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

INSURANCE COMMISSIONER OF THE  
STATE OF CALIFORNIA,

Applicant,

v.

GOLDEN STATE MUTUAL LIFE  
INSURANCE COMPANY, a California  
corporation,

Respondent.

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

**MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT OF JOINT  
APPLICATION FOR ORDERS  
APPROVING CLAIM HANDLING  
AGREEMENTS, RATE TABLES AND  
ISSUANCE OF ALTERNATIVE  
POLICIES**

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

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

1     **I.     INTRODUCTION**

2             This Application is made (1) to approve a Claims Handling Agreement to facilitate the  
3     handling of claims by Guaranty Associations which were activated by this Court's Order of  
4     Liquidation on January 28, 2011; (2) to approve an Early Access Agreement as authorized by  
5     California statutes between the Liquidator and Guaranty Associations which allows the  
6     distribution of estate assets to the Guaranty Associations in respect to their claims against the  
7     estate should such assets become available; and (3) to authorize alternative policy forms and rate  
8     schedules which will enable the Guaranty Associations to provide benefits and discharge their  
9     statutory duties to protect persons covered by a group life insurance policy issued by Golden State  
10    Mutual Life Insurance Company ("Golden State") under which Golden State issued life insurance  
11    coverage to its full time employees, retired employees and their spouses and dependents ("Group  
12    Policy").

13            Under the Group Policy, Golden State agreed to pay premium for \$5,000.00 in life  
14    insurance death benefits for retired employees and \$10,000.00 in life insurance death benefits for  
15    retired officers. In addition, the employees and officers had the opportunity to purchase  
16    additional insurance coverage in excess of the \$5,000.00 and \$ 10,000.00 amounts, at their own  
17    expense, and dependent coverage. There are currently 148 known policyholders and certificate  
18    holders (collectively, "Certificate Holders") under the Group Policy. The Certificate Holders  
19    consist of retired Golden State employees and two former Golden State employees on long term  
20    disability. Thirteen employees and officers purchased additional coverage, and two retired  
21    employees purchased dependent coverage for their spouses ("Dependent Certificate Holders").<sup>1</sup>

22            By this application, the Insurance Commissioner in his official statutory capacity as  
23    Liquidator ("Liquidator") of Golden State, together with the National Organization of Life and  
24    Health Insurance Guaranty Associations ("NOLHGA"), seek the following Court Orders  
25    concerning Golden State's Group Policy:

26            (1)     A Court Order approving the following agreements:  
27                    \_\_\_\_\_

28            <sup>1</sup> While three retired employees currently have dependent coverage, one of the dependents has reached the age of 65 and is no longer eligible for the coverage.

- 1 (a) Agreement for Handling of Claims and Potential Claims under Golden  
2 State's Group Life Policy And Non-Transferred Insurance Policies, by and  
3 between the Liquidator and NOLHGA on behalf of the participating  
4 Guaranty Associations, submitted with the Application as Exhibit A, and  
5 (b) Early Access Agreement (collectively, "Claim Handling Agreements"), by  
6 and between the Liquidator and NOLHGA on behalf of the participating  
7 Guaranty Associations, submitted with the Application as Exhibit B;

8 (2) A Court Order authorizing the use of the following policy forms:

- 9 (a) The Individual Single Premium Paid Up Whole Life Insurance Policy  
10 submitted with this Application as Exhibit C, to replace the term coverage  
11 provided under Golden State's Group Policy which is to be cancelled by  
12 the Guaranty Associations in accordance with their statutory Enabling  
13 Acts;  
14 (b) The Individual Premium Paying Whole Life Insurance Policy submitted  
15 with this Application as Exhibit D, to replace the term coverage provided  
16 under Golden State's Group Policy which is to be cancelled by the  
17 Guaranty Associations in accordance with their statutory Enabling Acts;  
18 (c) The Disability Term to 65 Policy submitted with this Application as  
19 Exhibit E, to replace the term coverage provided under Golden State's  
20 Group Policy which is to be cancelled by the Guaranty Associations in  
21 accordance with their statutory Enabling Acts, and  
22 (d) The Dependent Term to 65 Policy submitted with this Application as  
23 Exhibit F, to replace the term coverage provided under Golden State's  
24 Group Policy which is to be cancelled by the Guaranty Associations in  
25 accordance with their statutory Enabling Acts.

26 (3) A Court Order authorizing the following rates and coverage amounts, which are  
27 summarized in Exhibit G submitted with this Application:  
28

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

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

12 There is good cause for the requested Court Orders because:

13 1. The Orders are requested to authorize the alternative policy forms and rate  
14 schedules attached hereto which will enable the Guaranty Associations to provide benefits and  
15 discharge their statutory duties to protect persons covered by Golden State's Group Policy, which  
16 here are the 148 Certificate Holders;

17 2. Golden State does not have the resources to pay the required death benefits to the  
18 148 Certificate Holders because of Golden State's liquidation. Without coverage from the  
19 Guaranty Associations, the 148 Certificate Holders' beneficiaries will not be paid death benefits  
20 and instead will become creditors against Golden State's assets. Thus, the Guaranty Associations  
21 are providing a significant benefit to the 148 Certificate Holders;

22 3. Among other matters, the Claim Handling Agreement recognizes that Golden State  
23 is no longer responsible for claim and potential claim handling for policies covered by the  
24 affected Guaranty Associations and thereby eliminates claim handling and administration  
25 expenses to Golden State related to the Group Policy and in turn reduces Golden State's  
26 administrative expenses; and

27 4. The orders requested herein are consistent with the Liquidator's and the Court's  
28 discretion, and are consistent with the statutory requirements of the California Insurance Code

1 pertaining to insurance insolvency proceedings and the California Life and Health Insurance  
2 Guarantee Association Act, Insurance Code §§ 1010 *et seq.* and 1067 *et seq.*, respectively.

3 Accordingly, the Court should grant this application and issue the requested Orders.

4 **II. FACTUAL BACKGROUND.**

5 **A. Golden State's Group Policy.**

6 In 1956, Golden State commenced a Group Life Policy, policy number L 00000 1, under  
7 which Golden State issued life insurance coverage to its full time employees, retired employees  
8 and their spouses and dependents, which has since been amended ("Group Policy"). There are  
9 currently 148 known Certificate Holders under the Group Policy. The Certificate Holders consist  
10 of retired Golden State employees, dependents of the retired Golden State employees and former  
11 Golden State employees on long term disability. (Declaration of Scott Pearce ("Pearce Dec."), ¶  
12 6.)

13 Under the Group Policy, Golden State agreed to pay premium for \$5,000.00 in life  
14 insurance death benefits for retired employees and \$10,000.00 in life insurance death benefits for  
15 retired officers. In addition, the Certificate Holders had the opportunity to purchase additional  
16 insurance coverage in excess of the \$5,000.00 and \$10,000.00 amounts, at their own expense.  
17 Thirteen Certificate Holders, all of which reside in California, purchased additional coverage in  
18 excess of the \$5,000.00 and \$10,000.00 amounts ("Excess Coverage"). Eleven of the thirteen  
19 Certificate Holders with Excess Coverage ("California Excess Coverage Policyholders") have  
20 paid and continue to pay the premiums for the Excess Coverage. Two of the thirteen Certificate  
21 Holders with Excess Coverage ("California Excess Coverage Disabled Policyholders") are  
22 considered disabled under the Group Policy and have had their premiums paid or otherwise  
23 waived by Golden State during their periods of disability or until they reach the age of 65. There  
24 are two Dependent Certificate Holders. Each is a spouse of a Golden State retiree, pay monthly  
25 premiums and have term coverage which terminates at age 65. (Pearce Dec., ¶ 7.)

26 The 148 Certificate Holders are residents of nine states. As a result of Golden State's  
27 liquidation, all of the Certificate Holders are covered by six state insurance guaranty associations,  
28 including CLHIGA, that have authorized the filing of this Application to establish the procedures

1 to provide coverage for the Certificate Holders. A list of the Guaranty Associations is attached  
2 as Exhibit J. (Pearce Dec., ¶ 12, and Declaration of Fred Buck (“Buck Dec.”), ¶ 4.)

3 **B. Order Appointing Liquidator of Golden State.**

4 On January 28, 2011, this Court terminated the Insurance Commissioner’s status as  
5 Conservator, and ordered and appointed the Insurance Commissioner to serve as Liquidator of  
6 Golden State. The Insurance Commissioner was appointed Liquidator because Golden State was  
7 and remains insolvent in that, as of September 30, 2010, Golden State’s estimated liabilities of  
8 \$9,291,895 exceeded its estimated remaining assets of \$5,721,154 by over \$3.5 million. The  
9 Order of Liquidation directs the Insurance Commissioner to liquidate and wind up the business of  
10 Golden State. (Pearce Dec., ¶¶ 8-9; Order of Liquidation, Exhibit K.)

11 **C. NOLHGA.**

12 NOLHGA is a voluntary association of its members organized as a corporation.  
13 NOLHGA’s members consist of life and health insurance guaranty associations established by the  
14 laws of all the states, Washington D.C. and Puerto Rico, and include all of the Guaranty  
15 Associations that, as a result of the liquidation of Golden State, have or will have, obligations to  
16 Certificate Holders under the Group Policy, subject to each state’s respective statutory conditions  
17 and limitations on coverage and applicability (“Guaranty Associations”). (Pearce Dec., ¶ 11.)

18 **D. Transfer of Golden State’s Other Policies.**

19 Effective January 1, 2010, nearly all of Golden State’s life, health and disability insurance  
20 policies and annuity contracts were transferred to IA American Life Insurance Company pursuant  
21 to an Assumption Reinsurance Agreement. The Group Policy was not transferred to IA American  
22 Life Insurance Company under the Assumption Reinsurance Agreement. (Pearce Dec., ¶ 13.)

23 **III. CLHIGA’S APPLICABLE STATUTORY SCHEME.**

24 As noted above, six Guaranty Associations, including CLHIGA, have authorized the filing  
25 of the motion to establish procedures to provide or offer replacement coverage for the 148  
26 Certificate Holders. The provisions of the California Life and Health Insurance Guarantee  
27 Association Act (“California Guaranty Act”), which created CLHIGA, are similar to provisions of  
28 the Guaranty Association laws of the other five states with respect to the matters relevant for the

1 purposes of this Memorandum. For ease of explanation and because there are no material  
2 differences between the California Guaranty Act and the other five states' respective guaranty  
3 acts, except that CLHIGA is statutorily required to reduce death benefit payment amounts to 80%,  
4 only the California Act is discussed below and cited in this Application.

5 CLHIGA's purpose, and the purposes of the other Guaranty Associations, is to protect  
6 eligible persons, subject to certain limitations, "against failure in the performance of contractual  
7 obligations, under [specified] life and health insurance policies and annuity contracts . . . because  
8 of the impairment or insolvency of the member insurer that issued the policies or contracts."  
9 (Insurance Code § 1067.01(a).) CLHIGA will provide coverage to persons who are owners of or  
10 Certificate Holders of "covered policies" and who are either California residents or nonresidents,  
11 if the nonresidents are not covered by their resident state guaranty association in certain  
12 circumstances.

