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SEP 05 2008
LOS ANGELES
SUPERIOR COURT

8 Attorneys for Applicant Insurance Commissioner
of the State of California, in his capacity as Liquidator
9 of Paula Insurance Company

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **FOR THE COUNTY OF LOS ANGELES**

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

CASE NO.: BS 075685

ORDER

14 Applicant,

(1) SETTling AND
APPROVING THE FINAL
REPORT AND ACCOUNT OF
THE LIQUIDATOR OF PAULA
INSURANCE COMPANY

15 v.

16 **PAULA INSURANCE COMPANY,**

17 Respondent.

(2) AUTHORIZING
DISBURSEMENT OF FUNDS

(3) APPROVING PAYMENT
OF EXPENSES; AND

(4) TERMINATING
LIQUIDATION PROCEEDING
AND DISCHARGING
INSURANCE COMMISSIONER
AS LIQUIDATOR

Hearing

Held: September 5, 2008

Time 9:30 a.m.

Place: Dept. 85

26 Hearing on the Insurance Commissioner of the State of California in his capacity
27 as Liquidator of Paula Insurance Company Application for Orders (1) Settling and Approving the
28 Final Report and Account of the Liquidator of Paula Insurance Company; (2) Authorizing

1 Disbursement of Funds; (3) Approving Payment of Expenses; and (4) Terminating Liquidation
2 Proceeding and Discharging Insurance Commissioner as Liquidator, came on regularly for
3 hearing before the Honorable James C. Chalfant, Department 85 of the Los Angeles Superior
4 Court on September 5, 2008.

5 The Insurance Commissioner of the State of California in his capacity as Liquidator of
6 Paula Insurance Company was represented by Edmund G. Brown Jr., Attorney General of the
7 State of California, by Marla K. Markman, Deputy Attorney General. There were no other
8 appearances.

9 The application having been duly noticed and good cause appearing therefor, is
10 hereby granted.

11 IT IS HEREBY ORDERED that:

12 1. The Report and Account of Conservator and Liquidator for the period from April
13 26, 2002, through April 30, 2008, is settled and approved;

14 2. The Commissioner is authorized to apply an across-the-board five percent (5%)
15 discount in calculating the present value of the claims reserves in order to determine the final
16 approved claim for each of the nine IGAs, using the methodology as explained in Paragraph 27
17 of the Insurance Commissioner's Application of Insurance Commissioner for Orders Settling and
18 Approving Final Report and Account of the Liquidator of Paula Insurance;

19 3. The Commissioner is authorized to distribute approximately \$52,975,862 to
20 approved Class 2 claimants. The amount available for distribution is subject to adjustment for
21 investment income and changes in market value of investments that have been posted as of the
22 date the investments are withdrawn from the investment pool. The distributions shall be made
23 within two weeks of receipt of the signed order from the Court;

24 4. The Commissioner is authorized to retain the sum of \$574,941 for payment of
25 administrative expenses incurred by the Commissioner from May 1, 2008, to May 1, 2011, for
26 administrative and closing costs and to retain the sum of \$700,960 for accrued tax liability. The
27 Commissioner is authorized to pay any excess closing and administrative costs out of the funds
28 appropriated for the maintenance of the Department of Insurance. A report to the Court of the

1 expenditure of these funds shall not be required;

2 5. In accordance with the six month waiting period of the Code of Civil Procedure
3 section 1517, the Commissioner, as to disbursements which are either undeliverable or as to
4 which issued checks have not then been negotiated, is authorized to void such checks as have not
5 then been negotiated and escheat all undeliverable amounts and amounts of non-negotiated
6 checks to the Insurance Fund pursuant to Insurance Code section 12937;

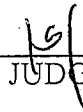
7 6. The Commissioner is authorized to maintain in the Conservation & Liquidation
8 Office imaged databases, all records of Paula Insurance Company for three years from the date of
9 the Court's order, and thereafter the Commissioner is authorized to destroy all records of
10 Respondent, except for those records necessary for examination by the Department of Finance or
11 other auditor of the Commissioner's books and records pursuant to Insurance Code section 1061;

12 7. The Commissioner is authorized to take any action necessary to accomplish the
13 purpose of this Order; and

14 8. The estate of Paula Insurance Company is closed and the Commissioner is
15 discharged as liquidator upon the filing of a declaration that the Commissioner has distributed the
16 assets in accordance with this Court's order and upon the filing of a dismissal of the action.

17 9. Upon dismissal of this action, the Insurance Commissioner, his Special Deputies,
18 the Conservation and Liquidation Office, its employees, the California Department of Insurance,
19 and its personnel, and the Insurance Commissioner's agents and attorneys, is discharged from
20 any and all claims, debts, liabilities, or duties to further account for the assets or liabilities of
21 Paula Insurance Company through the date of the declaration that the Commissioner has
22 distributed the assets in accordance with this Court's order, and shall have no liability thereafter
23 for such claims, debts, liabilities or accounting.

24 Dated: **SEP 05 2008**

25  **JAMES C. CHALFANT**
26 **JUDGE OF THE SUPERIOR COURT**
27 **JAMES C. CHALFANT**