

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 SECOND STATUS REPORT

I, J. David Leslie, Special Deputy Liquidator, hereby submit this Second Status Report regarding the liquidation of Global Hawk Insurance Company Risk Retention Group (“Global Hawk RRG” or the “Company”) including the Annual Accounting attached hereto as Exhibit A.

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 financial 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 has posted the First Status Report, along with other key liquidation documents, on the website of the Vermont Department of Financial Regulation – www.dfr.vermont.gov/global-hawk.

STATUS UPDATE

3. Receipt of Proofs of Claim. As of June 30, 2021, the Liquidator had received a total of 465 proofs of claim. Preliminary review indicates that 136 of these claims seek return of unearned premium, 293 seek defense/indemnity payments, 12 seek payment of pre-liquidation loss adjustment expenses, and 24 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.

4. The Liquidator has attempted to correlate all proofs of claim 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 20% of the proofs of claim received to-date relate to "ghost policies" – that is, policies that were issued by GCIB (and for which GCIB presumably collected premium) but which GCIB and management did not record in the Company's books and records. See First Status Report ¶¶ 11-13.

5. 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 in these jurisdictions.

6. Reinsurance. Global Hawk RRG's reinsurers share an interest with the Liquidator in ensuring the efficient and effective handling of Global Hawk RRG claims. The Company's reinsurance programs are also a valuable estate asset. The Liquidator is therefore coordinating with the Company's reinsurers and working to develop a productive working relationship. This process appears to be operating well as the Liquidator has received and responded to periodic

information requests from the reinsurers regarding individual claims and the liquidation proceeding generally.

7. Investigation of Claims. Because the claim filing deadline has not yet passed and because he believes the interests of Global Hawk RRG's policyholders and other creditors are best served by focusing estate resources on asset collection, the Liquidator has not yet begun to investigate most of the individual proofs of claim submitted in this proceeding. The Liquidator will begin that process initially on a case-by-case basis where doing so may benefit the estate as a whole (e.g. where a claim determination may yield reinsurance recoveries).

8. 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.

9. Service has been effected on all defendants and answers have been filed by Thandi, QuantBridge, and Padda. GCIB has defaulted despite the fact that its President and Owner (Thandi) has appeared in his personal capacity. (Thandi's personal defense is being funded by the carrier from which Global Hawk RRG had purchased a directors and officers liability insurance policy.) Party discovery is ongoing. Third-party discovery is also proceeding with subpoenas issued to financial institutions where Thandi, GCIB, and Global Hawk maintained accounts.

10. Audited Financial Statements. The Liquidator is concerned that audits may have been performed in a negligent manner. The Liquidator has engaged consultants to assist in his investigation.

ANNUAL ACCOUNTING

11. The insurer liquidation statutes require that the Liquidator produce annual accountings that “include (at a minimum) the assets and liabilities of the insurer and all funds received or disbursed by the liquidator during the current period.” 8 V.S.A. § 7057(e). An accounting, including a report of receipts and disbursements, was included in the First Status Report. As described below, an update is attached.

12. Estate Assets. As of June 30, 2021, Global Hawk RRG’s cash and invested assets, previously consolidated in a Vermont financial institution, totaled \$378,273.42. In addition to these liquid assets, the estate also possesses substantial illiquid assets in the form of reinsurance receivables and causes of action against various tortfeasors. With regard to reinsurance, the amount that may be collectible is dependent on the number and value of claims under Global Hawk RRG policies. The claim filing deadline is still several months away and, without investigation and determination of those claims that have been filed, the Liquidator has deemed the asset too contingent to quantify in an estate account. To the extent that additional funding is needed during the interim, an advance will be sought from the State of Vermont.

13. Estate Liabilities. As described in the First Status Report (see ¶¶ 11-13), it appears that the Company’s former managing general agent failed to report and record all policies issued. The exposure presented by unrecorded “ghost policies” is unknown. Further, it appears that, when the Liquidator requested copies of open claim files, former management failed to produce claim files associated with “ghost policies”. Until the claim filing deadline

runs, therefore, the scope of potential Global Hawk RRG liabilities is difficult to estimate. It may nevertheless be helpful, for context purposes, that the annual statement prepared by former management reported \$5.2 million of unearned premium and \$11.9 million in case reserves (i.e. defense and indemnity reserves on known claims) on the Global Hawk RRG policies that had been recorded in the Company's books and records.