13 The maximum claim payable by CLHIGA on life insurance and annuity policies is the  
14 lesser of (a) "[e]ighty percent of the contractual obligations for each policy . . . for which the  
15 insurer is liable or would have been liable if it were not an impaired or insolvent insurer" on the  
16 basis of any one life, or (b) with respect to any one life regardless of the number of policies,  
17 \$300,000 in life insurance death benefits, but not more than \$100,000 in net cash surrender value,  
18 or (c) \$250,000 in the present value of annuity benefits. (Insurance Code § 1067.02(c)(1) &  
19 (2)(A).) These amounts also are limited to \$300,000 in the aggregate for any one individual, or  
20 \$5,000,000 with respect to any one owner of policies regardless of the number of policies held or  
21 lives insured. (Insurance Code § 1067.02(c)(2)(C) & (D).)

22 The 80% limitation only applies to coverage provided by CLHIGA, and does not apply to  
23 coverage provided by the other Guaranty Associations.

#### 24 **IV. PROPOSED COURT ORDERS AND HANDLING OF BENEFITS.**

25 Upon the termination of the Group Policy and related certificates by the Guaranty  
26 Associations, subject to approval of this Application and as summarized in Exhibit G, the  
27 Guaranty Associations will simultaneously provide notice to each of the Certificate Holders  
28 advising them of the termination of the Group Policy and of the provision of the following

1 alternative life insurance coverage, and, where applicable, the option to purchase additional  
2 alternative coverage:

3 (1) The same \$5,000.00 and \$10,000.00 in death benefits, except Certificate Holders  
4 covered by CLHIGA will be provided \$4,000 and \$8,000 in death benefits, in the form of fully  
5 paid up individual whole life policies using the policy form attached hereto as Exhibit C (Buck  
6 Dec., ¶ 8);

7 (2) The opportunity for the eleven California Excess Coverage Policyholders to  
8 purchase additional coverage above the \$5,000 and \$10,000 amounts at the rates set forth in  
9 Exhibit H in the form of individual whole life policies, using the policy form attached hereto as  
10 Exhibit D (Buck Dec., ¶ 10);

11 (3) Additional coverage for the two California Excess Coverage Disabled Certificate  
12 Holders equal to 80% of their current coverage amounts without premium payments in the form  
13 of an individual term life policy, using the policy form attached hereto as Exhibit E (Buck Dec., ¶  
14 9); and

15 (4) The opportunity for the two Dependent Certificate Holders to purchase coverage at  
16 the rates set forth in Exhibit I in the form of an individual term life policy, using the policy form  
17 attached hereto as Exhibit F (Buck Dec., ¶ 11).

18 **V. IMPACT ON CERTIFICATE HOLDERS OF PROPOSED COURT ORDERS.**

19 Notwithstanding that the Guaranty Associations will be providing a significant benefit to  
20 the 148 Certificate Holders through alternative coverage, Certificate Holders will be impacted as  
21 follows:

22 1. There will be no impact to Certificate Holders not covered by CLHIGA, as they  
23 do not have excess coverage and will receive 100% of their applicable \$5,000.00 and \$10,000.00  
24 in death benefits without any premium payments, in accordance with the other Guaranty  
25 Associations' statutes.

26 2. For the Certificate Holders covered by CLHIGA, on the \$5,000.00 and \$10,000.00  
27 in death benefits to employees and officers, respectively, they will receive only 80% of the death  
28 benefits, or \$4,000 and \$8,000 respectively, from CLHIGA, in accordance with the California



1 Guaranty Act and Insurance Code § 1067.02(c) which limits payments to “eighty percent of the  
2 contractual 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 attached hereto as Exhibit H, the cost to purchase additional coverage above the  
5 \$4,000 and \$8,000 amounts is increased from the current cost, as Golden State has been  
6 significantly subsidizing the additional coverage at well below market premium rates. Because of  
7 Golden State’s liquidation, Golden State cannot continue subsidizing the additional coverage at  
8 below market rates.

9 4. For the two California Excess Coverage Disabled Policyholders, they are  
10 California residents and will receive 80% of their death benefits from CLHIGA in accordance  
11 with the California Guaranty 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, all 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. The cost for this coverage is reflected in Exhibit I.

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. (Insurance Code § 1033(a)(2).)

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1 **VI. ARGUMENT.**

2 There is good cause for the requested Court Orders.

3 **A. This Application is made to authorize the alternative policy forms and rate**  
4 **schedules which will enable the Guaranty Associations to provide benefits and**  
5 **discharge their statutory duties to protect persons covered by Golden State's**  
6 **Group Policy.**

7 CLHIGA's purpose, and the purposes of the other Guaranty Associations, is to protect  
8 eligible persons, subject to certain limitations, "against failure in the performance of contractual  
9 obligations, under [specified] life and health insurance policies and annuity contracts ... because  
10 of the impairment or insolvency of the member insurer that issued the policies or contracts."

11 (Insurance Code § 1067.01(a).) CLHIGA will provide coverage to California residents who are  
12 Certificate Holders under the Group Policy, and to non-resident Certificate Holders who are not  
13 covered by their state guaranty association because Golden State was not licensed in their state.

14 (Insurance Code § 1067.02(a)(2).) (Buck Dec., ¶¶ 4 and 8.) The Guaranty Associations other  
15 than CLHIGA will provide coverage to the remaining Certificate Holders which reside in each  
16 respective Guaranty Association's state. (Buck Dec., ¶¶ 4 and 8.)

17 The alternative policy forms and rates attached hereto were developed using the forms and  
18 rates for analogous coverage from Golden State. (Buck Dec., ¶¶ 8 and 10.) The policy forms  
19 are consistent with the policy form mandated in the event of termination of the Group Policy.  
20 (Buck Dec., ¶ 6.) The rates have been calculated in accordance with actuarial science. (Buck  
21 Dec., ¶¶ 10 to 11.)

22 Golden State does not have the resources to pay the required death benefits to the 148  
23 Certificate Holders because of Golden State's liquidation. The Insurance Commissioner was  
24 appointed Liquidator because Golden State was and remains insolvent in that, as of September 30,  
25 2010, Golden State's estimated liabilities of \$9,291,895 exceeded its estimated remaining assets  
26 of \$5,721,154 by over \$3.5 million. The June 30, 2011 financials have increased the shortfall to  
27 \$5,946,228, in that as of June 30, 2011 estimated liabilities are \$8,191,012 and remaining  
28 estimated assets are \$2,244,784. (Pearce Dec., ¶¶ 8-10.)

1 It is anticipated that liability to NOLHGA, on behalf of the Guaranty Associations, will be  
2 at least \$1 million for payments estimated to be made by them to Certificate Holders. (Pearce  
3 Dec., ¶¶ 14-15.)

4 Accordingly, without coverage from the Guaranty Associations, the 148 Certificate  
5 Holders will not be paid their death benefits at death and instead will become creditors against  
6 Golden State's assets. Thus, the Guaranty Associations are providing a significant benefit to the  
7 148 Certificate Holders. This Application is made to facilitate providing coverage benefits to the  
8 Certificate Holders.

9 **B. The Claim Handling Agreements will transfer claim and potential claim**  
10 **handling and administration from Golden State to NOLHGA and the**  
11 **Guaranty Associations, and thereby eliminate claim handling expenses to**  
12 **Golden State related to the Group Policy and reduce Golden State's**  
13 **administrative expenses.**

14 By facilitating the transfer of the claim handling and administration to NOLHGA and the  
15 Guaranty Associations, the claim handling expenses to Golden State will be eliminated and  
16 thereby reduce Golden State's on-going administrative expenses. The expenses incurred by  
17 NOLHGA and the Guaranty Associations will be a claim against Golden State's estate.

18 **C. The Orders requested herein are consistent with the Liquidator's statutory**  
19 **authorities and discretion under the Court's prior orders, the Insurance Code**  
20 **and case law.**

21 The requested Court Orders are authorized and consistent with the Liquidator's authorities  
22 and discretion under the Court's prior orders, the Insurance Code and California case law – all of  
23 which grant broad powers to the Insurance Commissioner as conservator and liquidator of  
24 insurance companies.

25 First, pursuant to the Order of Liquidation, the Liquidator is “authorized ... to do such  
26 other acts as are necessary or expedient to collect, conserve, protect and/or liquidate Golden  
27 State's assets, property and business.” (Order of Liquidation, ¶ 5.)  
28

1 Second, Insurance Code § 1037, entitled "Powers of commissioner as conservator or  
2 liquidator," provides broad powers to the Insurance Commissioner as conservator and liquidator  
3 of insurance companies, and states in pertinent part:

4 Upon taking possession of the property and business of any person in any  
5 proceeding under this article, the commissioner, exclusively and except as  
6 otherwise expressly provided by this article, either as conservator or liquidator:

7 (a) [Conservation of assets; conduct of business.] Shall have authority to  
8 collect all moneys due that person, and to do such other acts as are necessary or  
9 expedient to collect, conserve, or protect its assets, property, and business, and to  
10 carry on and conduct the business and affairs of that person or so much thereof as  
11 to him or her may seem appropriate.

12 . . . .  
13 [General powers.] The enumeration, in this article, of the duties, powers  
14 and authority of the commissioner in proceedings under this article shall not be  
15 construed as a limitation upon the commissioner, nor shall it exclude in any  
16 manner his or her right to perform and to do such other acts not herein specifically  
17 enumerated, or otherwise provided for, which the commissioner may deem  
18 necessary or expedient for the accomplishment or in aid of the purpose of such  
19 proceedings.

20 Third, California case law supports the broad grant of powers accorded the Insurance  
21 Commissioner to transfer assets when he is conserving, rehabilitating, and/or liquidating  
22 insurance companies. For instance, in *In Re Executive Life Insurance Company* (1995) 32  
23 Cal.App.4th 344, the Court of Appeal stated that:

24 The Commissioner is an officer of the state (*Caminetti v. Pac.*  
25 *Mutual L. Ins. Co.* (1943) 22 Cal.2d 344, 354 [139 P.2d 908]) who, when  
26 he or she is a conservator, exercises the state's police power to carry  
27 forward the public interest and to protect policyholders and creditors of the  
28 insolvent insurer. (*Carpenter v. Pacific Mut. Life Ins. Co.* (1937) 10 Cal.2d  
307, 330-331 [74 P.2d 761].)

31 In exercising this power, the Commissioner is vested with broad discretion.  
32 (*Commercial Nat. Bank v. Superior Court* [(1993)] 14 Cal.App.4th [393] at p.  
33 402.) This discretion is subject to statutory limitations (see *id.* at p. 409) and the  
34 requirement that the exercise of discretion be neither arbitrary nor improperly  
35 discriminatory. (*Carpenter v. Pacific Mut. Life Ins. Co.*, *supra*, 10 Cal.2d at p.  
36 329.) The Commissioner as conservator of the insolvent insurer is also a trustee for  
37 the benefit of all creditors and other persons interested in the insolvency estate.  
38 ([Insurance Code] § 1057.)

