), seeking, among other things, authorization to take possession and control of Global Hawk RRG. The Court granted the Commissioner's petition by entering the requested order ("Seizure Order") on May 20, 2020. Following entry of the Seizure Order, the Commissioner further investigated the Company's condition, concluded that rehabilitation would be futile, and filed a Petition for Order of Liquidation on June 5, 2020. The Company's founding member – (an entity entitled by the bylaws to exercise more than half the Company's membership votes) – assented to the proposed Order of Liquidation. On June 8, 2020, the Court entered its Order of Liquidation ("Liquidation Order") that, among other things, appointed the Commissioner as Liquidator ("Liquidator"), authorized him to appoint a special deputy liquidator, and approved the Plan of

Liquidation. The Liquidator appointed me to serve as Special Deputy Liquidator on June 9, 2020.

2. On November 12, 2020, the Liquidator filed his First Status Report that described, among other things: the establishment of a claim filing deadline (December 8, 2021); the cancellation of active policies; the provision of notice to known and potential creditors of Global Hawk RRG; the Company's current and historical financial condition; and, the facts and circumstances that led the Liquidator to file a racketeer and corrupt organization act lawsuit ("RICO Lawsuit") against the Company's former president (Jasbir S. Thandi), managing general agent (Global Century Insurance Brokers, Inc., "GCIB") and investment advisor (Jaspreet S. Padda and QuantBridge Capital, LLC, "QuantBridge"). The Court held a hearing regarding the First Status Report on December 17, 2020. The Liquidator filed his Second Status Report (and annual accounting) on July 21, 2021, which provided an update on the RICO lawsuit, the Company's financial condition, and the filing of claims with the Liquidator. On February 2, 2022, the Liquidator filed his Third Status Report which offered further updates on Global Hawk RRG's financial condition, administrative issues, and the RICO Lawsuit while also advising that the Liquidator had filed a lawsuit against Crowe LLP ("Crowe") alleging breach of the duty of professional care, negligence, negligent misrepresentation, and breach of contract ("Auditor Lawsuit"). On September 23, 2022, the Liquidator filed his Fourth Status Report and Annual Accounting noting the status of reinsurance recoverables, RICO, auditor malpractice, and other collections actions.

3. The Liquidator has posted all Status Reports, along with other key liquidation documents, on the website of the Vermont Department of Financial Regulation – www.dfr.vermont.gov/global-hawk.

STATUS UPDATE

4. Estate Assets. As of May 31, 2023, Global Hawk RRG’s assets were as follows:

Cash	\$ 2,455,197
Invested Assets	874,050
Accrued Income	28,463
Total	<u>\$ 3,357,710</u>

Reinsurance receivable may also be a material estate assets but one reinsurer has taken steps that may impair its value (see, *infra*, ¶ 11) and, in any event, the asset is too contingent to quantify at this time. Similarly, though the Liquidator believes causes of action against Thandi, GCIB, and others are a significant asset of the Global Hawk RRG estate (see, *infra*, ¶ 12-17), they remain speculative and uncertain.

5. Estate Liabilities. As noted in the Commissioner’s Petition for Order of Liquidation, Global Hawk RRG projected \$23.75 million in ultimate loss and loss adjustment expenses in its 2019 Annual Statement. The Liquidator has reason to believe that this figure substantially understated the Company’s liabilities given that it was produced by GCIB for management and does not reflect any liability for “ghost policies” – that is, policies that were issued by GCIB (and for which GCIB presumably collected premium) but which GCIB and management did not remit or record in the Company’s books and records. See First Status Report, ¶¶ 11-13. There remains no better source of data at this time so \$23.75 million should be seen as a “ballpark” estimate of Global Hawk RRG’s policy-related liabilities.

6. Receipt of Proofs of Claim. As of May 31, 2023, the Liquidator had received a total of 646 proof of claim forms (“POCs”). Many of these forms contain “nested” claims (e.g. a single form is submitted with multiple attachments) such that the Liquidator has, to date, assigned a total of 661 claim numbers. Preliminary review indicates that 178 of these claims seek return of unearned premium, 431 seek defense/indemnity payments, fifty seek payment of

pre-liquidation loss adjustment expenses, and two either do not fall in the preceding categories or do not contain sufficient information to be classified. This analysis suggests that more than 90% of the proofs of claim received are likely to constitute policy-related claims falling in priority class 3. See 8 V.S.A. § 7081.

7. The Liquidator has attempted to correlate all POCs with Global Hawk RRG policy numbers. This process was necessary to respond to data requests from one of the Company's reinsurers and has helped the Liquidator to better understand the Company's potential liabilities. Notably, it appears that at least 5% of the proofs of claim received to-date were submitted in error (e.g. the referenced policy appears to have been issued by another carrier). Further, it appears that approximately 17% of the proofs of claim received to date relate to "ghost policies" – that is, policies that were issued by GCIB for the Company (and for which GCIB collected premium) but which GCIB and management did not record in the Company's books and records. See First Status Report ¶¶ 11-13. There has been no material change to these figures since the Liquidator's prior status report.

8. Investigation and Determination of POCs. Early in the proceeding, the Liquidator determined that the interests of members, policyholders, other creditors and the public generally would be best served by focusing efforts and resources on collections efforts with the objective of increasing the assets available for distribution. Accordingly, in most instances investigation of claims has been deferred unless there is a matter of particular urgency or investigation would further asset collection activity (e.g. recovery of reinsurance). At this point, however, the Liquidator has marshalled assets sufficient to both undertake further collections activity -- in particular, the cost of seeking recovery in the Auditor Lawsuit and resolving any disputes with one of the Company's reinsurers (see, *infra*, ¶¶ 11 and 15) – and permit the investigation of claims.

