

**FILED**  
STEPHEN THUNBERG  
Clerk of the Superior Court

NOV 30 2001

By: K. SANDOVAL, Deputy

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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
IN AND FOR THE COUNTY OF SAN DIEGO

<p><b>INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA,</b></p> <p>Applicant,</p> <p>v.</p> <p><b>FRONTIER PACIFIC INSURANCE COMPANY, a California corporation,</b></p> <p>Respondent.</p>
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Case No. GIC 774028

**ORDER  
APPOINTING COMMISSIONER  
AS LIQUIDATOR AND  
RESTRAINING ORDERS**

Judge: Ronald S. Prager

On November 30, 2001, the verified Application for Order Appointing Liquidator of applicant Insurance Commissioner of the State of California ("Commissioner") over respondent Frontier Pacific Insurance Company ("Respondent") came on regularly for hearing in Department 69 of the San Diego County Superior Court.

**GOOD CAUSE APPEARING FROM THE COMMISSIONER'S VERIFIED  
APPLICATION, THIS COURT MAKES THE FOLLOWING FINDINGS:**

1. Respondent is insolvent.
2. It would be futile for the Commissioner to continue to proceed as Conservator of Respondent.

1           3.    There exist sufficient factual and legal grounds for the Commissioner to liquidate and  
2 wind up the business of Respondent in a manner consistent with the provisions of this Order.

3                           **WHEREFORE, GOOD CAUSE APPEARING, THIS COURT MAKES THE**  
4 **FOLLOWING ORDERS:**

5           1.    The Commissioner's status as Conservator is terminated, and he is appointed as  
6 Liquidator of Respondent, as set forth in Insurance Code section 1016, and directed as Liquidator  
7 to liquidate and wind up the business of Respondent and to act in all ways and exercise all  
8 powers necessary for the purpose of carrying out such order.

9           2.    The Commissioner as Liquidator is authorized to take possession of all the assets  
10 of Respondent including books, records and property, both real and personal, wheresoever  
11 situated.

12           3.    The Commissioner as Liquidator or his successor in office is vested with title to  
13 all said property and assets of Respondent, both those presently in Respondent's possession and  
14 those which may be discovered hereafter, wheresoever situated. All persons are enjoined from  
15 interfering with the Commissioner's possession and title thereto.

16           4.    The Commissioner as Liquidator is authorized to pay for his costs in bringing and  
17 maintaining this action, and such other actions as are necessary to carry out his functions as  
18 Liquidator, out of the funds and assets of Respondent; and if there are insufficient funds, to pay  
19 for his costs out of the Insurance Fund, pursuant to Insurance Code section 1035.

20           5.    The Commissioner as Liquidator is authorized to initiate such equitable or legal  
21 actions or proceedings in this or other states as may appear to him necessary to carry out his  
22 functions as Liquidator.

23           6.    The Commissioner as Liquidator is authorized to appoint and employ special  
24 deputies, estate managers, other professionals, clerks and assistants and to give each of them  
25 such power and authority as he may deem necessary, and the Commissioner as Liquidator is  
26 authorized to compensate these persons from the assets of Respondent as he may deem  
27 appropriate.

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1           7.       The Commissioner as Liquidator is authorized to divert, take possession of and  
2 secure all mail of Respondent, in order to screen such mail, and to effect a change in the rights to  
3 use any and all post office boxes and other mail collection facilities used by Respondent.

4           8.       The Commissioner as Liquidator is authorized to pay all reasonable costs of  
5 operating Respondent (including direct and allocated direct costs, direct and allocated general  
6 and administrative costs and overhead, and other allocated costs) out of funds and assets of  
7 Respondent; and if there are insufficient funds, to pay for his costs out of the Insurance Fund,  
8 pursuant to Insurance Code section 1035.

9           9.       The Commissioner as Liquidator is authorized to invest Respondent's assets in  
10 such a manner as to him may seem suitable for the best interest of Respondent's creditors which  
11 funds are not immediately distributable to Respondent's creditors. However, no investment or  
12 reinvestment shall be made which exceeds the sum of \$100,000 without first obtaining  
13 permission of this Court.

14          10.      The Commissioner as Liquidator is authorized, pursuant to Insurance Code  
15 section 1037, subsection (g), to invest and reinvest all assets in a manner he deems to be in the  
16 best interest of the creditors of the estate, including investing and reinvesting assets through an  
17 investment pool consisting exclusively of assets from conserved estates. To the extent that the  
18 Commissioner as Liquidator invests and reinvests through such an investment pool, such  
19 investments and re-investments may exceed \$100,000.

20          11.      The Commissioner as Liquidator is authorized to pay as expenses of  
21 administration all expenses heretofore incurred by the Commissioner as Conservator which are  
22 presently unpaid, and the Commissioner as Liquidator is authorized to pay, upon presentation,  
23 the full amount of any checks or drafts which have been issued by him, in his capacity as  
24 Conservator, and which are outstanding.

