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14 Attorneys for Applicant
 15 Insurance Commissioner of the State of California

16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
 17 **FOR THE COUNTY OF LOS ANGELES**

19 INSURANCE COMMISSIONER OF THE
 STATE OF CALIFORNIA,

20 Applicant,

21 v.

22 GOLDEN STATE MUTUAL LIFE
 23 INSURANCE COMPANY, a California
 corporation,

24 Respondent.

Case No. BS123005
 Assigned to Hon. Joanne O'Donnell, Dept. 86

**NOTICE OF APPLICATION FOR
 ORDERS APPROVING LIQUIDATOR'S
 DETERMINATIONS TO NOT HANDLE
 CLAIMS IN PRIORITY CLASSES 2
 THROUGH 9 AND TO NOT
 UNDERTAKE A PROOF OF CLAIMS
 PROCESS**

[Filed concurrently with Memorandum and
 Proof of Service]

Date: March 25, 2015
 Time: 9:30 a.m.
 Dept: 86

1 **TO: (1) THE LOS ANGELES SUPERIOR COURT;**
2 **(2) ALL PERSONS AND ENTITIES KNOWN TO THE COMMISSIONER TO**
3 **HAVE A SUBSTANTIAL UNSATISFIED CLAIM THAT MAY BE AFFECTED**
4 **BY THE REQUESTED COURT ORDERS; AND**
5 **(3) ALL INTERESTED PARTIES,**

6 **PLEASE TAKE NOTICE** that on March 25, 2015, at 9:30 a.m., or as soon thereafter as
7 the parties may be heard, in Department 86 of the Los Angeles Superior Court for the State of
8 California, County of Los Angeles, located at 111 N. Hill Street, Los Angeles, California 90012
9 (“Court”), Applicant Insurance Commissioner of the State of California in his capacity as
10 Liquidator (“Liquidator”) of Golden State Mutual Life Insurance Company, will and hereby does
11 apply to the Court and submit this application for the following orders:

12 1. An Order approving the Liquidator’s determination pursuant to Insurance Code §
13 1021(c) to not handle claims against the assets of insolvent Golden State Mutual Life Insurance
14 Company (“Golden State”) from claimants in distribution Priority Classes 2 through 9 under
15 Insurance Code § 1033 (i.e., no claims after Priority Class 1 Expenses of Administration), which
16 includes not handling the claims and making no payments to:

- 17 a. Insurance guaranty associations including The National Organization of
18 Life and Health Insurance Guaranty Associations having Priority Class 2
19 liabilities of at least \$1,664,205 for their assumption of non-transferred
20 policy obligations;
- 21 b. The Pension Benefit Guaranty Corporation having a Priority Class 7
22 liability of \$5,127,622 for its acceptance of Golden State’s Pension Plan;
- 23 c. Pitney Bowes, Inc. having a Priority Class 7 liability of unknown amount;
24 and
- 25 d. Certificate of Contribution holders having Priority Class 7 liabilities
26 including accrued interest of \$2,444,234.

27 2. An Order approving the Liquidator’s determination pursuant to Insurance Code §
28 1021(c) to not undertake a proof of claims process in Golden State’s liquidation proceeding.

1 3. An Order authorizing the Liquidator to take any and all actions necessary to
2 accomplish the purposes of the Orders requested above.

3 **Grounds for the Application**

4 Golden State was a mutual life insurance company domiciled and existing under the laws
5 of the State of California. Prior to 2009, Golden State experienced financial difficulties when its
6 assets and investments proved inadequate to support the reserves it required to meet its
7 obligations. On September 30, 2009, Los Angeles Superior Court Judge David P. Yaffe
8 appointed the Insurance Commissioner to serve as Golden State's Conservator due to Golden
9 State's financial impairment. On September 2, 2010, after receiving Court approval, the
10 Conservator and IA American Life Insurance Company closed an Assumption Reinsurance
11 Agreement which resulted in the successful transfer to solvent insurer IA American of Golden
12 State's in-force insurance policies and annuity contracts at a premium (a substantial benefit to
13 Golden State's policyholders). This transaction involved the transfer to IA American of
14 approximately \$71 million in reserve liability and approximately \$60 million in Golden State's
15 assets including Golden State's commercial mortgage portfolio, bond portfolio, stock portfolio
16 and other assets. Golden State retained certain real estate assets and troubled mortgage assets, as
17 well as Golden State's art work (including two historical murals).

18 Thereafter, on January 28, 2011, Los Angeles Superior Court Judge Ann I. Jones
19 terminated the Insurance Commissioner's status as Conservator and ordered and appointed the
20 Insurance Commissioner to serve as Golden State's Liquidator. The Insurance Commissioner
21 was appointed to serve as Golden State's Liquidator because Golden State was insolvent in that,
22 as of September 30, 2010, Golden State's estimated liabilities exceeded its estimated remaining
23 assets ("Order of Liquidation"). The Order of Liquidation, among other things, placed Golden
24 State into liquidation, vested title to Golden State's assets in the Liquidator, directed the
25 Liquidator to liquidate and wind up Golden State's business, and provides the Liquidator with
26 broad discretion and authorities to complete Golden State's liquidation.

27 As part of the Court's Order of Liquidation, the Court established December 31, 2011 as
28 the first Claims Bar Date. The Claims Bar Date is the date that claims against the assets of

1 Golden State must be filed with the Liquidator. California Insurance Code §§ 1021-1024.
2 Thereafter, on September 28, 2011, July 20, 2012 and December 6, 2013, the Court granted the
3 Liquidator's three applications to continue the Claims Bar Date to December 31, 2012,
4 December 31, 2013 and December 31, 2014, respectively. The Claims Bar Date was continued
5 three times because Golden State's estimated net asset deficiency increased to at least
6 \$9,000,000 such that it was unlikely Golden State would possess sufficient assets for
7 distribution and, therefore, it was premature for the Liquidator to commence a claims handling
8 process.

