

that certain Asset Purchase Agreement dated as of September 8, 2006 (as the same may be amended from time to time, the “Asset Purchase Agreement”) between Liquidator and Purchaser and (ii) various documents, instruments and agreements executed and delivered in connection therewith (the “Related Agreements”). The Court finds that under the provisions of Haw. Rev. Stat. § 431:15-307(a) that the Liquidator shall be “vested by operation of law with the title to all of the property, contracts, and rights of action and all of the books and records of the insurer ordered liquidated wherever located, as of the entry of the final order of liquidation.” Any liabilities of HIG or Liquidator (other than those specifically assumed by the Purchaser pursuant to the Asset Purchase Agreement), including without limitation, pre-closing liabilities under HIG insurance policies transferred to the Purchaser, shall be retained by the Liquidator and shall not be deemed assumed by reason of any transactions contemplated by the Asset Purchase Agreement or otherwise.

The Court also finds that a statutory basis for the transfer of policies exists under the provisions of Haw. Rev. Stat. §§ 431:15-308(a)(4) and 431:15-310(a)(8). In substance, those sections state that all policies issued by the insolvent insurer will be cancelled 30 (thirty) days after the entry of a liquidation order unless the Liquidator has effected a transfer of the policy obligations pursuant to Haw. Rev. Stat. § 431:15-310(a)(8). In the present case the Purchaser has agreed to assume the post-closing obligations under HIG policies issued to Hawaii residents prior to September 20, 2006 which is the date that the HIG policies would terminate under the Order of Liquidation. A transfer of policies prior to September 20, 2006 will minimize losses, avoid confusion, and minimize the inconvenience to the policyholders of The Hawaiian Insurance and

Guaranty Company, Limited.

Based upon a review of the Motion and supporting documents, and good cause appearing it is hereby Ordered, Adjudged and Decreed that:

1. The Motion for an Order Approving Transfer of Assets and Policy Obligations filed by the Liquidator is granted except for the requested transfer of unearned premium funds which are treated separately in this order.

2. The Liquidator has full and complete authority to transfer the non unearned premium assets and policy obligations of HIG to the Purchaser under the terms and conditions of the Asset Purchase Agreement and the Related Agreements.

3. The Asset Purchase Agreement and the Related Agreements to be executed and delivered by the Liquidator shall be binding upon the Liquidator and the Liquidator has full and complete authority to perform the Liquidator's obligations and agreements under the Asset Purchase Agreement and the Related Agreements to be executed and delivered by the Liquidator.

4. The Liquidator has full right, title, and interest in the non unearned premium assets and the policy obligations of HIG being transferred pursuant to the Asset Purchase Agreement and that such non-earned premium assets and policy obligations are, and shall be transferred to and received by the Purchaser free and clear of all liens, encumbrances, claims and rights of third parties including any claim for taxes;

5. All liabilities of HIG and Liquidator arising prior to the transfer of the non unearned premium assets and policy obligations to the Purchaser and not specifically assumed by the Purchaser under the Asset Purchase Agreement, including but not limited to, all premium taxes, and all claims reported, incurred and/or resulting from an event

occurring on or prior the effective date of the transfer, shall be retained by the Liquidator and shall not be deemed to be assumed by reason of the transfer of HIG's non unearned premium, assets and policy obligations to the Purchaser or otherwise and Purchaser shall have no responsibilities for such liabilities;

6. Upon transfer of the policy obligations of HIG to Purchaser pursuant to the terms of the Asset Purchase Agreement, Purchaser shall assume responsibilities under the said policies for losses occurring after date of closing to the extent as provided in the Asset Purchase Agreement. Upon the transfer of the said policies, the policyholders of such policies shall continue to be entitled to a refund of unearned premiums as required under said policies. For the sole purposes of computing the right to and the amount of unearned premium refunds owed by HIG or HIGA the policies shall be treated as if they were cancelled on September 20, 2006. In order to address concerns presented by the California Insurance Guarantee Association ("CIGA"), the Court also hereby orders that any funds that would be required to be paid to policyholders by HIG, the Liquidator or the Hawaii Insurance Guaranty Association ("HIGA") for unearned premium amounts for policies remaining in effect as of September 20, 2006, are hereby assigned to the Purchaser for the use and benefit of the policyholders of said policies, as consideration for the Purchaser's decision to issue new policies that would be effective as of September 20, 2006 or to assume the obligations under the existing policies as provided in this Order effective September 20, 2006. The Court recognizes that without a qualified purchaser that approximately 20,000 homeowners' policies would be cancelled by operation of law on September 20, 2006. Without a qualified buyer, HIGA would be required to deal with thousands of claims for unearned premiums. Based upon preliminary estimates provided