39 (*In Re Executive Life*, *supra*, at p. 356.)

1 The Court concluded that:

2 . . . The trial court reviews the Commissioner's actions under the abuse of  
3 discretion standard. (*Commercial Nat. Bank v. Superior Court, supra*, 14  
4 Cal.App.4th 393, 398): was the action arbitrary, i.e. unsupported by a rational  
5 basis, or is it contrary to specific statute, a breach of the fiduciary duty of the  
6 conservator as trustee, or improperly discriminatory?

7 (*In Re Executive Life, supra*, at p. 358.)

8 Here, the transfer of claim handling and coverage obligations to the Guaranty Associations  
9 is a significant benefit to the Certificate Holders and Golden State's estate.

10 **VII. NOTICE OF THIS APPLICATION.**

11 The Liquidator has provided written notice of this application to all 148 Certificate  
12 Holders, and to all persons and entities known to the Liquidator or his staff that may have a  
13 substantial, unsatisfied claim that may be affected by this application and any Court Orders  
14 pertaining thereto, regardless of whether the persons or entities are a party to this action or have  
15 appeared in it, in compliance with California Rules of Court Rule 3.1184(c). Said persons and  
16 entities include the Certificate Holders, the Pension Benefit Guaranty Corporation, NOLHGA and  
17 CLHIGA and their attorneys, and Certificate of Contribution holders. Additionally, due to prior  
18 requests to receive copies of court filings in this matter, the Liquidator has provided notice of this  
19 application to Community Impact Development II, LLC, and Pitney Bowes, Inc. The above  
20 described persons and entities are listed on the Proof of Service filed concurrently herewith. To  
21 maintain confidentiality, the names and addresses of Certificate Holders and Certificate of  
22 Contribution Holders are not listed on the Proof of Service. (Weiss Dec., ¶ 3; and Proof of  
23 Service.)

24 **VIII. CONCLUSION**

25 In sum, there is good cause for the Court to grant this application and issue the Requested  
26 Orders.

27 //


28 //

//


1 DATE: April 26, 2012

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7  
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10 Attorneys for Applicant  
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14   
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18 ORGANIZATION OF LIFE AND HEALTH  
19 INSURANCE GUARANTY  
20 ASSOCIATIONS

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## 23

24

1 former Golden State employees on long term disability.

2 7. Under the Group Policy, Golden State agreed to pay premium for \$5,000.00 in life  
3 insurance death benefits for retired employees and premium for \$10,000.00 in life insurance death  
4 benefits for retired officers. In addition, the Certificate Holders had the opportunity to purchase  
5 additional insurance coverage in excess of the \$5,000.00 and \$ 10,000.00 amounts, at their own  
6 expense. Thirteen Certificate Holders, all of which reside in California, purchased additional  
7 coverage in excess of the \$5,000.00 and \$10,000.00 amounts ("Excess Coverage"). Eleven of the  
8 thirteen Certificate Holders with Excess Coverage ("California Excess Coverage Policyholders")  
9 have paid and continue to pay the premiums for the Excess Coverage. Two of the thirteen  
10 Certificate Holders with Excess Coverage ("California Excess Coverage Disabled Policyholders")  
11 are considered disabled under the Group Policy and have had their premiums paid or otherwise  
12 waived by Golden State during their periods of disability. There are two Dependent Certificate  
13 Holders. Each is a spouse of a Golden State retiree, pay monthly premiums and have term  
14 coverage which terminates at age 65.

15 **Order of Liquidation for Golden State.**

16 8. On January 28, 2011, this Court terminated the Insurance Commissioner's status as  
17 Conservator and ordered and appointed the Insurance Commissioner to serve as Liquidator of  
18 Golden State.

19 9. The Insurance Commissioner was appointed Liquidator because Golden State was  
20 and remains insolvent in that, as of September 30, 2010, Golden State's estimated liabilities of  
21 \$9,291,895 exceed its estimated remaining assets of \$5,721,154 by over \$3.5 million (\$5,721,154  
22 in assets - \$9,291,895 in liabilities = -\$3,570,741). The current estimated deficiency is  
23 \$5,946,228. Attached hereto and incorporated herein as Exhibit K is a true and correct copy of  
24 the Court's Order of Liquidation. The Order of Liquidation directs the Insurance Commissioner  
25 to liquidate and wind up the business of Golden State.

26 10. The June 30, 2011 financials have increased the shortfall to \$5,946,228, in that as  
27 of June 30, 2011 estimated liabilities are \$8,191,012 and remaining estimated assets are  
28 \$2,244,784.



1                   **NOLHGA.**

2                   11.     The National Organization of Life and Health Insurance Guaranty Associations  
3                   (“NOLHGA”) is a voluntary association of its members organized as a corporation. NOLHGA’s  
4                   members consist of life and health insurance guaranty associations established by the laws of all  
5                   the states, Washington D.C. and Puerto Rico, and include the Guaranty Associations that, as a  
6                   result of the liquidation of Golden State, have or will have, obligations to Certificate Holders  
7                   under the Group Policy, subject to each state’s respective statutory conditions and limitations on  
8                   coverage and applicability. A true and correct listing of the Guaranty Associations is attached  
9                   hereto and incorporated herein as Exhibit J.

10                  12.     The 148 Certificate Holders under the Group Policy are residents of nine states.  
11                  As a result of Golden State’s liquidation, six state insurance guaranty associations (collectively,  
12                  “Guaranty Associations”) including the California Life and Health Insurance Guarantee  
13                  Association (“CLHIGA”) have statutory obligations to provide coverage for all of the Certificate  
14                  Holders. NOLHGA is coordinating the provision and administration of the coverage for the  
15                  Guaranty Associations.

16                   **Transfer of Golden State’s other policies.**

17                  13.     Effective January 1, 2010, nearly all of Golden State’s life, health and disability  
18                  insurance policies and annuity contracts were transferred to IA American Life Insurance  
19                  Company pursuant to an Assumption Reinsurance Agreement. The Group Policy was not  
20                  transferred to IA American Life Insurance Company under the Assumption Reinsurance  
21                  Agreement.

22                   **Anticipated Liability to NOLGHA and Guaranty Associations.**

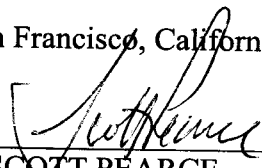
23                  14.     It is anticipated that liability to NOLHGA, on behalf of the CLHIGA and the other  
24                  Guaranty Associations, will be at least \$1 million for the cost of payments estimated to be made  
25                  by them to Certificate Holders under Golden State’s Group Policy.

26                  15.     The \$1 million estimate used above is listed only to establish the range of possible  
27                  liabilities which may be asserted against Golden State in connection with the Group Policy.  
28                  However, the actual claims paid by the Guaranty Associations and the amount paid by the

1 Guaranty Associations to fund the reserves necessary to transfer the active alternative policies to  
2 an assuming insurer will constitute Class Two Priority claims against the estate of Golden State.

3 I declare under penalty of perjury under the laws of the State of California that the  
4 foregoing is true and correct.

5 Executed on this 26 day of April, 2012, at San Francisco, California.

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8 SCOTT PEARCE  
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1 I declare under penalty of perjury under the laws of the State of California that the  
2 foregoing is true and correct.

3 Executed on this 27<sup>th</sup> day of April, 2012, at Los Angeles, California.

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6 MICHAEL R. WEISS  
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## **DECLARATION OF FRED BUCK**

I, Fred Buck, declare as follows:

1. I have personal knowledge of the facts and circumstances set forth in this Declaration, and if called upon to do so, I could and would competently testify thereto.
2. I am a consultant to the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") with respect to the Golden State Mutual Life Insurance Company insolvency ("Golden State"). I am NOLHGA's Financial Advisor with respect to Golden State and a life insurance actuary. My education and qualifications to act in this capacity include earning a B. A. in Mathematics from Westfield State College in Westfield, MA. in 1966; becoming a Fellow in the Society of Actuaries in 1976; becoming a member of the American Academy of Actuaries in 1973; and acting as a member of the International Association of Insurance Receivers. My employment experience in the area of life insurance, actuarial science and insurance receiverships includes working as an actuarial student and actuarial associate for Aetna Life and Casualty Insurance Company from 1970 to 1977; working in capacities ranging from Associate Actuary to Executive Vice President and Chief actuary at Reliance Standard Life Insurance Company in Philadelphia from 1977-1984; working in capacities ranging from Chief Operating Officer to President and Chief Executive Officer at First Capital Life Insurance Company in San Diego from 1984 to 1993; and operating my own insurance consulting firm, Buck and Associates through the present time. From 2003 to 2005, I was appointed by the California Commissioner of Insurance and acted as President and Chief Executive Officer of the California Conservation and Liquidation Office which oversees all California insurance insolvencies. As a consultant with Buck and Associates, I have acted in the capacity of Special Deputy Receiver, Special Deputy Commissioner, Court appointed trustee, expert witness and

project manager charged with overseeing the activities of financial and legal consultants with respect to insolvencies. My tasks have included the evaluation of life insurance policies and blocks of business; the negotiation and sale of hundreds of millions of dollars in life insurance policies; asset management and sales; designing and implementing rehabilitation and liquidation plans and similar projects. I have been involved in at least 30 insolvencies in these various capacities throughout the country. I am responsible for assisting NOLHGA and its affected guaranty associations in designing a solution to the Golden State insolvency in order to protect policy holders and to assist in the development of alternative life insurance policies and determination of appropriate premium rates.

3. Based upon my responsibilities as Financial Advisor for NOLHGA, my training as a life insurance actuary, my experience in the life insurance industry, my review of files and records presented to NOLHGA by the Liquidator of Golden State, and my review of this Application and its supporting papers and documents, I state the following:

4. The 148 certificate holders reside in nine states, 6 of which states have guaranty associations activated by the Golden States insolvency. Certificate holders in the remaining 3 states are protected by the guaranty association where Golden State is domiciled, California. The six Guaranty Associations are identified in Exhibit J.

5. The Golden State group policy provides term life insurance coverage and has a cancellation provision which includes a conversion option. In other words, once the group life policy is cancelled, certificate holders may convert their term coverage provided under the group policy to a whole life insurance policy offered by Golden State.

6. Due to its insolvency, Golden State will be unable to provide such conversion coverage. The policy forms proposed by the Guaranty Associations are consistent with the conversion coverage mandated in the event of termination of the Group Policy.

7. Pursuant to their enabling statutes, the guaranty associations will cancel the group life policy and give thirty days' notice to certificate holders of such cancellation.

