

PLAN OF LIQUIDATION

Plan of Liquidation for Global Hawk Insurance Company Risk Retention Group

This Plan of Liquidation (the “Plan”) will govern the liquidation of Global Hawk Insurance Company Risk Retention Group, Inc. (“Global Hawk RRG” or the “Company”). The Superior Court, Washington County (the “Court”) entered the Order of Liquidation for Global Hawk RRG and approved this Plan on June 8, 2020 in Commissioner of the Department of Financial Regulation v. Global Hawk Insurance Co. Risk Retention Group, Docket No. 196-5-20 Wncv. The Company was previously the subject of a seizure order entered on an *ex parte* basis in the same proceeding on May 20, 2020.

1. Impact of Liquidation on Members. The Order of Liquidation significantly affects the members insured by Global Hawk RRG. Most policyholders of insolvent insurance companies are eligible for guaranty fund coverage, e.g. 8 V.S.A. § 3611-3626, but since Global Hawk RRG is a risk retention group, it cannot participate in the guaranty fund system. 8 V.S.A. §6054(a); 15 US Code § 3902(a). In the liquidation, management of claims by the risk retention group will cease and each member will be responsible for claims management and paying all defense costs. Global Hawk RRG members and other claimants will be required to file claims in the liquidation and await a distribution of Global Hawk RRG’s assets, possibly years from now. 8 V.S.A. §§ 7074 and 7075.

2. Plan of Liquidation. To reduce the effect of Global Hawk RRG’s liquidation on members and other claimants and to reduce the risks presented by the Company’s insolvency, the Liquidator shall conduct the liquidation proceedings as follows:

- a. The Liquidator shall notify all members with in-force coverage that all Global Hawk RRG policies will be cancelled on the earlier of: i) fourteen days from the date on which the notice is mailed; or ii) the date on which the member procures alternative coverage.
- b. The Liquidator shall pay the costs and expenses of administering the Global Hawk RRG proceeding in the normal course. See 8 V.S.A. § 7081(1).

- c. The Liquidator will furnish notice of the Liquidation Order as provided in 8 V.S.A. § 7061. The notice will include a copy of the Proof of Claim (in the form attached hereto) and will specify a claim filing deadline not less than 120 days from the date of the Liquidation Order.
 - d. The Liquidator will receive completed proofs of claim, conduct such investigation as he deems necessary, and make a determination as to priority classification pursuant to 8 V.S.A. § 7081. If the claim falls within priority classes 4 through 10, the Liquidator may decline to make a determination as to the amount of such claim and instead issue a determination solely as to priority.
 - e. If the claim falls within priority class 3 the Liquidator shall conduct such further investigation as he deems necessary and determine the claim pursuant to 8 V.S.A. § 7078. Claimants dissatisfied with the Liquidator's determination shall file objections Liquidator. The Liquidator shall then issue a redetermination. If the Liquidator does not alter his initial determination, the claimant may request judicial review by submitting a further objection. The Liquidator shall then request a hearing and issue notice pursuant to 8 V.S.A. § 7078(b).
 - f. The Liquidator shall monitor Global Hawk RRG's financial condition and, as circumstances warrant, petition the Court to establish a distribution percentage for making interim payments on finally determined claims in priority class 3.
 - g. Payment to creditors with claims in lower priority classes will be deferred. 8 V.S.A. § 7081 ("Every claim in each class shall be paid in full ... before the members of the next class receive any payment.") If it appears that Global Hawk RRG may have sufficient assets to pay such creditors, the Liquidator will determine claims in the relevant priority classes as to amount and petition the Court to authorize a distribution.
3. Vermont law. In all other respects, the Liquidation of Global Hawk RRG will comply with the Order of Liquidation and 8 V.S.A. ch. 145. The Court retains jurisdiction of all matters arising under this Plan.