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OCT 24 2006

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DEPUTY CLERK

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SOLANO**

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

Applicant,

v.

**MUNICIPAL MUTUAL INSURANCE
COMPANY,**

Respondent.

Case No.

FC028619

**Assigned for All Purposes to:
Hon. William C. Harrison
Department Two**

**ORDER APPOINTING
LIQUIDATOR AND RELATED
RESTRAINING ORDERS**

**Hearing Date: October 24, 2006
Time: 10:00 a.m.**

The verified application for Order Appointing Liquidator and Restraining Orders of the Respondent, **MUNICIPAL MUTUAL INSURANCE COMPANY, a California corporation,** (hereinafter sometimes referred to as "Respondent" or "MMIC") and the Stipulation consenting to the entry of Order of Liquidation and Restraining Orders came on for hearing on the 24th day of October 2006, in Department Two of the above-entitled court at 10:00 a.m. Applicant, the Insurance Commissioner of the State of California appeared by his

1 counsel, Bill Lockyer, Attorney General of the State of California, by Scott T. Fleming, Deputy
2 Attorney General. No other appearances were made.

3
4 The Court, after reading the Verified Application for Order Appointing Liquidator
5 and Restraining Orders, the Stipulation to Order Appointing Liquidator and Restraining Orders
6 and the pleadings on file herein finds that:

7 A. MUNICIPAL MUTUAL INSURANCE COMPANY is in such condition
8 that the further transaction of business by Respondent will be and is hazardous to its
9 policyholders.

10
11 B. The Respondent is insolvent within the meaning of the applicable
12 provisions of the Insurance Code and by reason of its insolvency, does not meet the requirements
13 for issuance to it of a Certificate of Authority; such condition is a ground for conservatorship
14 under Insurance Code section 1011(h) and/or liquidation under Insurance Code section 1016.

15
16 C. That Liquidation of the Respondent in the State of California assures
17 payment of covered claims by the California Insurance Guarantee Association pursuant to
18 Section 1063 of the California Insurance Code.

19 D. That based upon the stipulated facts set forth in the stipulation of the
20 Applicant and the Respondent, it would be futile to proceed with the conduct of the business of
21 Respondent in a conservatorship and that the interests of the creditors, policyholders and the
22 public would best be served by the liquidation and winding up of the business of Respondent and
23 that pursuant to Article 14, Chapter 1, Part 2, Division 1 of the Insurance Code of the State of
24 California, Applicant should be authorized and instructed to do so.

25
26 E. That this Order shall be effective as of October 31, 2006;

27 WHEREFORE, GOOD CAUSE APPEARING THEREFORE:
28

1 **IT IS HEREBY ORDERED THAT as of OCTOBER 31, 2006 ("effective date"):**

2 1. The Insurance Commissioner of the State of California, Applicant herein, is
3 hereby appointed Liquidator of MUNICIPAL MUTUAL INSURANCE COMPANY,
4 Respondent herein, and he is directed as Liquidator to liquidate and wind up the affairs of
5 Respondent and to act in all ways and exercise all powers necessary for the purpose of carrying
6 out this order;
7

8 2. The Liquidator shall forthwith take possession of all Respondent's assets,
9 books, records and property, both real and personal, wheresoever situated;
10

11 3. There is hereby vested in the Liquidator and his successors in office, title to
12 all of the records, property (real and personal, whether owned, leased, rented or utilized by
13 Respondent under any contract or assignment) and assets (including rights under any license or
14 other arrangement for the use of computer software and/or business information systems) of
15 Respondent wheresoever situated and all persons are hereby enjoined from interfering in any
16 manner with the said Liquidator's possession and title thereto;
17

18 4. The rights and liabilities of policyholders, creditors, shareholders
19 and all other persons interested in the assets of Respondent, including the State of California, are
20 fixed as of October 31, 2006;
21

22 5. The Respondent, its officers, directors, agents, employees, and others acting
23 in concert with them are hereby enjoined from transacting any of the business of Respondent, or
24 from disposing of any of its property or assets;
25

26 6. All persons are hereby enjoined from maintaining or instituting any action at
27 law or suit in equity, including but not limited to matters in arbitration, against the Respondent or
28 against the Liquidator, and from attaching or executing upon or taking any legal proceeding

1 against any of the property of Respondent, and from doing any act interfering with the conduct
2 of the liquidation and windup of said businesses by the Liquidator, except after an order from
3 this court obtained after reasonable notice to the Liquidator;
4

5 7. All officers, directors, agents and employees of Respondent deliver to the
6 Liquidator all assets, books, records, equipment and other property of Respondent wheresoever
7 situated;
8

9 8. The Liquidator is authorized to pay all reasonable costs of operating
10 Respondent as Liquidator out of the funds and assets of said Respondent;
11

12 9. All funds including certificates of deposit and bank accounts in the name of
13 Respondent in various banks in the State of California, and in other banks wheresoever situated,
14 are hereby vested in the Liquidator and subject to withdrawal upon his order only;
15

16 10. All agents of Respondent and all brokers who have written business for
17 Respondent make remittances of funds collected by them or in their hands to the Applicant as
18 Liquidator;
19

20 11. All persons having possession of any lists of policyholders of Respondent
21 deliver all such lists to Applicant as Liquidator; that all persons are enjoined from using such
22 lists or any information contained therein without the consent of said Liquidator;
23

24 12. All persons are enjoined from wasting of the assets of the
25 Respondent;
26

27 13. The Liquidator is authorized to initiate such equitable or legal actions or
28 proceedings in this or other states as may appear to him necessary to carry out his functions as
Liquidator;

1 14. The Liquidator is authorized pay for his costs in bringing and maintaining
2 this action, and such other actions as are necessary to carry out his functions as Liquidator.