8. The guaranty associations will provide a paid-up \$5,000 whole life policy (\$4,000 paid up for policy holders protected by the California Guarantee Association) for retired employees including those on long-term disability and a \$10,000 paid-up whole life policy (\$8,000 for policy holders protected by the California Guarantee Association) for retired officers without cost to the employees and officers. The policy form utilized for this whole life policy, attached to the Memorandum as Exhibit C, is generated from a Golden State whole life policy form. Terms which have no relevance to a policy issued by a Guaranty Association, versus a mutual insurance company, have been eliminated. For example, the Participation and Safety Provision have been removed. Further, certain provisions the Associations considered unduly detrimental to the certificate holders have been eliminated. For example, the Suicide and Military or Naval Service exclusion has been eliminated. Finally, the policy eliminates the 2 year contestability clause and is incontestable. Similar changes have been made to all of the policy forms to be utilized.

9. The California Life and Health Insurance Guarantee Association will provide a term life policy for 80% of the certificate holder's coverage in excess of \$5,000 to age 65 or termination of the period of disability, whichever occurs first, to the two long-term disability certificate holders who had opted for excess coverage under the group policy. Premium for this excess coverage will be waived for the period of disability. The term life policy form used for

this purpose, Exhibit E to the Memorandum, has been generated from a Golden State term life policy form.

10. The guaranty associations will offer the opportunity to purchase excess whole life insurance coverage, using the form found in Exhibit D to the Memorandum, to those certificate holders who are currently paying term life premium rates for excess coverage under the group policy. The new rates for the new whole life excess policy are found in Exhibit H to the Memorandum and have been determined by use of premium rates in place at Golden State. Because Golden State generally stopped offering insurance when an insured reached the age of 70, rates beyond 70 were derived using Golden State's rates to extrapolate rates for older ages using actuarial principles. The same was done to calculate cash values for these policies. The rates increase significantly because the conversion right in the Group Policy requires conversion from term insurance to whole life insurance and because the term rates charged by Golden State were far below commercially reasonable rates. Further, the rates offered by Golden State had no relationship to the age of the insured. The conversion right did not allow any underwriting but required rates at the insured's attained age. The policy form is generated from a Golden State whole life policy form.

11. The guaranty associations will offer to certificate holders' dependents, who are under the age of 65 and have group policy term life coverage in effect for additional premium payments, the term life policy attached to the Memorandum as Exhibit F. The rates for this policy are reflected in Exhibit I. These rates are based on Golden State rates for a term to 65 policy form generated from a Golden State term to 65 policy. Under the group life policy, dependents are eligible for such insurance only as long as they pay premium and only to age 65.



I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

EXECUTED on this 26th day of April, 2012 at Glassboro, New Jersey.

A handwritten signature in cursive script that reads "Fred A. Buck". The signature is written in black ink and is positioned above a short horizontal line.

Fred Buck

# **EXHIBIT A**

**AGREEMENT  
FOR  
HANDLING OF CLAIMS AND POTENTIAL CLAIMS UNDER GOLDEN STATE'S  
GROUP LIFE POLICY AND NON-TRANSFERRED INSURANCE POLICIES**

**DATED JULY 21, 2011**

This Agreement ("Agreement") is by and between the Insurance Commissioner of the State of California in his Statutory Capacity as Liquidator (hereinafter, "Liquidator") of Golden State Mutual Life Insurance Company, in Liquidation (hereinafter, "Golden State") and the National Organization of Life and Health Insurance Guaranty Associations (hereinafter, "NOLHGA"). Party or Parties means the Liquidator and NOLHGA.

**RECITALS**

**WHEREAS**, in 1956, Golden State commenced a Group Life Plan, policy number L 00000 1, under which Golden State issued life and disability insurance coverage to its full time employees, retired employees and their spouses and dependents ("Group Policy").

**WHEREAS**, the Liquidator, in his prior capacity as Conservator of Golden State, and IA American Life Insurance Company entered into an Assumption Reinsurance Agreement dated May 7, 2010 and an Agreement And Plan Of Rehabilitation For Golden State Mutual Life Insurance Company dated May 7, 2010, in which certain of Golden State's in-force policies, annuities and policy liabilities were transferred to and assumed by IA American (collectively hereinafter, "Assumption Agreements").

**WHEREAS**, on January 28, 2011, the Insurance Commissioner's status as Conservator was terminated, and the Insurance Commissioner was appointed to serve as Liquidator of Golden State. All rights and authorities of the Conservator inure to the benefit of the Liquidator and his successors and assigns.

**WHEREAS**, by this Agreement, the Liquidator and NOLHGA seek to memorialize the handling of claims and potential claims concerning and/or made under the Group Policy and any policy which has not been transferred to IA American for which a life and health insurance guaranty association may have covered obligations pursuant to their respective enabling act (collectively, "Policies").

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual covenants set forth in this Agreement, the Parties enter into the following Agreement as follows:

**1. CLAIMS HANDLING**

A. Notification: Claims and communications concerning claims, potential claims and questions regarding the rights and benefits of insureds, policy holders and certificate holders under the Policies shall be immediately forwarded by the Liquidator to Cathy Travis, who is the

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NOLHGA Guaranty Association Coordinator and the NOLHGA Project Manager for the Golden State insolvency, at her email address travis48@comcast.net, with copies to Franklin D. O'Loughlin at foloughlin@rothgerber.com and to NOLHGA Vice President and General Counsel William P. O'Sullivan at bosullivan@nolhga.com.

B. Handling and Benefit Payments: NOLHGA shall forward all claims, communications and questions received from the Liquidator to the appropriate guaranty association so that the association may handle, evaluate and determine whether benefits and claims under the Policies are eligible for coverage, and respond to all claims and communications concerning claims, potential claims and questions regarding the rights and benefits of insureds, policy holders and certificate holders under the Policies. All payments for benefits and claims by a guaranty association under the Policies shall be treated as claims against Golden State within Priority Class No. 2 pursuant to California Insurance Code § 1033(a)(2) and subject to the distribution priorities and requirements established in § 1033 *et seq.*

C. Limited Remaining Obligations of Liquidator: The Liquidator will have no further responsibility for the handling of claims and communications concerning claims, potential claims and questions regarding the rights and benefits of insureds, policy holders and certificate holders under the Policies; except (a) as set forth herein, (b) to reasonably make available to NOLHGA and the guaranty associations all information and documents in the Liquidator's and/or Golden State's possession, custody or control including without limitation the books, records and files of Golden State related in any manner to the Policies, and (c) to respond promptly and in good faith to all reasonable requests from NOLHGA and/or any guaranty association for information and documents including without limitation policies, policy files, certificates, any form of electronic data and/or other information related to the Policies, benefits paid under the Policies and/or the consideration and provision of potential benefits to be paid under the Policies.

D. Confidentiality: All parties agree to handle the claims, information and matters herein in a confidential manner.

## 2. PREMIUM COLLECTION

A. Collection by Liquidator: The billing and collection of premium from policyholders and certificate holders under the Policies who are required to pay premium, shall be transitioned to NOLHGA and/or the California Life and Health Insurance Guarantee Association as soon as possible. In the interim, the Liquidator will continue to bill and collect premium from policyholders and certificate holders under the Policies who are required to pay premium, and will report and account for premiums collected in a manner reasonably satisfactory to NOLHGA and the guaranty associations.

B. Premiums Collected After Liquidation Date: All premiums collected concerning Policies covered by California Insurance Code § 1067 *et seq.* after the entry on January 28, 2011 of the order of liquidation of Golden State shall belong to and be payable on a monthly basis at the direction of the California Life and Health Insurance Guarantee Association in accordance with California Insurance Code § 1067.07(g); and such premiums shall not constitute general

assets of Golden State and, instead, shall be accounted for as separate, non-comingled funds held by the Liquidator and/or Golden State for the benefit of the California Life and Health Insurance Guarantee Association. Similarly, all premiums collected concerning Policies covered by the guaranty associations of other states shall be treated similarly, provided that the insurance codes and/or regulations of other states provide for the similar handling of such premiums as under California Insurance Code § 1067 *et seq.*

### 3. JURISDICTION

A. Agreement Governed by California Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the principles of conflicts of law.

B. Consent to Jurisdiction of Liquidation Court. The Parties hereby consent to the exclusive jurisdiction of the Los Angeles Superior Court Case No. BS123005, which has jurisdiction over the liquidation of Golden State ("Liquidation Court"), to resolve any and all disputes as among the Parties which arise out of, or relate directly or indirectly, to this Agreement or the transactions contemplated hereby. In the event the Liquidation Court is not available, the Parties hereby consent to the exclusive jurisdiction of the Los Angeles Superior Court to resolve any and all disputes as among them which arise out of, or relate directly or indirectly, to this Agreement or the transactions contemplated hereby. However, issues or disputes relating to whether a claim, claimant or policy is a covered claim, claimant or policy under a guaranty association's enabling act shall be determined in accordance with the laws of the state of that guaranty association and by a court of such state. The Parties agree that service of process shall be effective if sent by certified or registered mail, return receipt requested, with signature required, to the address as shown below. Notwithstanding the foregoing, any judgment against a Party to this Agreement may be enforced using the assistance of such courts as may be available to aid in the enforcement of judgments.

### 4. NOTICE

A. Any notice to be given concerning this Agreement and/or the claims and communications referenced herein shall be deemed to be given if delivered by hand or if mailed by certified mail, postage prepaid and signature required, or by postal or a commercial express document delivery service which issues an individual delivery receipt to the following addresses:

1. If to NOLHGA, to:

William P. O'Sullivan, Esq.  
Vice President and General Counsel  
National Organization of Life & Health Insurance Guaranty Associations  
13873 Park Center Road, Suite 329  
Herndon, Virginia 20171  
bosullivan@nolhga.com

and

Franklin D. O'Loughlin, Esq.  
Cindy C. Oliver, Esq.  
Rothgerber Johnson & Lyons LLP  
1200 17<sup>th</sup> Street, Suite 3000  
Denver, CO 80202  
foloughlin@rothgerber.com  
coliver@rothgerber.com

and

Cathy Travis, Project Manager  
travis@comcast.net

2. If to the Liquidator and/or Golden State, to:

Conservation & Liquidation Office  
Attn: Scott Pearce  
P.O. Box 26894  
San Francisco, CA 94126-0894  
Telephone: (415) 676-5000  
Facsimile: (415) 676-5002

With copies only of any legal process or action, or communications  
regarding legal process or action, to:

Michael R. Weiss, Esq.  
Epstein Turner Weiss, APC  
633 W. Fifth Street, Suite 3330  
Los Angeles, CA 90071  
Telephone: (213) 861-7487  
Facsimile: (213) 861-7488  
mrw@etslaw.com

Marta L. Smith, Esq.  
Deputy Attorney General  
California Department of Justice  
300 South Spring Street, Room 1702  
Los Angeles, CA 90013  
Telephone: (213) 897-2483  
Facsimile: (213) 897-5775

B. Each person shall be responsible for notifying, in writing, the others promptly of

any change in addressee or address.

