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associations

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18 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
19 **FOR THE COUNTY OF LOS ANGELES**

20 INSURANCE COMMISSIONER OF THE
21 STATE OF CALIFORNIA,

22 Applicant,

23 v.

24 GOLDEN STATE MUTUAL LIFE
25 INSURANCE COMPANY, a California
26 corporation,

27 Respondent.

Case No. BS123005
Assigned to Hon. Ann I. Jones, Dept. 86

**NOTICE OF JOINT APPLICATION FOR
ORDERS APPROVING CLAIM
HANDLING AGREEMENTS, RATE
TABLES AND ISSUANCE OF
ALTERNATIVE POLICIES**

[Filed concurrently with Memorandum,
Declarations, Proposed Order and Proof of
Service]

Date: May 30, 2012
Time: 9:30 a.m.
Dept: 86

- 1 **TO: (1) THE LOS ANGELES SUPERIOR COURT;**
2 **(2) ALL POLICYHOLDERS AND CERTIFICATE HOLDERS UNDER GOLDEN**
3 **STATE’S GROUP LIFE POLICY, NO. L 00000 1, TO WHOM GOLDEN**
4 **STATE ISSUED LIFE INSURANCE COVERAGE TO ITS FULL TIME**
5 **EMPLOYEES, RETIRED EMPLOYEES AND THEIR SPOUSES AND**
6 **DEPENDENTS;**
7 **(3) ALL PERSONS AND ENTITIES KNOWN TO THE LIQUIDATOR TO HAVE**
8 **A SUBSTANTIAL UNSATISFIED CLAIM THAT MAY BE AFFECTED BY**
9 **THE REQUESTED COURT ORDERS; AND**
10 **(4) ALL INTERESTED PARTIES.**

11 **PLEASE TAKE NOTICE** that on May 30, 2012, at 9:30 a.m., or as soon thereafter as
12 the parties may be heard, in Department 86 of the Los Angeles Superior Court, County of Los
13 Angeles, located at 111 N. Hill Street, Los Angeles, California 90012 (“Court”), Applicant
14 Insurance Commissioner of the State of California, in his capacity as Liquidator (“Liquidator”) of
15 Golden State Mutual Life Insurance Company (“Golden State”), jointly with the National
16 Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”), will and hereby
17 do apply to the Court and submit this application for the following:

- 18 (1) A Court Order approving the following agreements:
19 (a) Agreement for Handling of Claims and Potential Claims under Golden
20 State’s Group Life Policy And Non-Transferred Insurance Policies, by and
21 between the Liquidator and NOLHGA on behalf of the participating
22 Guaranty Associations, submitted with the Application as Exhibit A, and
23 (b) Early Access Agreement (collectively, “Claim Handling Agreements”), by
24 and between the Liquidator and NOLHGA on behalf of the participating
25 Guaranty Associations, submitted with the Application as Exhibit B;
26 (2) A Court Order authorizing the use of the following policy forms:
27 (a) The Individual Single Premium Paid Up Whole Life Insurance Policy
28 submitted with this Application as Exhibit C, to replace the term coverage

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provided under Golden State’s Group Policy which is to be cancelled by the Guaranty Associations in accordance with their statutory Enabling Acts;

- (b) The Individual Premium Paying Whole Life Insurance Policy submitted with this Application as Exhibit D, to replace the term coverage provided under Golden State’s Group Policy which is to be cancelled by the Guaranty Associations in accordance with their statutory Enabling Acts;
- (c) The Disability Term to 65 Policy submitted with this Application as Exhibit E, to replace the term coverage provided under Golden State’s Group Policy which is to be cancelled by the Guaranty Associations in accordance with their statutory Enabling Acts, and
- (d) The Dependent Term to 65 Policy submitted with this Application as Exhibit F, to replace the term coverage provided under Golden State’s Group Policy which is to be cancelled by the Guaranty Associations in accordance with their statutory Enabling Acts.

(3) A Court Order authorizing the following rates and coverage amounts, which are summarized in Exhibit G submitted with this Application:

- (a) No premium will be charged for the Individual Single Premium Paid Up Whole Life Insurance Policy ;
- (b) The rates submitted with this Application as Exhibit H will be offered for the excess coverage stated to retirees under the Individual Premium Paying Whole Life Insurance Policy;
- (c) No premium will be charged for the Disability Term to 65 Policy; and
- (d) The rates submitted with this Application as Exhibit I will be charged for coverage offered under the Dependent Term to 65 Policy.