9. As of May 31, 2023, the Liquidator had issued notices of determination addressing 39 of the claims filed in this proceeding. The Liquidator will continue to issue notices of determination over the coming months and will submit a report of claims when a suitable number of determinations have become final which, in any event, will be before the next annual accounting and status report are presented (December 2023). See 8 V.S.A. §§ 7057(e) (annual accountings) and 7082(a) (reports of claims).

10. Coordination with Other Public Officials. Global Hawk RRG affiliates controlled by Thandi are domiciled in California (GCIB), Delaware (Global Hawk Property Casualty Insurance Company), and Texas (Houston General Insurance Exchange). The California Insurance Department has terminated the authority of GCIB to do business, the Delaware Insurance Commissioner has been appointed liquidator of Global Hawk Property Casualty Insurance Company, and the Texas Insurance Commissioner has been appointed liquidator of Houston General Insurance Exchange. The Liquidator is coordinating with other insurance regulatory officials and rehabilitators/liquidators and others in these jurisdictions.

11. Reinsurance. Global Hawk RRG had two separate reinsurance programs. One program (with a Lloyd's syndicate) provided excess of loss coverage while a second program (with Maiden Reinsurance North America, now known as Fletcher Reinsurance Company, "FletcherRe") provides 50% quota share coverage. The Liquidator has collected return premium of approximately \$3.7 million from the Lloyd's program and does not anticipate additional collections from Lloyd's in respect of either return premium or loss payments. As previously reported, the Liquidator is concerned that FletcherRe may have taken steps to impair the value of the quota share reinsurance program. The Liquidator continues to evaluate the estate's options to restore the value of the asset.

COLLECTION ACTIONS

12. RICO Lawsuit Update. As discussed in the First Status Report, the Liquidator filed a complaint against Thandi, GCIB, Padda, and QuantBridge in the United States District Court for the District of Vermont on October 30, 2020 (Docket No. 2:20-cv-173). Allegations in the complaint include violation of the RICO statute, breach of fiduciary duties, conversion, fraud, and breach of contract. The Liquidator has also requested that GCIB be required to provide an accounting.

13. Though his sole proprietorship, Quantbridge, defaulted, Mr. Padda responded to the Complaint in his personal capacity and filed an answer. The Liquidator has since entered into a settlement agreement with Mr. Padda and Quantbridge, which was approved by the Court.

14. GCIB defaulted, but Mr. Thandi responded to the Complaint in his personal capacity, broadly invoked the right against self-incrimination under the Fifth Amendment, and failed to comply with the Federal District Court's order compelling production of certain responsive records, including GCIB records. The Liquidator then filed a motion for sanctions against Mr. Thandi, seeking entry of a default. Mr. Thandi did not oppose the motion which was granted by the Federal District Court on June 30, 2022. On August 24, 2022, the Liquidator made a filing in support of damages against GCIB and Mr. Thandi. No opposition has been filed and the matter remains pending before the Federal District Court.

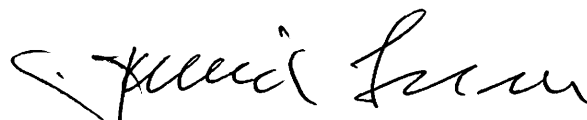
15. Auditor Lawsuit Filed. During his investigation of Global Hawk RRG's condition following entry of the Liquidation Order, the Liquidator discovered irregularities that should have been uncovered by the former auditors, Crowe LLP ("Crowe"). The Liquidator brought these concerns to Crowe's attention and the parties entered into a tolling agreement to facilitate discussions and mediation. Mediation was unsuccessful so on October 26, 2021, the Liquidator filed a lawsuit in Vermont Superior Court against Crowe, alleging breach of the duty

of professional care, negligence, negligent misrepresentation, and breach of contract (Docket no. 21-cv-03350). Crowe removed the action to the United States District Court for the District of Vermont on November 22, 2021 (Docket no. 5:21-cv-273).

16. Following removal, Crowe filed a motion to dismiss that was denied by the Federal District Court on October 17, 2022. Subsequent motion practice (e.g. motions to strike and quash) has been significant and Crowe has indicated an intention to seek intensive and wide-ranging discovery. Given the multimillion stakes at issue, the Liquidator anticipates that the Crowe litigation will be a lengthy and expensive matter to pursue to conclusion. Because the potential recovery from Crowe may be the largest asset in the Global Hawk estate, however, the Liquidator also believes that a commensurate investment of time and resources in the Auditor Lawsuit is appropriate and necessary.

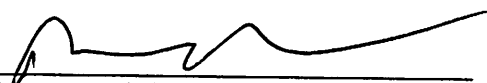
17. With regard to both the RICO Lawsuit and the Auditor Lawsuit, the Liquidator is unable to provide detailed analysis in this public filing but, if requested, can prepare a confidential report to the Court for filing under seal.

18. Next Steps. The Liquidator will continue to focus on marshalling estate assets, investigating POCs, and issuing notices of determination. The Liquidator proposes making his next status report in six months



J. David Leslie
Special Deputy Liquidator

Subscribed and sworn before me
this 19 day of June, 2023



Notary Public
My commission expires: 2/10/2023