## **5. GENERAL PROVISIONS**

A. Entire Agreement. This Agreement and all other agreements contemplated hereby and thereby collectively constitute the entire agreement among the Parties with respect to the transactions contemplated hereby and supersede any prior agreements, term sheets, understandings, negotiations and discussions, whether oral or written, of the Parties.

B. Recitals. The recitals to this Agreement are hereby incorporated by reference into this Agreement as if they were set forth at length in the text of this Agreement.

C. Cooperation. The Parties agree that they will, from time to time, upon the request of any other Party and without further consideration, execute, acknowledge and deliver in proper form any further instruments and take such other action as another Party may reasonably require in order to carry out effectively the purposes of this Agreement.

D. Statutory Obligations. Except as expressly stated herein, nothing stated in this Agreement shall be deemed to limit, expand, enlarge, or otherwise modify the Liquidator's and the affected guaranty associations' statutory obligations, or to expand or enlarge any person's interest in or to the assets of Golden State, or to waive any defenses which any Party may now have or in the future have.

E. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be declared invalid or unenforceable by the Liquidation Court or other court of competent jurisdiction, the remainder of this Agreement or the application of such terms or provisions to persons or circumstances other than those as to which it has held invalid or unenforceable, shall remain in full force and effect.

F. Express Terms. This Agreement shall be construed in accordance with its express terms and not pursuant to implied terms. Captions, paragraph and section headings appearing in this Agreement shall be used only for convenience in identifying the material terms and provisions of the Agreement and shall not be construed to express any other intent. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender as the context require.

G. No Construction Against a Party. This Agreement has been structured, approved and jointly drafted by all the Parties hereto and, for purposes of interpreting its terms, shall not be construed against any Party as the principal draftsman hereof.

H. Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts when taken together shall constitute but one and the same instrument.

I. Liability of the Liquidator. The Liquidator is a Party to this Agreement only in his representative capacity as Liquidator, and not individually, and the Parties hereto agree and acknowledge that the California Insurance Commissioner, the Liquidator and any Special Deputy

Insurance Commissioner executing this Agreement shall not have any personal liability for any matters or obligations hereunder, and further that the California Insurance Commissioner and the State of California are not parties to this Agreement and shall have no liability with respect thereto.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on the date noted below.

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA IN HIS STATUTORY CAPACITY AS LIQUIDATOR OF GOLDEN STATE MUTUAL LIFE INSURANCE COMPANY, AND NOT INDIVIDUALLY

By: David E. Wilson Date: August 7, 2011  
David E. Wilson, Special Deputy Insurance Commissioner, and not individually

THE NATIONAL ORGANIZATION OF LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS

By: \_\_\_\_\_ Date: July \_\_, 2011  
William P. O'Sullivan, Vice President and General Counsel



Insurance Commissioner executing this Agreement shall not have any personal liability for any matters or obligations hereunder, and further that the California Insurance Commissioner and the State of California are not parties to this Agreement and shall have no liability with respect thereto.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on the date noted below.

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA IN HIS STATUTORY CAPACITY AS LIQUIDATOR OF GOLDEN STATE MUTUAL LIFE INSURANCE COMPANY, AND NOT INDIVIDUALLY

By: \_\_\_\_\_ Date: July \_\_, 2011  
David E. Wilson, Special Deputy Insurance Commissioner, and not individually

THE NATIONAL ORGANIZATION OF LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS

By: Wm. O'Sullivan Date: July 27, 2011  
William P. O'Sullivan, Vice President and General Counsel

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## **EXHIBIT B**

## EARLY ACCESS AGREEMENT

Among  
National Organization of Life and Health Insurance Guaranty Associations  
and  
Its Participating Member Guaranty Associations  
and  
The Insurance Commissioner for the State of California, in His Capacity of Liquidator of  
  
**Golden State Mutual Life Insurance Company**

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## EARLY ACCESS AGREEMENT

This Early Access Agreement is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 by and among the National Organization of Life and Health Insurance Guaranty Associations, on behalf of its member state life and health insurance guaranty associations that are or become Participating Associations under this Agreement, and the Insurance Commissioner of the State of California, in his capacity of Liquidator of Golden State Mutual Life Insurance Company.

### RECITALS

A. On January 28, 2011, Golden State was placed into Liquidation by the Liquidation Court.

B. In all of the jurisdictions where Golden State was licensed, there are life and health insurance guaranty associations. As a result of the Liquidation Order and subject to statutory conditions and limitations, the associations have statutory obligations to provide coverage for Policies issued to policyholders or certificate holders who resided within the life and health insurance guaranty associations' respective jurisdictions.

C. The Liquidator and NOLHGA have entered into a Service Agreement in order to facilitate and expedite claims processing and other administrative functions required for the Participating Associations to begin providing coverage and benefits for the Covered Obligations as soon as practical after entry of the Liquidation Order.

D. NOLHGA is a voluntary association of its members organized as a corporation. Its members consist of life and health insurance guaranty associations established by the laws of all the states, Washington D.C. and Puerto Rico and include all of the Affected Guaranty Associations. NOLHGA has the authority to execute this Agreement on behalf of its members that are Affected Guaranty Associations so as to provide them the opportunity to become Participating Associations as provided in this Agreement.

E. The Liquidator and NOLHGA believe that this Agreement and its terms are necessary and appropriate to carry out the provisions of the Liquidation Order and California Insurance Code § 1035.5 to assure equality in the treatment of the Affected Guaranty Associations with respect to Early Access Distributions and to ensure the proper return of Early Access Disbursements if necessary to recognize the priority to be accorded all creditors of Golden State under CA. Ins. Code § 1033.

### AGREEMENTS

**NOW, THEREFORE**, in consideration of the mutual covenants set forth in this Agreement and intending to be legally bound, the Parties agree as follows:

1. Definitions. As used in this Early Access Agreement, the following terms have the meanings set forth below:
  - 1.1. Affected Guaranty Associations. Affected Guaranty Associations mean those life and health insurance guaranty associations that, as a result of the Liquidation Order have, or will have, obligations, subject to statutory conditions and limitations, to policyholders and/or certificate holders under the Policies.
  - 1.2. Agreement. Agreement means this Early Access Agreement.
  - 1.3. Covered Obligations. With respect to each Participating Association, Covered Obligations means the obligations of that Participating Association, pursuant to its governing law and subject to statutory conditions and limitations, which may arise in connection with Policies of Golden State as a result of the Liquidation Order.
  - 1.4. Early Access Distributions. Early Access Distributions means distributions made by the Liquidator, pursuant to CA. Ins. Code § 1035.5 and subject to the terms and provisions of this Agreement, to Participating Associations with respect to their Covered Obligations which the Liquidator reasonably anticipates will qualify as policyholder claims.
  - 1.5. Effective Date. Effective Date means the date on which this Agreement was entered into, as indicated above.
  - 1.6. Golden State. Golden State means Golden State Mutual Life Insurance Company, in Liquidation.
  - 1.7. Liquidation Court. Liquidation Court means the Los Angeles Superior Court for the State of California, County of Los Angeles, Department 86, the Honorable Ann I. Jones presiding.
  - 1.8. Liquidation Order. Liquidation Order means the Order of Liquidation entered by the Liquidation Court on January 28, 2011, placing Golden State into liquidation and declaring Golden State to be insolvent.
  - 1.9. Liquidation Order Date. Liquidation Order Date means January 28, 2011, the date on which the Liquidation Order was entered.
  - 1.10. Liquidator. Liquidator means the Insurance Commissioner of the State of California, in his Capacity as Liquidator of Golden State Mutual Life Insurance Company.
  - 1.11. NOLHGA. NOLHGA means the National Organization of Life and Health Insurance Guaranty Associations.
  - 1.12. Participating Association. Participating Association means each Affected Guaranty Association that has elected to participate in this Agreement in

accordance with NOLHGA's participation procedures. Exhibit 3.1, to be prepared by NOLHGA and delivered to the Liquidator in accordance with Article 3.1 (which may be updated from time to time by NOLHGA), shall identify each Participating Association.

- 1.13. Parties. Parties means NOLHGA, the Participating Associations, and the Liquidator.
  - 1.14. Policies. Policies means all life, annuity, accident and health insurance policies and certificates issued by Golden State for which any Participating Association has Covered Obligations.
  - 1.15. Priority of Distribution. Priority of Distribution means the statutory priority to be accorded creditors and claims in the distribution of Golden State assets under CA. Ins. Code § 1033.
  - 1.16. Proposal to Disburse Assets. Proposal to Disburse Assets means the Liquidator's proposal to make Early Access Distributions in accordance with the Liquidation Order and CA. Ins. Code § 1035.5.
  - 1.17. Service Agreement. Service Agreement means the Service Agreement among the Liquidator, NOLHGA and the Participating Associations concerning Golden State.
2. Duties of the Liquidator.
- 2.1. The Liquidator will file with the Liquidation Court a Proposal to Distribute Assets under CA. Ins. Code § 1035.5 on a pro rata basis and shall distribute assets on such basis as soon as reasonably practicable to the extent assets are available. Thereafter, the Liquidator will make Early Access Distributions in amounts and intervals as determined in accordance with CA. Ins. Code § 1035.5.
  - 2.2. Subject to Article 4, each Participating Association will be entitled to participate in and receive pro-rata Early Access Distributions from Golden State, as recommended by the Liquidator and approved by the Liquidation Court after the filing of a Proposal to Distribute Assets, in the same manner and to the same extent as may be provided to other Participating Associations.
  - 2.3. The Liquidator shall deliver the total amount of Early Access Distributions to NOLHGA. NOLHGA shall allocate the Early Access Distributions as between the various Participating Associations consistent with this Agreement and as initially determined by the Task Force appointed by NOLHGA's Member Participation Council for the Golden State insolvency. NOLHGA shall notify the Liquidator of such allocation. The Liquidator shall rely on and utilize such allocation in its on-going administration of the Golden State estate. NOLHGA shall, upon receipt of Early Access Distributions from the Liquidator, be responsible to make disbursements to the Participating Associations consistent

with the allocation, although subject to and in accordance with procedures and directives as agreed between NOLHGA and the Participating Associations. Each Participating Association expressly authorizes and consents to the Liquidator's payment of Early Access Distributions directly to NOLHGA and NOLHGA's calculation of the Early Access Distribution allocation in accordance herewith. The Participating Associations and NOLHGA further acknowledge and agree that the Liquidator, following its delivery of Early Access Distributions to NOLHGA, shall have no responsibility for the timing or manner in which NOLHGA thereafter disburses the Early Access Distributions to the Participating Associations. While reserving all other rights, NOLHGA and the Participating Associations waive and release the Liquidator from any claim, action or proceeding that relates to a dispute solely between NOLHGA and one or more of the Participating Associations as to the timing or manner in which NOLHGA calculates, allocates and/or disburses the Early Access Distributions to the Participating Associations following NOLHGA's receipt of such funds from the Liquidator.