3
4 15. The Liquidator is authorized to appoint and employ estate managers, special
5 deputies, clerks and assistants and to give each of them such power and authority as he deems
6 necessary and authorizing Applicant to compensate them from the assets of the Respondents, or
7 from such other funds as are lawfully available, which as to him shall be determined to be
8 appropriate.

9
10 16. All costs, expenses, fees or any other charges of the Liquidator, including but
11 not limited to fees and expenses of accountants, peace officers, actuaries, attorneys, special
12 deputies, and other assistants employed by the Liquidator, and other expenses incurred in
13 connection herewith shall be paid from the assets of the liquidation estate, and all recovery shall
14 be remitted to the Liquidation Estate, for the payment of claims and administrative costs.

15
16 17. The Liquidator is authorized to invest and reinvest Respondent's assets as he
17 deems to be in the best interests of this liquidation estate, and to pay for his investment costs
18 from the assets of the Respondents, and if there is insufficient assets, is authorized to pay for his
19 costs out of the Insurance Fund, pursuant to Insurance Code section 1035.

20
21 18. The Liquidator is authorized to divert, take possession of and secure all mail
22 of Respondent in order to screen such mail, and to effect a change in the rights to use any and all
23 post office boxes and other mail collection facilities used by Respondent.

24 19. The Liquidator is hereby authorized to assume or reject, or to modify, any
25 executory contracts, including without limitation, any lease, rental or utilization contract or
26 agreement (including any schedule to any such contract or agreement) and any license or other
27 arrangement for the use of computer software or business information systems, to which
28

1 Respondent is a party or as to which Respondent agrees to accept an assignment of such contract.
2 Any such assumption or rejection or modification of any executory contract shall be effected by
3 the Liquidator not later than within 120 days after the entry of this Order, unless such date is
4 extended by application to and further order of the Court. All executory contracts that are not
5 expressly assumed by the Liquidator shall be deemed rejected. Any party to a contract that is
6 rejected by the Liquidator pursuant to this Order, shall be permitted to file a proof of claim
7 against the liquidation estate (where there exist assets available for ultimate distribution to such
8 claimant, if any), which claim shall be treated in accordance with Insurance Code section 1010,
9 et.seq.
10
11

12 20. Any and all provisions of any agreement entered into by and between any
13 third party and Respondent, including, by way of illustration, but not limited to, the following
14 types of agreements (as well as any amendments, assignments, or modifications thereto):
15 financial guaranty bonds, promissory notes, loan agreements, security agreements, deeds of trust,
16 mortgages, indemnification agreements, subrogation agreements, subordination agreements,
17 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,
18 leases, rental or utilization agreements, insurance policies, guaranties, escrow agreements,
19 management agreements, real estate brokerage and rental agreements, servicing agreements,
20 attornment agreements, consulting agreements, easement agreements, license agreements,
21 franchise agreements, or employment contracts that provide in any manner that selection,
22 appointment or retention of a Liquidator, or trustee by any court, or entry of an order such as
23 hereby is made, shall be deemed to be, otherwise operate as a breach, violation, event of default,
24 termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or liquidation,
25 shall be stayed, and the assertion of any and all rights, remedies relating thereto shall also be
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27
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stayed except as otherwise ordered by the Court, and the Court shall retain jurisdiction over any cause of action that has arisen or may otherwise arise under any such provision.

OCT 24 2006

DATED: _____

MICHAEL SMITH
Judge of the Superior Court

DECLARATION OF SERVICE BY OVERNIGHT COURIER

Case Name: **Insurance Commissioner v. Municipal Mutual Insurance Company**

Solano County Court Case No.:

I declare:

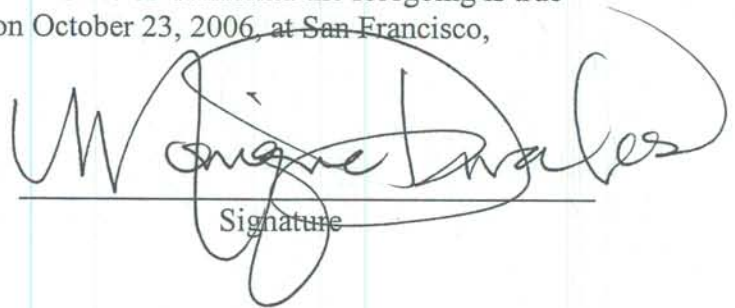
I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is: 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004.

On October 23, 2006, I served the attached **Order Appointing Liquidator and Related Restraining Orders** by placing a true copy thereof enclosed in a sealed envelope with the **Federal Express**, addressed as follows:

Mr. Dennis Evans
Municipal Mutual Insurance Company
560 First Street
Suite C-150
Benecia, CA 94510

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on October 23, 2006, at San Francisco, California.

Monique Davalos
Declarant



Signature