14. Interim Accounting and Administrative Expense. A table showing all collections and disbursements from the inception of the proceeding through June 30, 2021, is attached as Exhibit A. In total, the Liquidator has consolidated \$886,751.24 from Global Hawk RRG's bank and brokerage accounts, has collected \$139,792.00 from others (primarily reinsurance), and has incurred administrative expenses of \$648,269.82. The estate's account balance was therefore \$378,273.42 as of June 30, 2021. The relatively high level of administrative expenses is due to the difficulty of investigating the Company's financial condition and the cost of litigation.

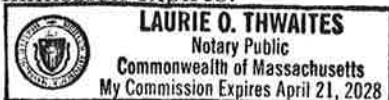
15. Next Steps. The Liquidator will continue to focus on marshalling estate assets while receiving and processing proof of claim forms as they are submitted in the coming months. The Liquidator will also coordinate with reinsurers, regulatory and other officials, and the liquidators of other entities operated and controlled by Thandi. The Liquidator proposes making his next status report in six months.

Subscribed and sworn before me
this 21st day of July, 2021



Notary Public

My commission expires:





J. David Leslie

Special Deputy Liquidator

EXHIBIT A

Estate Collections/Disbursements – Inception to June 30, 2021

Date	Payee/Payor	Description	Transaction
6/23/20	Western Alliance Bank	Consolidation of Estate Assets	\$ 299,241.77
6/25/20	Interactive Brokers	Consolidation of Estate Assets	353,233.76
6/26/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(21,650.00)
7/15/20	Enstar/Fletcher Re	Assets Collected	133,409.00
7/16/20	People's United Bank	Administrative Expense	(30.00)
7/21/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(89,916.50)
7/24/20	Primmer Piper Eggleston & Cramer	Administrative Expense	(5,857.50)
8/7/20	Mechanics Bank	Consolidation of Estate Assets	21,148.65
8/7/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(75,359.58)
8/18/20	People's United Bank	Administrative Expense	(30.00)
8/21/20	Interactive Brokers	Consolidation of Estate Assets	65,275.53
8/21/20	Interactive Brokers	Consolidation of Estate Assets	147,851.53
9/2/20	Harland Clarke Checks	Administrative Expense	(141.50)
9/10/20	Primmer Piper Eggleston & Cramer	Administrative Expense	(945.00)
9/15/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(64,192.50)
9/16/20	People's United Bank	Administrative Expense	(45.00)
10/13/20	Plunkett, Griesenbeck & Mimari IOLTA Account	Assets Collected	1,000.00
10/14/20	Rackemann, Sawyer & Brewster PC	Administrative Expense	(39,928.50)
10/20/20	Oregon Department of Revenue	Assets Collected	5,383.00
Balance at 10/31/20 (First Status Report)			\$ 728,447.16
11/6/2020	United States District Court -- D. Vt.	Administrative Expense	(400.00)
11/10/2020	Rackemann, Sawyer & Brewster PC	Administrative Expense	(50,313.73)
12/11/2020	Rackemann, Sawyer & Brewster PC	Administrative Expense	(30,742.00)
1/15/2021	Veris Consulting	Litigation Support	(11,825.00)
1/15/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(29,120.50)
2/11/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(24,157.35)
2/17/2021	People's United Bank	Administrative Expense	(15.00)
2/25/2021	Veris Consulting	Litigation Support	(14,800.00)
3/11/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(19,784.08)
4/1/2021	Veris Consulting	Litigation Support	(49,547.50)
4/22/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(25,379.08)
5/18/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(38,698.50)
6/16/2021	Rackemann, Sawyer & Brewster PC	Administrative Expense	(20,241.00)
6/21/2021	Veris Consulting	Litigation Support	(35,150.00)
Balance at 6/30/21 (Second Status Report)			\$ 378,273.42