3. Duties of NOLHGA and the Participating Associations.

- 3.1. NOLHGA will advise the Liquidator within thirty days after the execution of this Agreement of the identities of the Participating Associations, as the same shall be determined pursuant to the rules, regulations and bylaws of NOLHGA, by preparation and delivery to the Liquidator of a list of Participating Associations, the form of which is attached as Exhibit 3.1. Each Affected Guaranty Association not listed by NOLHGA as a Participating Association may elect to become a Participating Association at a later date, by informing NOLHGA of its decision and by NOLHGA supplementing its list of Participating Associations and delivering the same to the Liquidator.
- 3.2. Each Participating Association will return to the Liquidator, within thirty (30) days of the receipt of a written demand from the Liquidator (or within ninety (90) days if an assessment is required), any Early Access Distributions, or portions thereof, made to such Participating Association (together with income actually earned by such Participating Association on such assets) as may be required to pay claims of secured creditors and claims with a higher priority than the Participating Associations under CA. Ins. Code § 1033. No bond shall be required of any Participating Association.
- 3.3. In addition to the accounting and reports required herein, each Participating Association will respond in good faith to reasonable requests for information from the Liquidator concerning the receipt and disbursement of all assets transferred under this Agreement.

4. Claims

- 4.1. NOLHGA will file an omnibus proof of claim on behalf of each Participating Association setting forth claims of the Participating Associations against Golden State. The proof of claim information may be updated by NOLHGA or the Participating Association on at least an annual basis. The Liquidator shall calculate and pay, as applicable, Early Access Distributions in accordance with the provisions of this Agreement based on the NOLHGA omnibus proof of claim or any individual Participating Association proofs of claim, and subsequent updates.
- 4.2. The Participating Associations agree to provide a reasonable amount of non-privileged documentation in support of their claims as requested by the Liquidator. Providing such reasonable documentation shall include allowing the Liquidator, upon request, to examine the Participating Associations' relevant records applicable to Golden State as such records may be reasonable and necessary to determine claims against the estate. The results of any examination will be shared with NOLHGA and the Participating Association in order to permit them to respond thereto as necessary or appropriate, and the examination and its results shall be subject to any confidentiality agreement that the Participating Associations may reasonably require.

5. Access to Records and Information.

- 5.1. Liquidator will provide NOLHGA and the Participating Associations with reasonable access, during normal business hours, to the books, records and files of Golden State under the control of Liquidator which are reasonably related to Policies giving rise to Covered Obligations or to this Early Access Agreement and will respond affirmatively and in good faith to all reasonable requests from NOLHGA or the Participating Associations for information, files and documents pertaining to the adjudication, administration and payment of Covered Obligations or the distribution or use of Early Access Distributions pursuant to this Agreement.
- 5.2. NOLHGA or its Participating Associations will provide the Liquidator with reasonable access, during normal business hours, to the books, records and files of NOLHGA or its Participating Associations which are reasonably related to Policies giving rise to Covered Obligations or to this Early Access Agreement and will respond affirmatively and in good faith to all reasonable requests from Liquidator for information, files and documents pertaining to the adjudication, administration and payment of Covered Obligations or the distribution or use of Early Access Distributions pursuant to this Agreement.
- 5.3. On at least a bi-annual basis (and within 45 days following each June 30<sup>th</sup> and December 31<sup>st</sup> during the term of this Agreement) the Liquidator shall provide to NOLHGA or its Participating Associations an unaudited balance sheet and an



income statement of Golden State, which shall disclose the Liquidator's best estimate of the nature and amount of all remaining assets, the nature and amount of all known liabilities, a classification of these liabilities by Priority of Distribution, and the nature and amount of all income and disbursements for the period in question.

- 5.4. Other than as set forth in this Agreement, there is no further reporting requirement for those Participating Associations that are also Participating Associations under the Service Agreement, except that such Participating Associations shall provide to the Liquidator periodic updates regarding payments of Covered Obligations, including disclosing the purpose, amount and timing of Participating Association payments related to Covered Obligations paid outside of the Service Agreement, if any.

6. Review of Records. The Liquidator shall, prior to and in connection with the final distribution of assets of the Golden State liquidation, be authorized to review the financial accounts and records of the Participating Associations with respect to receipt of assets and Early Access Distributions, and with respect to the payment or discharge of Covered Obligations.

7. Notice.

- 7.1. Any notice required or permitted under the terms of this Agreement to be given to the parties shall be deemed given if provided in writing and (i) if actually received by the intended recipient by facsimile or hand delivery or (ii) if posted by prepaid first class mail, or (iii) if consigned to and receipted by a commercial delivery service and addressed as follows:

- (a) If to Liquidator, to:

Conservation and Liquidation Office  
Attention: Scott Pearce  
P.O. Box 26894  
San Francisco, California 94126-0894

with copy to:

Michael R. Weiss, Esq.  
Epstein, Turner and Song, APC  
777 South Figueroa Street, Suite 4950  
Los Angeles, California 90017  
[mrw@etslaw.com](mailto:mrw@etslaw.com)

Marta L. Smith, Esq.  
Deputy Attorney General  
California Department of Justice  
300 South Spring Street, Room 1702  
Los Angeles, California 90013

(b) If to NOLHGA, to

Peter Gallanis, President  
National Organization of Life and Health  
Insurance Guaranty Associations  
13873 Park Center Road, Suite 329  
Herndon, Virginia 20171  
Fax: (703) 481-5209

and to:

Franklin D. O'Loughlin, Esq.  
Cindy C. Oliver, Esq.  
Rothgerber Johnson & Lyons LLP  
1200 17th Street, Suite 3000  
Denver, Colorado 80202  
Fax: (303) 623-9222

(d) If to a Participating Association, to the person and address set forth in Exhibit 3.1

7.2. Each Party shall be responsible for notifying the others promptly of any change of address or addressee which change shall become effective upon notice given in accordance with the terms of this Section 7.

8. Merger and Choice of Law.

8.1. This Agreement shall be construed in accordance with the laws of California. In the event of any dispute between Liquidator, NOLHGA or any of the Participating Associations over (i) the legal obligations of the parties to each other under this Agreement or (ii) the construction of any term or provision of this Agreement, the parties hereby consent to the personal and subject matter jurisdiction of the Liquidation Court for the limited purpose of adjudicating said issues. This consent shall not extend to matters other than those expressly referenced in the previous sentence.

8.2. The parties acknowledge that the Liquidation Court has jurisdiction to hear and decide certain disputes and controversies. However, this Agreement shall not confer jurisdiction on the Liquidation Court to resolve any application or

interpretation of a governing statute of a Participating Association, which shall be made in accordance with the laws of the state of that Participating Association and solely by a court of that state.

9. Termination. This Agreement may be terminated by each Participating Association, with respect to that Participating Association only by giving written notice in accordance with Article 7 to the Liquidator, with a copy to NOLHGA, and by returning to the Liquidator all assets, together with income earned thereon, previously advanced to the Participating Association by the Liquidator under this Agreement.
10. Amendment and Waiver. This Agreement may not be amended or modified except by a written instrument signed by authorized representatives of each of the parties hereto. Any waiver of or failure to require adherence to any provision of this Agreement in any instance or series of instances by any party hereto shall not constitute a waiver of such provision in any other instance or constitute a modification of this Agreement.
11. Counterparts. This Agreement may be executed in separate counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
12. No Third Party Beneficiaries. This Agreement creates no third party beneficiaries and shall not create any rights or benefits that may be enforced by any persons not party to this Agreement.
13. Interpretation of Ambiguities. The parties agree that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.
14. Exhibits. The Exhibits referenced in and attached to this Agreement are incorporated herein by reference as if set forth at length in the text of this Agreement.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the date noted below.

GOLDEN STATE MUTUAL LIFE INSURANCE COMPANY, in  
Liquidation, by and through its Liquidator

By: David E. Wilson  
Name: David E. Wilson  
Title: Special Deputy Insurance Commissioner  
Date: August 9, 2011

NATIONAL ORGANIZATION OF  
LIFE AND HEALTH INSURANCE  
GUARANTY ASSOCIATIONS

By: William P. Sullivan  
Name: William P. Sullivan  
Title: Senior Vice President & General Counsel  
Date: 8/27/11

### **EXHIBIT 3.1**

#### **NOLHGA CERTIFICATE OF PARTICIPATING ASSOCIATIONS**

in the

#### **EARLY ACCESS AGREEMENT**

Among

**National Organization Of Life and Health Insurance Guaranty Associations  
and Its Participating Member Guaranty Associations**

and

**Liquidator, Golden State Mutual Life Insurance Company**

The National Organization of Life and Health Insurance Guaranty Associations hereby certifies that, pursuant to NOLHGA's bylaws and Members' Participation Council Rules and Procedures, the following state life and health insurance guaranty associations have elected to become Participating Associations under the Early Access Agreement as of the Effective Date. The Participating Associations agree to be bound by the terms and conditions of the Early Access Agreement.

Any notice required or permitted to be given under the Agreement to the Participating Associations shall be deemed to be given if given as provided for in Article 7 of the Early Access Agreement to such Participating Associations at the following addresses:

## **EXHIBIT C**

\_\_\_\_\_ LIFE AND HEALTH INSURANCE GUARANTEE(Y) ASSOCIATION

HOME OFFICE ADDRESS:

\_\_\_\_\_

CONTACT:

\_\_\_\_\_  
Executive Director

Individual Single PremiumPaid Up Whole Life Insurance Policy

READ YOUR POLICY CAREFULLY: THIS IS A LEGAL CONTRACT BETWEEN THE POLICYOWNER AND THE ASSOCIATION.

WE AGREE TO PAY the Life Insurance Benefits of this Policy to the Beneficiary after receiving proof of your death. We also agree to provide you (the Owner) with other rights and benefits of this Policy. These agreements are subject to the provisions of this Policy.

Signed for the \_\_\_\_\_ Life and Health Insurance Guarantee(y) Association at  
\_\_\_\_\_, \_\_\_\_\_.

Executive Director

LIFE POLICY: SINGLE PREMIUM IS PAYABLE AS SHOWN ON THE POLICY SPECIFICATIONS PAGE.

TEN-DAY RIGHT TO EXAMINE POLICY

WITHIN 10 DAYS AFTER THIS POLICY IS FIRST RECEIVED, YOU MAY CANCEL IT FOR ANY REASON BY MAILING IT TO THE CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION. UPON CANCELLATION, WE WILL RETURN ANY PREMIUMS PAID.

In this Policy the Insured (Owner) will be referred to as "You", "Your" or "Yours" and the \_\_\_\_\_ Life and Health Insurance Guarantee(y) Association will be referred to as "Association", "We", "Our" or "Us".