25          12.      The Commissioner as Liquidator is authorized, pursuant to Insurance Code  
26 section 1037, subsection (d), to dispose of any excess property of Respondent by any  
27 commercially reasonable method, including, but not limited to, sales at public auctions, sales in  
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1 bulk to the high bidder (provided at least three (3) bids are obtained from independent dealers in  
2 the kind of property sold).

3 13. The Commissioner as Liquidator is authorized to assume or reject, or to modify,  
4 any executory contracts, including without limitation, any lease, rental or utilization contract or  
5 agreement (including any schedule to any such contract or agreement), and any license or other  
6 arrangement for the use of computer software of business information systems, to which  
7 Respondent is a party or as to which Respondent agrees to accept an assignment of such contract;  
8 the Commissioner as Liquidator is directed to effect any such assumption or rejection or  
9 modification of any executory contract not later than within 120 days after the entry of this order,  
10 unless such date is extended by application to and further order of this Court; all executory  
11 contracts that are not expressly assumed by the Commissioner as Liquidator shall be deemed  
12 rejected; any party to a contract that is rejected by the Commissioner as Liquidator pursuant to  
13 this order shall be permitted to file a proof of claim against the liquidation estate, which claim  
14 shall be treated in accordance with Insurance Code section 1010, *et seq.*

15 14. Respondent and all former and present officers, directors, agents, and employees  
16 of Respondent are directed to deliver to the Commissioner as Liquidator all assets, books,  
17 records, equipment, and other property of the Respondent wheresoever situated.

18 15. All funds and assets, including certificates of deposit, bank deposits and mutual  
19 fund shares, of Respondent, in various financial depository institutions, including banks, savings  
20 and loan associations, industrial loan companies, mutual funds or stock brokerages, wheresoever  
21 situated, are directed to be vested in the Commissioner as Liquidator and subject to withdrawal  
22 upon his order only.

23 16. All persons who maintain records for Respondent are directed, pursuant to written  
24 contract or any other agreement, to maintain such records and to deliver them to the  
25 Commissioner as Liquidator upon his request.

26 17. All agents of Respondent and all brokers who have done business with  
27 Respondent are directed to make remittances of all funds collected by them or in their hands  
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1 directly to the Commissioner as Liquidator. This obligation to remit collected funds is  
2 continuing in nature.

3 18. All persons having possession of any lists of policyholders or escrow holders of  
4 Respondent are directed to deliver all such lists to the Commissioner as Liquidator. All persons  
5 are enjoined from using any such lists or any information contained therein without the consent  
6 of the Commissioner as Liquidator.

7 19. Respondent and its respective officers, directors, agents, servants, employees,  
8 successors, assigns, affiliates, and other persons or entities under their control and all persons or  
9 entities in active concert or participation with them, and each of them, are directed to turn over to  
10 the Commissioner as Liquidator records, documentation, charts and/or descriptive material of all  
11 funds, assets, property (owned beneficially or otherwise), and all other assets of Respondent  
12 wherever situated, and all books and records of accounts, title documents and other documents in  
13 their possession or under their control, which relate, directly or indirectly, to assets or property  
14 owned by or held by Respondent or to the business or operations of Respondent.

15 20. All insurance policies issued by Respondent, not including bail bonds, shall be  
16 terminated and canceled effective thirty (30) days following the issuance of the order herein  
17 prayed for, and the Commissioner as Liquidator shall notify promptly all policyholders of such  
18 policy termination and cancellation by First Class Mail at the last known address of the  
19 policyholders; in addition, the Commissioner as Liquidator, in his sole discretion, is authorized  
20 to terminate and cancel any policies issued by Respondent that are not covered by the preceding  
21 sentence.

22 21. All prior injunctions and other orders of this Court, except to the extent expressly  
23 modified herein, are reaffirmed and remain in full force and effect; all powers and authority  
24 granted to the Commissioner as Liquidator under this order are in addition to and not in  
25 limitation of the powers of the Commissioner as Liquidator under the Insurance Code and any  
26 other statutory or applicable case law.

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1           22.     The rights and liabilities of claimants, creditors, shareholders, policyholders,  
2 escrow holders and all other persons interested in the assets of Respondent, including the State of  
3 California, are fixed as of the date of the entry of this order.

4           23.     All funds and accounts in the name of Respondent, or the Commissioner as  
5 Conservator, in various banks or any other institutions wheresoever situated is vested in the  
6 Commissioner as Liquidator and subject to withdrawal at his direction only. This order does not  
7 convert funds held in a fiduciary capacity to general assets of the Liquidator.

