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F I L E D
STEPHEN THUNBERG
Clerk of the Superior Court

SEP 07 2001

By: M. GOLISCH, Deputy

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

**INSURANCE COMMISSIONER OF THE STATE
OF CALIFORNIA,**

Applicant,

v.

**FRONTIER PACIFIC INSURANCE COMPANY, a
California corporation,**

Respondent.

Case No. *GIC 774028*

**~~PROPOSED~~ ORDER
APPOINTING COMMISSIONER
AS CONSERVATOR AND
RESTRAINING ORDERS**

Date: September 7, 2001
Time: 1:30 p.m.
Dept: 24

Judge: Richard E. L. Strauss

Trial Date: None Set
Action Filed: N/A

The Verified Application of the Insurance Commissioner of the State of California (“Applicant”) for an Order Appointing him Conservator of Respondent Frontier Pacific Insurance Company, having been filed herein and it appearing to this Court from the Verified Application that the Insurance Commissioner has found Respondent to be subject to such order of conservation pursuant to Insurance Code section 1011,

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1 IT IS HEREBY ORDERED THAT:

2 1. Applicant is appointed Conservator of Respondent, directed as such to conduct the
3 business of Respondent or so much thereof as to said Conservator may seem appropriate and
4 authorized as Conservator, in his discretion, to pay or defer payment of all proper claims and
5 obligations against Respondent accruing prior to or subsequent to his appointment as Conservator;

6 2. Applicant is authorized as Conservator to take possession of all the assets of
7 Respondent including books, records and property, both real and personal, wheresoever situated;

8 3. Title to all Respondent's property and assets, both those presently in Respondent's
9 possession and those which may be discovered hereafter, wheresoever situated, is vested in
10 Applicant as Conservator, or his successor in office, in his official capacity as such Conservator, and
11 all persons are enjoined from interfering with the Applicant's possession and title thereto;

12 4. Respondent, its officers, directors, governors, agents and employees are enjoined from
13 transacting any of the business of Respondent, whether in the State of California or elsewhere, or
14 from disposing of, or assisting any person in the transfer or alienation of, the property or assets of
15 Respondent, until further order of this Court;

16 5. All persons are enjoined from instituting, prosecuting or maintaining any action at
17 law or suit in equity, including but not limited to actions or proceedings to compel discovery or
18 production of documents or testimony and matters in arbitration, against Respondent or against
19 Applicant as Conservator of Respondent, and from attaching, executing foreclosure upon, redeeming
20 of or taking any other legal proceedings against any of the property or assets of Respondent, and
21 from doing any act interfering with the conduct of said business by Applicant, except upon order
22 from this Court after hearing obtained after reasonable notice to Applicant;

23 6. Respondent and all officers, directors, agents and employees of Respondent are
24 directed to deliver to Applicant as Conservator all assets, books, records, equipment and other
25 property of the Respondent wheresoever situated;

26 7. Applicant as Conservator is authorized to pay all reasonable costs of operating
27 Respondent (including direct and allocated direct costs, direct and allocated general and
28 administrative costs and overhead, and other allocated costs) out of funds and assets of Respondent;

1 8. All funds and assets, including certificates of deposit, bank deposits and mutual fund
2 shares, of Respondent, in various financial depository institutions, including banks, savings and loan
3 associations, industrial loan companies, mutual funds or stock brokerages, wheresoever situated, are
4 vested in Applicant as Conservator and subject to withdrawal upon his order only;

5 9. All persons who maintain records for Respondent, pursuant to written contract or any
6 other agreement, are ordered to maintain such records and to deliver them to the Applicant as
7 Conservator upon his request;

8 10. All agents of Respondent and all brokers who have done business with Respondent
9 are ordered to make remittances of all funds collected by them or in their hands directly to the
10 Applicant as Conservator;

11 11. All persons having possession of any lists of policyholders or escrow holders of
12 Respondent are ordered to deliver all such lists to Applicant as Conservator; and that all persons are
13 enjoined from using any such lists or any information contained therein without the consent of
14 Applicant as Conservator;

15 12. Applicant as Conservator is authorized to initiate such equitable or legal actions or
16 proceedings in this or other states as may appear to him necessary to carry out his functions as
17 Conservator.