9 At this time, as of December 31, 2014, Golden State's estimated net asset deficiency is at
10 least \$9,845,436. Golden State's remaining assets proved inadequate to meet its remaining
11 obligations. Further, as of December 31, 2014, and pursuant to the authorities set forth in
12 Insurance Code § 1035(a) and the Court's Order of Liquidation, Golden State has received
13 \$716,841 in administrative expense funding from the California Department of Insurance's
14 Insurance Fund to pay Golden State's liquidation administrative expenses. The Insurance Fund
15 contains monies appropriated for the maintenance of the Department which pursuant to Insurance
16 Code § 1035(a) can be used to pay an insolvent insurer's expenses of administration for the
17 insurer's conservation and liquidation. The \$716,841 received by Golden State to pay Golden
18 State's administrative expenses is an unpaid Priority Class 1 Expense of Administration against
19 Golden State's remaining assets. Golden State's remaining assets, however, total only \$416,607
20 as of December 31, 2014. The asset amount of \$416,607 consists of Golden State's remaining
21 real estate currently valued at approximately \$150,000, Golden State's remaining Art Collection
22 currently valued at \$40,000, and Golden State's remaining cash investments and investment
23 income currently valued at \$226,607 [$\$150,000 + \$40,000 + \$226,607 = \$416,607$].

24 Based on Golden State's current net asset deficiency and the current valuations of Golden
25 State's remaining real estate and Art Collection, the Liquidator has determined that Golden State
26 will never possess sufficient assets to permit any distribution of money to any priority classes of
27 claimants other than Priority Class 1 Expenses of Administration as set forth in Insurance Code §
28 1033(a)(1), because the current remaining asset value of \$416,607 is less than the Priority Class 1

1 liability of \$716,841 owed to the Insurance Fund, resulting in a current deficiency to the
2 Insurance Fund of \$300,324. This means that there are no assets to permit distribution of money
3 to Priority Classes 2 through 9 such that Priority Classes 2 through 9 will not receive any money
4 from Golden State's estate.

5 Based on this deficiency, the Liquidator has therefore further determined that pursuant to
6 Insurance Code § 1021(c)(1) he will not handle claims against Golden State's assets from
7 claimants in distribution Priority Classes 2 through 9 under Insurance Code § 1033 (i.e., no claims
8 after Priority Class 1 Expenses of Administration), and will not undertake a proof of claims
9 valuation process in the Golden State liquidation.

10 It is necessary to not handle a proof of claims process because the Liquidator estimates
11 that the administrative costs of handling a claims process would be at least \$75,000. This amount
12 includes preparing and mailing proofs of claim packages to over 2,200 potential claimants,
13 publishing notice in newspapers, and handling the returned proofs of claim packages from
14 claimants. Conducting a proof of claim process would only serve to increase Golden State's
15 administrative expenses, and thereby only increase Golden State's current deficiency to the
16 Insurance Fund. The proofs of claims would go unpaid, and thus no reason exists to incur further
17 expenses to adjust them.

18 In sum, there is good cause for the Court to grant this Application. The Liquidator's
19 determinations are appropriate based on the facts herein and within the Liquidator's statutory
20 authority and broad discretion pursuant to the Order of Liquidation, Insurance Code §§ 1021 and
21 1037 and case law including *In Re Executive Life Insurance Company* (1995) 32 Cal.App.4th 344.

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

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1 **Notice to Known Claimants in Priority Classes 2 through 9**

2 The known claimants in Priority Classes 2 through 9 who will not receive any money from
3 Golden State’s estate include:

- 4 1. Insurance guaranty associations including The National Organization of
5 Life and Health Insurance Guaranty Associations having Priority Class 2
6 liabilities of at least \$1,664,205 for their assumption of non-transferred
7 policy obligations;
- 8 2. The Pension Benefit Guaranty Corporation having a Priority Class 7
9 liability of \$5,127,622 for its acceptance of Golden State’s Pension Plan;
- 10 3. Pitney Bowes, Inc. having a Priority Class 7 liability of unknown amount;
11 and
- 12 4. Certificate of Contribution holders having Priority Class 7 liabilities
13 including accrued interest of \$2,444,234.

14 Notice of this application and the requested Orders is hereby provided to these claimants.

15 **Copies of Commissioner’s Application and Supporting Evidence and Documents**

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

19 **Response or Opposition to Application**

20 Any response or opposition to this application shall be filed with the Court and served by
21 mail or e-mail to Commissioner’s attorney Michael R. Weiss, with supporting evidence, on or
22 before March 12, 2015. The Commissioner shall file any replies, with supporting evidence, on or
23 before March 18, 2015. The address for Golden State’s attorney Michael R. Weiss for service is:

24 Michael R. Weiss
25 Epstein Turner Weiss
26 A Professional Corporation
27 633 W. Fifth Street, Suite 3330
28 Los Angeles, California 90071
 Telephone: (213) 861-7487
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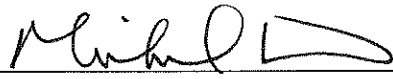
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No action is required on your part if you do not oppose this Application.

DATE: February 18, 2015

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DIANE S. SHAW
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LISA W. CHAO
Deputy Attorney General

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By: 
MICHAEL R. WEISS
Attorneys for Applicant
INSURANCE COMMISSIONER OF THE
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