



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Insurance Division

DCCA News Release

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**BUYER FOUND FOR THE HAWAIIAN INSURANCE & GUARANTY
COMPANY, LIMITED (HIG)**

HONOLULU – Hawaii Insurance Commissioner J.P. Schmidt, as Liquidator of The Hawaiian Insurance & Guaranty Company, Limited (“HIG”), today announced that an agreement has been reached with a buyer for HIG. The name of the buyer is confidential, but will be released early next week. The buyer of HIG will assume all of the company’s current policies to provide continuous coverage to HIG policyholders.

“We were in negotiations until 1 a.m. this morning and the agreement was finally agreed upon and signed this afternoon,” stated Schmidt.

The First Circuit Court yesterday and today held status conferences on the progress of HIG’s liquidation. The mainland-based officers of HIG, Vesta Insurance Group (“VIG”), the holding company of HIG, and J. Gordon Gaines (“JGG”), a VIG-affiliated management company, have filed a motion to intervene as a party in the liquidation action.

“VIG’s intervention in the case essentially killed an agreement I was negotiating with a different company,” Schmidt said. “I have not seen any basis for the intervention or objections, but we will have to proceed through the court process,” stated Schmidt.

The delay and possibility of litigation was not acceptable to the first company. The new buyer is aware of the intervention and agrees with Schmidt that it will not be an obstacle to the purchase of the company.

Three creditors forced VIG and JGG into an involuntary Chapter 11 bankruptcy action in the Northern District of Alabama on July 18, 2006. The matter was later converted into a voluntary bankruptcy action.

Schmidt had been working with several parties who were interested in purchasing HIG

Liabilities and Claims will be serviced and paid by the Hawaii Insurance Guaranty Association, the organization established by law to handle the Hawaii claims of property and casualty insurers in liquidation. Policyholders will receive written notice about the liquidation shortly. The court previously placed HIG into rehabilitation on June 30, 2006.

The liquidation order granted on August 21, 2006, authorized Commissioner Schmidt as Liquidator to take possession and control of HIG's assets for the protection of policyholders, creditors, and the public. The proposed sale still requires approval by the Court supervising the Liquidation.

HIG's financial condition had been adversely affected by the experience of its parent company, Vesta Fire Insurance Corporation ("VFI"), and VFI's affiliated insurance companies. VFI and four other VFI subsidiary insurance companies were ordered into liquidation in Texas on August 1, 2006.

HIG, an insurance company with its principal offices in Honolulu, Hawaii, sells homeowners and motor vehicle insurance policies in Hawaii and California. HIG insures approximately 20,000 dwellings in Hawaii and is the state's fourth largest provider of homeowners insurance.

Consumers may view a listing of homeowners and motor vehicle insurers at the Insurance Division's website, www.hawaii.gov/dcca/ins.

The Insurance Division is an agency of the Department of Commerce and Consumer Affairs (DCCA). It regulates insurance companies for financial responsibility and compliance with the Hawaii Insurance Code.

Policyholders with questions may call:

- HIG: (808) 536-2777
- The Hawaii Liquidator: (808) 586-2804, Ext. HIG
- The Hawaii Insurance Guaranty Association: (808) 528-1222

California policyholders may contact the California Department of Insurance Consumer Hotline at (800) 927-HELP (4357) or the California Insurance Guaranty Association at (818) 844-4300.

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