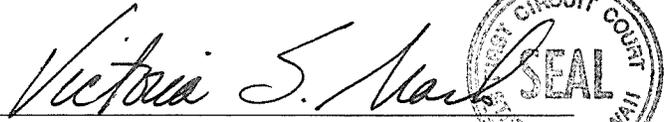
by the Liquidator, the Purchaser and HIGA, the unearned premiums claims will exceed the amount of \$5 million. In order to provide immediate relief to the policyholders affected by the insolvency of HIG, HIGA agrees to pay an initial advance payment of \$5 million to the Purchaser on the date of closing of the transactions contemplated by the Asset Purchase Agreement (the "Closing Payment") in recognition and as an advance of the funds that are being assigned to the Purchaser relating to unearned premiums for the use and benefit of the policyholders. As soon as possible thereafter, the Liquidator and/or the Purchaser shall present to HIGA a proof of claim which contains therein a listing of those HIG policies that are being transferred to Purchaser pursuant to the Asset Purchase Agreement and which policies are entitled to unearned premium refunds for policies remaining in effect as of September 20, 2006. This proof of claim shall contain information sufficient for HIGA to identify, for each individual policy in question, policyholder identification, type of policy, and amount of unearned premium applicable to said policy, and the said information shall be certified by the Liquidator (or his designee), to be true and accurate as of the date of the submission. Following the submission of such information by the Liquidator and/or the Purchaser, HIGA shall (i) process the information received from the Liquidator and/or Purchaser and, upon verification by HIGA that at least \$2 million in additional unearned premiums are due to the Purchaser after deduction of the \$5 million previously paid, make an advance second payment to the Purchaser in the amount of \$2 million on or before September 27, 2006, and, (ii) make a final advance payment for the total amount of unearned premiums on such transferred policies, as adjusted on or before October 4, 2006. In the event of any good faith dispute in the amounts owed to Purchaser as provided in the immediately

preceding sentence, HIGA may withhold the disputed amount but shall make all other required payments to Purchaser. Any disputed amounts shall be resolved by HIGA and Purchaser pursuant to the dispute resolution mechanism set forth in Section 7.06 of the Asset Purchase Agreement. All payments made by HIGA pursuant to this paragraph are conditioned upon the following: a) HIGA receives from the Liquidator, by close of business of September 19, 2006, the sum of \$5 million as early access payment from the estate of HIG, and b) proof(s) of claims are submitted by Liquidator or Purchaser as required by this Order.

7. To minimize the inconvenience, confusion and disruption to the policyholders of HIG, the court finds and presumes that all HIG policyholders will be issued new policies by the Purchaser or that Purchaser shall assume the obligations under the existing policies on the terms set forth in the Asset Purchase Agreement unless a policyholder "opts out" by advising the Purchaser in writing within 30 (thirty) days of September 20, 2006 that it requests an unearned premium refund. The Liquidator is also hereby authorized pursuant to HRS § 431:15-334 (b) to enter into any Early Access Agreements with HIGA in the amount \$7 million and for CIGA in the amount of \$3 million that will allow the Liquidator to facilitate the transfer to the Purchaser of the policy obligations of HIG being transferred to Purchaser pursuant to the Asset Purchase Agreement. The payments to HIGA shall be made in accordance with Paragraph 6 of this order and the payment to CIGA shall be made on or before October 20, 2006.

8. In accordance with the provisions of Hawaii Rules of Civil Procedure, Rule 54 (b), there is no just reason for delay and the Court expressly directs that this Final Order be entered and treated as a Final Order and entry of Judgment.

DATED: Honolulu, Hawaii, September 19, 2006.


Victoria S. Neal



JUDGE OF THE ABOVE-ENTITLED COURT

STIPULATED AND AGREED TO:

KOBAYASHI, SUGITA & GODA



CLIFFORD K. HIGA

WENDELL H. FUJI

BRUCE A. NAKAMURA

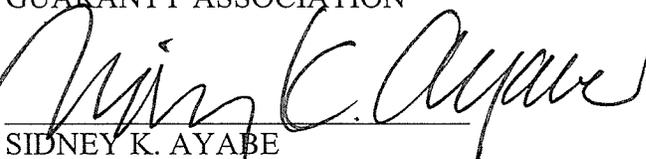
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