(4) A Court Order authorizing the Liquidator, NOLHGA and the Guaranty Associations to take any and all actions necessary to accomplish the purposes of the Orders requested above.

1 **Grounds for the Application**

2 This Application is made to enable state insurance guaranty associations to provide their
3 statutory benefits in the form of alternative insurance coverage to protect persons covered by
4 Golden State’s Group Life Policy. Each Order is made pursuant to, and is authorized by,
5 Insurance Code § 1010 *et seq.* (“Insurance Insolvency Act”), including § 1037, and Insurance
6 Code § 1067 *et seq.* (California Life and Health Insurance Guaranty Association Act [“CLHIGA
7 Act”]), including §§ 1067.02 and 1067.07, and as applicable pursuant to the various statutory
8 Enabling Acts of the participating Guaranty Associations.

9 In 1956, Golden State commenced a Group Life Policy, policy number L 00000 1, under
10 which Golden State issued life insurance coverage to its full time employees, retired employees
11 and their spouses and dependents, which has since been amended (“Group Policy”). The Group
12 Policy was not transferred to IA American Life Insurance Company under the Assumption
13 Reinsurance Agreement. There are currently 148 known certificate holders under the Group
14 Policy (“Certificate Holders”). The Certificate Holders are retired Golden State employees or
15 their dependents (“Dependent Certificate Holders”) and former Golden State employees on long
16 term disability.

17 Under the Group Policy, Golden State agreed to pay premium for \$5,000.00 in life
18 insurance death benefits for retired employees and premium for \$10,000.00 in life insurance death
19 benefits for retired officers. The Certificate Holders also had the opportunity to purchase
20 additional insurance coverage in excess of the \$5,000.00 and \$10,000.00 amounts, at their own
21 expense. Thirteen Certificate Holders, all of which reside in California, purchased additional
22 coverage in excess of the \$5,000.00 and \$10,000.00 amounts (“Excess Coverage”). Eleven of the
23 thirteen Certificate Holders with Excess Coverage (“California Excess Coverage Policyholders”)
24 have paid and continue to pay the premiums for the Excess Coverage. Two of the thirteen
25 Certificate Holders with Excess Coverage (“California Excess Coverage Disabled Policyholders”)
26 are considered disabled under the Group Policy and have had their premiums paid or otherwise
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1 waived by Golden State during their periods of disability or until they reach the age of 65. There
2 are two Dependent Certificate Holders.¹

3 The 148 Certificate Holders are residents of nine states. As a result of Golden State's
4 liquidation, all of the Certificate Holders are covered by one of six state insurance guaranty
5 associations (collectively, "Guaranty Associations"), including CLHIGA, that have agreed to
6 provide coverage for the Certificate Holders.

7 Upon the termination of the Group Policy and related certificates by the Guaranty
8 Associations, the Guaranty Associations will provide the following alternative life insurance
9 coverage to the 148 Certificate Holders which is summarized in Exhibit G submitted with this
10 Application:

11 (1) The same \$5,000.00 and \$10,000.00 in death benefits, except for Certificate
12 Holders covered by CLHIGA where the coverage will be \$4,000 and \$8,000 in death benefits, in
13 the form of fully paid up individual whole life policies, using the policy form submitted with this
14 Application as Exhibit C;

15 (2) The opportunity for the eleven California Excess Coverage Policyholders to
16 purchase additional coverage above the \$5,000 and \$10,000 amounts at the rates set forth in
17 Exhibit H submitted with this Application and in the form of individual whole life policies, using
18 the policy form submitted with this Application as Exhibit D;

19 (3) Additional coverage for the two California Excess Coverage Disabled
20 Policyholders equal to 80% of their current coverage amounts without premium payments in the
21 form of an individual term life policy, using the policy form submitted with this Application as
22 Exhibit E; and

23 (4) The opportunity for the Dependent Certificate Holders to purchase an individual
24 term life policy, using the policy form submitted with this Application as Exhibit F at the rates set
25 forth in Exhibit I.
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28 ¹ There were three dependents with coverage; however, one of them reached the age of 65 in March. Her coverage should have been terminated, and she will not qualify for replacement coverage.