EXHIBIT C

## POLICY SPECIFICATIONS PAGE

NAME

ATTAINED AGE

AMOUNT OF INSURANCE

PREMIUM Paid Up



## PREMIUM SCHEDULE

(Premiums are per \$1000 of face amount and based on age last birthday)

Attained Age	Premium	
	Male	Female
40	274.6055	243.9366
41	283.6176	252.0485
42	292.8677	260.4060
43	302.3438	269.0092
44	312.0346	277.8552
45	321.9431	286.9382
46	332.0797	296.2491
47	342.4686	305.7831
48	353.1544	315.5326
49	364.1538	325.4873
50	375.4526	335.6444
51	387.0292	345.9953
52	398.8509	356.5292
53	410.8903	367.2426
54	423.1162	378.1330
55	435.4994	389.1932
56	448.0299	400.4108
57	460.7321	411.7809
58	473.6483	423.3087
59	486.7810	435.0064
60	500.0844	446.8851
61	513.4924	458.9464
62	526.9415	471.1909
63	540.3988	483.6192
64	553.8632	496.2288
65	567.3505	509.0148
66	580.8950	521.9682
67	594.5283	535.0764
68	608.2699	548.3278
69	622.1255	561.7089
70	636.0682	575.1933
71	650.0172	588.7476
72	663.8748	602.3482
73	677.6176	615.9804
74	691.2655	629.6301
75	704.8170	643.2831
76	718.2471	656.9261
77	731.4897	670.5477
78	744.4516	684.1359
79	757.0600	697.6803
80	769.2631	711.0960

Attained Age	Premium	
	Male	Female
81	781.0304	724.2126
82	792.3820	736.9529
83	803.3363	749.3503
84	813.8588	761.4041
85	823.8852	773.1525
86	833.3518	784.5829
87	842.2138	795.4847
88	850.4470	805.7257
89	858.0431	815.3871
90	865.0578	824.8902
91	871.6168	834.7048
92	877.7945	844.6573
93	883.5876	854.2160
94	888.9691	862.9098
95	893.9621	870.3996
96	898.6744	876.5879
97	903.1567	881.9989
98	907.3632	887.6898
99	911.2057	893.8379
100	914.6696	899.9148
101	917.9326	905.7549
102	921.1279	911.3425
103	924.2515	916.6353
104	927.3002	921.5734
105	930.2716	926.1085
106	933.1633	930.2461
107	935.9736	934.0275
108	938.7004	937.4955
109	941.3424	940.6526
110	943.8994	943.4790
111	946.3703	946.0131
112	948.7552	948.3887
113	951.0539	950.7973
114	953.2665	953.1312
115	955.3931	955.2712
116	957.4345	957.3100
117	959.3912	959.1731
118	961.2600	960.8866
119	963.0136	962.7939
120	981.9277	981.9277

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## **BENEFITS, LOANS AND VALUES**

### **1. LIFE INSURANCE BENEFITS**

The amount of Life Insurance Benefit is the Amount of Insurance shown opposite any Insured's name in the Policy Schedule. We will subtract from the Amount of Insurance any loans made under the Loan Provisions of this Policy and not repaid. We will add to the benefit any part of the premium paid beyond the Policy Month of death.

Any amount to be paid at your death will be paid in one lump sum.

### **2. POLICY LOANS**

The Loan Value of this Policy will be:

- a. The Cash Value of the Policy;

The amount of loan available to you will be the Loan Value less:

- a. Any existing Policy Loan, and
- b. Any loan interest to the next policy anniversary.

You may obtain all or part of the amounts of loan available by written request to us. We may postpone making a Policy Loan, for not more than six months from the date the request is received by us.

The annual rate of interest, payable in advance, on your loan is 5.0%. If you do not pay the interest when due, the amount of unpaid interest is added to the loan, and we charge you interest on that amount at the same rate. You may repay any part of the loan during your lifetime. A minimum payment of \$10 will be required.

We do not terminate the Policy if you fail to repay the loan or the loan interest unless the loan and the interest together are more than the Cash Value of the Policy. In that case, we terminate the Policy 31 days after we mail a termination notice to your last known address.

### **3. GUARANTEED SURRENDER VALUE AND OPTIONS UPON NON-PAYMENT OF INSURANCE PREMIUMS**

#### **SURRENDER VALUE**

The Surrender Value of this Policy will be a. less b. :

- a. The Cash Value of this Policy on the date of surrender or the date of the first due and unpaid premium, whichever is later. Within 60 days after the due date of the first unpaid premium, the Cash Value used in determining the Surrender Value will be the Cash Value on that premium date
- b. Any Policy Loan and loan interest.

## **POLICY YEARS**

The Table of Nonforfeiture Values shows the Cash Value.

## **ELECTION OF OPTIONS**

You may elect one of the following options no later than 60 days after the due date of the first unpaid premium if you are alive. Election is made by filing a written request at the Home Office.

- a. You, the Owner, may surrender this Policy for its Surrender Value. Upon surrender, this insurance terminates. The Surrender Value will be:

Paid in one lump sum to you.

The surrender will be effective on the date we receive both this Policy and a written request to us. We may postpone payment for not more than six months from the Effective Date of Surrender.

## **4. BASIS OF VALUES**

The Cash Values as shown in the Table of Nonforfeiture Values attached will be that value at your attained age produced by the Standard Nonforfeiture Method using nonforfeiture factors. Cash or Loan Values will be calculated on the 2001 Commissioner's Standard Ordinary Mortality Table Age Last Birthday with interest at 3.75% per year. Reserves computed according to the Commissioner's Reserve Valuation Method will be calculated on the 2001 Commissioner's Standard Ordinary Mortality Table Age Last Birthday with interest at 3.75% per year. This Policy is issued on the basis of age on your last birthday and all values are calculated on the assumption that any death benefit is payable at the end of the policy year of death. The cash values under this policy are not less than the minimum required by the nonforfeiture statutes of the state in which this policy is delivered.

## **5. TABLE OF NONFORFEITURE VALUES**

The Table of Nonforfeiture Values which are included in this Policy are computed in accordance with the nonforfeiture provisions on the basis of \$1,000 of the Amount of Insurance, assuming that premium has been paid.

## **GENERAL PROVISIONS**

### **1. ENTIRE CONTRACT**

Our entire insurance agreement consists of this Policy, your Application and any Riders attached to this Policy. All statements made in your Application are representations and not warranties. We cannot use any statement to invalidate the Policy nor to defend against a claim unless that statement is contained in the written Application.

Only the Association's Executive Director has the authority to modify, waive or change this Policy's provisions.

## **2. OWNER**

You are the Owner of this Policy unless otherwise stated in the Policy Application or later changed. During the Insured's lifetime you have the sole right to any benefit the Policy pays and any value the Policy affords as well as any rights and privileges the Policy and the Association confer.

## **3. ASSIGNMENT**

You, alone, may assign this Policy. No assignment shall be binding on us unless a copy is filed at our Home Office. We assume no responsibility for the validity, effect or sufficiency of any assignment. The rights of the beneficiaries and you are subject to the rights of an assignee.

## **4. BENEFICIARY**

The Beneficiary is named in the Policy Application or in the most recent Beneficiary Change sent to our Home Office. While you are living, the beneficiary may be changed at any time by written notice to us. The change will be effective when it is received by us at our Home Office and will not apply to any payment made or action taken before the request was received.

No change of beneficiary may be made if the right to change the beneficiary has been surrendered or if prohibited by the terms of any recorded assignment of the Policy.

## **5. PAYMENT OF PREMIUM**

The premium on this Policy has been paid in full.

## **6. MISSTATEMENT OF AGE**

If your age was misstated, the amount payable will be what the premiums paid would have bought at your correct age.

The premium rate will be based on our rates at the time this Policy was issued. You may file proof of age at any time.

Once your age is established, we will use this age in any settlement.

## **7. INCONTESTABILITY**

This Policy shall be incontestable.

# TABLE OF NONFORFEITURE VALUES

Cash Values are determined by utilizing your age last birthday (cash values are stated per \$1000 of face value)

X	Cash Value = $A_x$	
	Male	Female
40	270.1600	239.9416
41	279.0509	247.9317
42	288.1842	256.1654
43	297.5511	264.6465
44	307.1365	273.3718
45	316.9328	282.3387
46	326.9534	291.5378
47	337.2059	300.9605
48	347.7313	310.6058
49	358.5775	320.4595
50	369.7300	330.5151
51	381.1753	340.7736
52	392.8830	351.2170
53	404.8188	361.8413
54	416.9619	372.6438
55	429.2706	383.6223
56	441.7283	394.7641
57	454.3316	406.0575
58	467.1327	417.5043
59	480.1640	429.1131
60	493.3979	440.8998
61	506.7708	452.8705
62	520.2140	465.0223
63	533.6690	477.3596
64	547.1286	489.8788
65	560.5979	502.5787
66	574.1032	515.4509
67	587.6868	528.4856
68	601.3698	541.6671
69	615.1701	554.9885
70	629.0810	568.4294
71	643.0554	581.9573
72	656.9789	595.5378
73	670.7708	609.1586
74	684.4644	622.8022
75	698.0666	636.4580
76	711.5675	650.1083
77	724.9267	663.7440
78	738.0527	677.3514
79	750.8505	690.9205
80	763.2695	704.4401

X	Cash Value = $A_x$	
	Male	Female
81	775.2566	717.7518
82	786.8041	730.6733
83	797.9599	743.2324
84	808.7126	755.4683
85	819.0050	767.3400
86	828.7654	778.9651
87	837.9382	790.2007
88	846.4894	800.7688
89	854.4046	810.6826
90	861.6816	820.0915
91	868.4340	829.6889
92	874.7996	839.7207
93	880.7894	849.5939
94	886.3857	858.8381
95	891.5524	866.9815
96	896.3718	873.8177
97	900.9770	879.3582
98	905.3365	884.6395
99	909.3898	890.7400
100	913.0217	896.9359
101	916.3176	902.8937
102	919.5477	908.6160
103	922.7082	914.0689
104	925.7948	919.2018
105	928.8057	923.9450
106	931.7376	928.2721
107	934.5891	932.2200
108	937.3580	935.8350
109	940.0427	939.1561
110	942.6422	942.1492
111	945.1565	944.8089
112	947.5842	947.2173
113	949.9261	949.5601
114	952.1817	952.0345
115	954.3513	954.2278
116	956.4349	956.3146
117	958.4341	958.3054
118	960.3482	960.0408
119	962.1717	961.7324
120	963.8554	963.8554
121	1000.0000	1000.0000

## **EXHIBIT D**

CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION

HOME OFFICE ADDRESS:

10780 Santa Monica Boulevard, Suite 401  
Los Angeles, CA. 90025

CONTACT:

Peter Leonard  
Executive Director

Individual Premium Paying Whole Life Insurance Policy, Premiums Payable to age 121

READ YOUR POLICY CAREFULLY: THIS IS A LEGAL CONTRACT BETWEEN THE POLICYOWNER AND THE ASSOCIATION.

WE AGREE TO PAY the Life Insurance Benefits of this Policy to the Beneficiary after receiving proof of your death. We also agree to provide you (the Owner) with other rights and benefits of this Policy. These agreements are subject to the provisions of this Policy.

Signed for the California Life and Health Insurance Guarantee Association at Los Angeles, California.