8           24.     All persons are enjoined, except with leave of this Court issued after a hearing in  
9 which the Commissioner as Liquidator has received reasonable notice, from obtaining  
10 preferences, judgments, attachments or other liens, or making any levy against Respondent or its  
11 assets or property, and from executing or issuing or causing the execution or issuance of any  
12 court attachment, subpoena, replevin, levy, execution, or other process for the purpose of  
13 impounding or taking possession of or interfering with or creating or enforcing a lien upon any  
14 property or assets owned or in the possession of Respondent or its affiliates, or the Liquidator  
15 appointed herein, wheresoever situated and from doing any act interfering with the conduct of  
16 said business by the Commissioner as Liquidator.

17           25.     All persons are enjoined, except by leave of this Court obtained after reasonable  
18 notice to the Commissioner as Liquidator, from accelerating the due date of any obligation or  
19 claimed obligation; exercising any right of set-off; taking, retaining, retaking or attempting to  
20 retake possession of any real or personal property; withholding or diverting any rent or other  
21 obligation; doing any act or other thing whatsoever to interfere with the possession of or  
22 management by the Commissioner as Liquidator and of the property and assets, owned or  
23 controlled by Respondent or in the possession of Respondent or to in any way interfere with said  
24 Commissioner as Liquidator or to interfere in any manner during the pendency of this proceeding  
25 with the exclusive jurisdiction of this Court over Respondent.

26           26.     Respondent, its officers, directors, governors, agents, and employees are enjoined  
27 from transacting any of the business of Respondent, whether in the State of California or  
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1 elsewhere, or from disposing of, or assisting any person in the transfer or alienation of, the  
2 property or assets of Respondent, until further order of this Court.

3         27. All persons are enjoined from instituting, prosecuting or maintaining any action at  
4 law or suit in equity, including but not limited to actions or proceedings to compel discovery or  
5 production of documents or testimony and matters in arbitration, against Respondent or against  
6 the Commissioner as Liquidator of Respondent, and from attaching, executing foreclosure upon,  
7 redeeming of or taking any other legal proceedings against, any of the property or assets of  
8 Respondent, and from doing any act interfering with the conduct of said business by the  
9 Commissioner as Liquidator, except upon order from this Court obtained after reasonable notice  
10 to the Commissioner as Liquidator.

11         28. Any and all provisions of any agreement entered into by and between any third  
12 party and Respondent including, by way of illustration, but not limited to, the following types of  
13 agreements (as well as any amendments, assignments, or modifications thereto): financial  
14 guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,  
15 mortgages, indemnification agreements, subrogation agreements, subordination agreements,  
16 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,  
17 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate  
18 brokerage and rental agreements, servicing agreements, attorney agreements, consulting  
19 agreements, easement agreements, license agreements, franchise agreements, or employment  
20 contracts that provide in any manner that selection, appointment or retention of a conservator, or  
21 liquidator or trustee by any court, or entry of an order such as hereby made, shall be deemed to  
22 be or otherwise operate as a breach, violation, event of default, termination, event of dissolution,  
23 event of acceleration, insolvency, bankruptcy, or liquidation, shall be stayed, and the assertion of  
24 any and all rights, remedies relating thereto shall also be stayed and barred, except as otherwise  
25 ordered by this Court, and this Court shall retain jurisdiction over any cause of action that has  
26 arisen or may otherwise arise under any such provision.

27         29. All persons are enjoined from interfering with the possession, title and rights of  
28 the Commissioner as Liquidator, in and to the assets of Respondent, and from interfering with

1 the conduct of the Commissioner as Liquidator in the handling and disposition of assets of  
2 Respondent, and from interfering with the conduct of the liquidation and the winding up of the  
3 business of Respondent, except upon order of this Court obtained after reasonable notice to the  
4 Commissioner as Liquidator.

5 30. All persons are enjoined from waste of assets of Respondent.

6 31. Any and all claims against Respondent (except those policyholder claims already  
7 pending against Respondent, which are deemed filed), including those which in any way affect or  
8 seek to affect any of the assets of Respondent, wherever or however such assets may be owned or  
9 held, must be filed by no later than August 30, 2002 (the "Claims Bar Date"), together with  
10 proper proof thereof, in accordance with the provisions of Insurance Code sections 1010, *et seq.*,  
11 including, but not limited to section 1023, and any claim not filed by the Claims Bar Date is  
12 conclusively deemed forever waived.

13 RONALD S. PRAGER

14 DATED: NOV 30 2001, 2001

HONORABLE RONALD S. PRAGER  
Judge of the Superior Court

17 **Submitted by:**

18 BILL LOCKYER  
Attorney General of the State of California

20 By: \_\_\_\_\_  
21 GREGORY S. PRICE  
Deputy Attorney General  
22 Attorneys for Applicant, Insurance Commissioner  
of the State of California

The foregoing instrument is a full, true and correct  
copy of the original on file in this office.

24 Attest: December 3, 2001  
STEPHEN THUNBERG  
Clerk of the Superior Court of the State of California,  
in and for the County of San Diego.  
26 By: [Signature] Deputy

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