1 **There is good cause for the requested Court Orders.**

2 1. This Application is made to authorize the alternative policy forms and rate
3 schedules submitted with this Application which will enable the Guaranty Associations to provide
4 benefits and discharge their statutory duties to protect persons covered by Golden State's Group
5 Policy, here the 148 Certificate Holders;

6 2. Golden State does not have the resources to pay the required death benefits to the
7 148 Certificate Holders because of Golden State's liquidation. Without coverage from the
8 Guaranty Associations, the 148 Certificate Holders will not be paid their death benefits at death
9 and instead will become creditors against Golden State's assets. Thus, the Guaranty Associations
10 are providing a significant benefit to the 148 Certificate Holders;

11 3. The Claim Handling Agreement recognizes that Golden State is no longer
12 responsible for claim and potential claim handling for policies covered by the affected Guaranty
13 Associations and thereby eliminates claim handling expenses to Golden State related to the Group
14 Policy and reduces Golden State's administrative expenses; and

15 4. The orders requested herein are consistent with the Insurance Insolvency Act and
16 CLHIGA Act, as well as the Liquidator's authorities and discretion under the Court's prior orders,
17 the Insurance Code and case law.

18 **Impact of Requested Orders**

19 Notwithstanding the significant benefits to be provided by the Guaranty Associations
20 through continued alternative coverage, the Certificate Holders will be impacted as follows:

21 1. There will be no impact to non-California resident Certificate Holders covered by
22 a Guaranty Association other than CLHIGA, as they do not have excess coverage and will receive
23 100% of their applicable \$5,000.00 and \$10,000.00 in death benefits without any premium
24 payments, in accordance with their state's Guaranty Association statute;

25 2. For the Certificate Holders covered by CLHIGA, on the \$5,000.00 and \$10,000.00
26 in death benefits to employees and officers, respectively, they will receive only 80% of the death
27 benefits, or \$4,000 and \$8,000 respectively, from CLHIGA, in accordance with the CLHIGA Act
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1 and Insurance Code § 1067.02(c) which limits payments to “eighty percent of the contractual
2 obligations.” The unpaid 20% will be a claim against Golden State’s estate;

3 3. For the eleven California Excess Coverage Policyholders and in accordance with
4 the rate table submitted with this Application as Exhibit H, the cost to purchase additional
5 coverage above the \$4,000 and \$8,000 amounts is increased from the current cost, as Golden
6 State has been significantly subsidizing the additional coverage at well below market premium
7 rates. Because of Golden State’s liquidation, Golden State cannot continue subsidizing the
8 additional coverage at below market rates;

9 4. For the two California Excess Coverage Disabled Policyholders, they are
10 California residents and, as such, will receive 80% of their death benefits from CLHIGA in
11 accordance with the CLHIGA Act, Insurance Code § 1067.07(b)(2). The California Excess
12 Coverage Disabled Policyholders will not be charged any premium for this coverage, and the
13 coverage will terminate at age 65 or the end of disability, whichever occurs first;

14 5. For the two Dependent Certificate Holders, also California residents, the cost to
15 purchase coverage is increased from the current cost, as Golden State has been significantly
16 subsidizing the additional coverage at well below market premium rates. Because of Golden
17 State’s liquidation, Golden State cannot continue subsidizing the additional coverage at below
18 market rates; and

19 6. The Guaranty Associations’ costs for fulfilling their statutory obligations will be
20 Priority Category 2 claims, by statute, against Golden State’s estate in accordance with Insurance
21 Code § 1033(a)(2). The anticipated costs related to payments by the Guaranty Associations are at
22 least \$1 million, which in turn means that the anticipated creditor claim amount by the Guaranty
23 Associations against Golden State’s assets is at least \$1 million.

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Copies of Liquidator’s Application and Supporting Evidence and Documents

This Application is based on this Notice, the Memorandum of Points and Authorities and the declarations of Scott Pearce, Michael R. Weiss and Fred Buck and evidence filed concurrently with this Notice, the pleadings, documents and papers on file in this action, all documents and other evidence submitted in this action, and on such oral and/or documentary evidence and/or arguments which may be presented at the hearing on this application.

Copies of this Joint Notice, the Memorandum with evidence and Proposed Order supporting this application can be reviewed and downloaded at the Insurance Commissioner’s Conservation & Liquidation Office’s website at www.caclo.org/GoldenStateMutual.

Response or Opposition to Application

Any response or opposition to this application shall be filed with the Court and served by mail or e-mail to Golden State’s attorney Michael R. Weiss, with supporting evidence, on or before May 16, 2012. The Liquidator and NOLHGA shall file any replies, with supporting evidence, on or before May 22, 2012. The address for Golden State’s attorney Michael R. Weiss for service is:

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Los Angeles, California 90071
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No action is required on your part if you do not oppose this Application.

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DATE: April 27, 2012

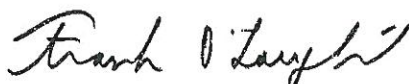
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