18 13. Applicant as Conservator is authorized to appoint and employ special deputies, estate
19 managers, other professionals, clerks and assistants and to give each of them such power and
20 authority as may be deemed necessary by him, and Applicant as Conservator is authorized to
21 compensate these persons from the assets of Respondent as to him shall seem appropriate;

22 14. Applicant as Conservator is authorized to divert, take possession of and secure all
23 mail of Respondent, in order to screen such mail, and to effect a change in the rights to use any and
24 all post office boxes and other mail collection facilities used by Respondent;

25 15. Respondent and its respective officers, directors, agents, servants, employees,
26 successors, assigns, affiliates, and other persons or entities under their control and all persons or
27 entities in active concert or participation with them, and each of them, are ordered to turn over to the
28 Applicant as Conservator records, documentation, charts and/or descriptive material of all funds,

1 assets, property (owned beneficially or otherwise), and all other assets of Respondent wherever
2 situated, and all books and records of accounts, title documents and other documents in their
3 possession or under their control, which relate, directly or indirectly, to assets or property owned by
4 or held by Respondent or to the business or operations of Respondent;

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

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

23 18. Any and all provisions of any agreement entered into by and between any third party
24 and Respondent including, by way of illustration, but not limited to, the following types of
25 agreements (as well as any amendments, assignments, or modifications thereto): financial guarantee
26 bonds, promissory notes, loan agreements, security agreements, deeds of trust, mortgages,
27 indemnification agreements, subrogation agreements, subordination agreements, pledge agreements,
28 assignments of rents or other collateral, financial statements, letters of credit, leases, insurance

1 policies, guaranties, escrow agreements, management agreements, real estate brokerage and rental
2 agreements, servicing agreements, attorney agreements, consulting agreements, easement
3 agreements, license agreements, franchise agreements, or employment contracts that provide in any
4 manner that selection, appointment or retention of a conservator, or trustee by any court, or entry of
5 an order such as hereby made, shall be deemed to be, otherwise operate as a breach, violation, event
6 of default, termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or
7 liquidation; shall be stayed, and the assertion of any and all rights, remedies relating thereto shall
8 also be stayed and barred, except as otherwise ordered by the Court, and the Court shall retain
9 jurisdiction over any cause of action that has arisen or may otherwise arise under any such provision;

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

14 20. Applicant as Conservator is authorized to pay for his costs in bringing and
15 maintaining this action, and such other actions as are necessary to carry out his functions as
16 Conservator, out of the funds and assets of Respondent;

17 21. Pursuant to Insurance Code section 1037(g), the Applicant is authorized to invest and
18 reinvest all assets in a manner he deems to be in the best interest of the creditors of the estate,
19 including investing and ~~reinvesting~~ reinvesting assets through an investment pool consisting exclusively of
20 assets from conserved estates. To the extent that the Applicant as Conservator invests and reinvests
21 through such an investment pool, such investments and re-investments may exceed \$100,000;

22 22. Except by permission of this Court obtained after hearing upon reasonable notice to
23 Applicant as Conservator, all persons are enjoined from interfering with the possession, title and
24 rights of Applicant as Conservator, in and to the assets of Respondent, and from interfering with the
25 conduct of the assets of Respondent, and from interfering with the Conservatorship, except by
26 permission of this Court obtained after hearing upon reasonable notice to Applicant as Conservator;

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23. All persons are enjoined from waste of the assets of Respondent.

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RICHARD E.L. STRAUSS

DATED: September 7, 2001

JUDGE OF THE SUPERIOR COURT

Submitted by:

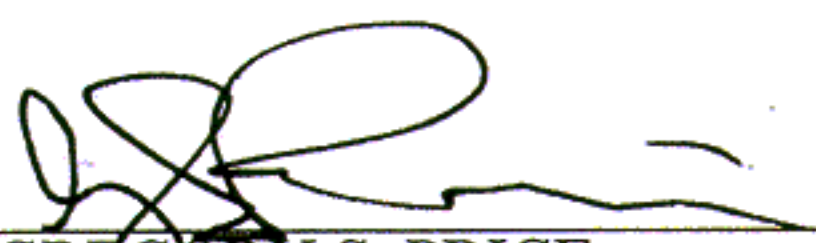
BILL LOCKYER
Attorney General of the State of California

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

SEP 07 2001

Attest:
STEPHEN THUNBERG
Clerk of the Superior Court of the State of California,
in and for the County of San Diego

By: *Marilyn Golisch* Deputy
MARILYN GOLISCH

By: 
GREGORY S. PRICE
Deputy Attorney General
Attorneys for Applicant, Insurance Commissioner
of the State of California