Executive Director

LIFE POLICY: PREMIUMS ARE PAYABLE AS SHOWN ON THE POLICY SPECIFICATIONS PAGE. PREMIUMS PAYABLE TO AGE 121

TEN-DAY RIGHT TO EXAMINE POLICY

WITHIN 10 DAYS AFTER THIS POLICY IS FIRST RECEIVED, YOU MAY CANCEL IT FOR ANY REASON MAILING IT TO THE CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION. UPON CANCELLATION, WE WILL RETURN ANY PREMIUMS PAID.

In this Policy the Insured (Owner) will be referred to as "You", "Your" or "Yours" and The California Life and Health Insurance Guarantee Association will be referred to as "Association", "We", "Our" or "Us".

EXHIBIT D



## POLICY SPECIFICATIONS PAGE

NAME        John Smith

AGE         87

AMOUNT OF INSURANCE        \$20,000

PREMIUM    \$434.40 per month

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3. Guaranteed Surrender Value and Options Upon Nonpayment of Insurance Premiums
4. Basis of Values
5. Table of Nonforfeiture Values

### GENERAL PROVISIONS

1. Entire Contract
2. Owner
3. Assignment
4. Beneficiary
5. Payment of Premiums
6. Grace Period
7. Reinstatement
8. Misstatement of Age
9. Incontestability

LIFE POLICY: PREMIUMS ARE PAYABLE AS SHOWN ON THE POLICY SPECIFICATIONS PAGE.

## **BENEFITS, LOANS AND VALUES**

### **1. LIFE INSURANCE BENEFITS**

The amount of Life Insurance Benefit is the Amount of Insurance shown opposite any Insured's name in the Policy Schedule. We will add to the Amount of Insurance any additional insurance provided by paid-up additions. We will subtract from the Amount of Insurance any loans made under the Loan Provisions of this Policy and not repaid. We will add to the benefit any part of the premium paid beyond the Policy Month of death.

Any amount to be paid at your death will be paid in one lump sum.

### **2. POLICY LOANS**

The Loan Value of this Policy will be the:

- a. The Cash Value of the Policy;

The amount of loan available to you will be the Loan Value less:

- a. Any due and unpaid premium;
- b. Any existing Policy Loan, and
- c. Any loan interest to the next policy anniversary.

You may obtain all or part of the amounts of loan available by written request to us. We may postpone making a Policy Loan, for not more than six months from the date the request is received by us.

The annual rate of interest, payable in advance, on your loan is 6.0%. If you do not pay the interest when due, the amount of unpaid interest is added to the loan, and we charge you interest on that amount at the same rate. You may repay any part of the loan during your lifetime. A minimum payment of \$10 will be required.

We do not terminate the Policy if you fail to repay the loan or the loan interest unless the loan and the interest together are more than the Cash Value of the Policy. In that case, we terminate the Policy 31 days after we mail a termination notice to your last known address.

### **3. GUARANTEED SURRENDER VALUE AND OPTIONS UPON NON-PAYMENT OF INSURANCE PREMIUMS**

#### **SURRENDER VALUE**

The Surrender Value of this Policy will be the:

- a. The Cash Value of this Policy on the date of surrender or the date of the first due and unpaid premium, whichever is later. Within 60 days after the due date of the first unpaid premium, the Cash Value used in determining the Surrender Value will be the Cash Value on that premium date; less
- b. Any Policy Loan and loan interest.

## **POLICY VALUES**

The Table of Nonforfeiture Values show the Cash Values.

## **ELECTION OF OPTIONS**

You may elect one of the following options no later than 60 days after the due date of the first unpaid premium if you are alive. Election is made by filing a written request at the Home Office.

- a. You, the Owner, may surrender this Policy for its Surrender Value. Upon surrender, this insurance terminates. The Surrender Value will be:

Paid in one lump sum to you.

The surrender will be effective on the date we receive both this Policy and a written request to us. We may postpone payment for not more than six months from the Effective Date of Surrender.

- b. Paid-Up Insurance-You may continue this Policy in force as Paid-up Insurance. No further premiums are payable. The amount of Paid-up insurance will be calculated using the Surrender Value of this Policy as a net single premium as of the due date of the first unpaid premium at your then current age.

## **4. BASIS OF VALUES**

The Cash Values as shown in the Table of Nonforfeiture Values will be that value produced by the Standard Nonforfeiture Method using nonforfeiture factors. The amount of paid up insurance will not be less than the amount the net cash value will purchase at net single premium rates at the attained age of the Insured. Cash or Loan Values and paid-up Insurance will be calculated on the 2001 Commissioner's Standard Ordinary Mortality Table, Non Smoker, Select and Ultimate with interest at 5% per year. Reserves computed according to the Commissioner's Reserve Valuation Method will be calculated on the 2001 Commissioner's Standard Ordinary Mortality Table with interest at 4% per year. This Policy is issued on the basis of age at your last birthday, and all values are calculated on the assumption that any death benefit is payable at the time of death, The Cash Values and paid-up nonforfeiture benefits under this policy are not less than the minimum required by the nonforfeiture statutes of the state in which this policy is delivered.

## **5. TABLE OF NONFORFEITURE VALUES**

The Table of Nonforfeiture Values which are included in this Policy are computed in accordance with the nonforfeiture provisions on the basis of \$1,000 of the Amount of Insurance, assuming

that premiums have been paid for the number of years stated, and there is no indebtedness due. Allowance will be made for any fractional year's premium paid. Values, if any, for years after the twentieth year, which are not shown, will be furnished on request and will be calculated as provided under the Basis of Values.

## **GENERAL PROVISIONS**

### **1. ENTIRE CONTRACT**

Our entire insurance agreement consists of this Policy, your Application and any Riders attached to this Policy. All statements made in your Application are representations and not warranties. We cannot use any statement to invalidate the Policy nor to defend against a claim unless that statement is contained in the written Application.

Only the Association's Executive Director has the authority to modify, waive or change this Policy's provisions.

### **2. OWNER**

You are the Owner of this Policy unless otherwise stated in the Policy Application or later changed. During the Insured's lifetime you have the sole right to any benefit the Policy pays and any value the Policy affords as well as any rights and privileges the Policy and the Association confer.

### **3. ASSIGNMENT**

You, alone, may assign this Policy. No assignment shall be binding on us unless a copy is filed at our Home Office. We assume no responsibility for the validity, effect or sufficiency of any assignment. The rights of the beneficiaries and you are subject to the rights of an assignee.

### **4. BENEFICIARY**

The Beneficiary is named in the Policy Application or in the most recent Beneficiary Change sent to our Home Office. While you are living, the beneficiary may be changed at any time by written notice to us. The change will be effective when it is received by us at our Home Office and will not apply to any payment made or action taken before the request was received.

No change of beneficiary may be made if the right to change the beneficiary has been surrendered or if prohibited by the terms of any recorded assignment of the Policy.

### **5. PAYMENT OF PREMIUMS**

Premiums are payable in advance at our Home Office. Premiums are payable in advance beginning on the Date of Issue in the amounts and at the intervals shown on the Policy Specifications Page. Premiums may be paid annually, semi-annually, quarterly or monthly at our premium rate for the mode of payment requested. A change to any such frequency will take effect when we accept the premium for the changed frequency. If the premium is not paid when

due or within the Grace Period, your Policy will lapse subject to the Reinstatement and any Nonforfeiture Provisions of your Policy.

## **6. GRACE PERIOD**

You will be allowed a Grace Period of 31 days for payment of each premium after the first premium payment. This Policy will continue in force during the Grace Period unless surrendered.

## **7. REINSTATEMENT**

This Policy may be reinstated at any time within five years after default unless this Policy was surrendered for cash. The requirements for reinstatement are:

- a. Presentation of evidence of insurability;
- b. Payment of all premiums from the date of lapse;
- c. Payment or reinstatement of any policy loan and loan interest; and
- d. Payment of annually compounded interest from the date of lapse at a rate of 5% a year on all unpaid premiums.

## **8. MISSTATEMENT OF AGE**

If your age was misstated, the amount payable will be what the premiums paid would have bought at your correct age.

The premium rate will be based on our rates at the time this Policy was issued. You may file proof of age at any time.

Once your age is established, we will use this age in any settlement.

## **9. INCONTESTABILITY**

We will not contest this Policy after it has been in force during your lifetime for two years from the Issue Date.

# TABLE OF NONFORFEITURE VALUES

## ISSUE AGE 87

Cash Values are determined by utilizing your age last birthday (cash values are stated per \$1000 of face value)

<b>Attained Age</b>	<b>Cash Value Per \$1,000</b>
88	\$38.65
89	\$125.36
90	\$202.33
91	\$265.78
92	\$318.21
93	\$358.58
94	\$388.98
95	\$417.02
96	\$443.07
97	\$467.82
98	\$491.25
99	\$513.04
100	\$532.56
101	\$550.24
102	\$567.50
103	\$584.32
104	\$600.65

<b>Attained Age</b>	<b>Cash Value Per \$1,000</b>
105	\$616.52
106	\$632.00
107	\$647.08
108	\$661.74
109	\$675.98
110	\$689.79
111	\$703.16
112	\$716.10
113	\$728.59
114	\$740.64
115	\$752.24
116	\$763.40
117	\$774.12
118	\$784.40
119	\$794.24
120	\$803.25
121	\$1,000.00

## **EXHIBIT E**



CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION

HOME OFFICE ADDRESS:

10780 Santa Monica Boulevard, Suite 401  
Los Angeles, CA. 90025

CONTACT:

Peter Leonard  
Executive Director

Disability Term to 65

Owner\_\_\_\_\_

Age\_\_\_\_\_

Amount\_\_\_\_\_

No.\_\_\_\_\_

The California Life and Health Insurance  
Guarantee Association

WE AGREE TO PAY the Life Insurance Benefits of this Policy to the Beneficiary after receiving proof of your death. We also agree to provide you (the Owner) with other rights and benefits of this Policy. These agreements are subject to the provisions of this Policy.

Signed for the CALIFORNIA LIFE AND HEALTH INSURANCE  
GUARANTEE ASSOCIATION this\_\_\_\_\_ day of \_\_\_\_\_, 2011.

TEN-DAY RIGHT TO EXAMINE POLICY  
WITHIN 10 DAYS AFTER THIS POLICY IS FIRST RECEIVED, YOU  
MAY CANCEL IT FOR ANY REASON BY DELIVERING OR MAILING IT TO  
THE ASSOCIATION. UPON CANCELLATION, WE WILL RETURN ANY  
PREMIUM PAID.

EXHIBIT E

In this Policy the Insured (Owner) will be referred to as "You," "Your" or "Yours" and the California Life and Health Insurance Guarantee Association will be referred to as "We," "Our" or "Us."

## BENEFITS

1. **LIFE INSURANCE BENEFITS.** The amount of life insurance benefit is shown above. Any amount to be paid at your death will be paid in one lump sum unless otherwise provided.

## GENERAL PROVISIONS

1. **ENTIRE CONTRACT.** Our entire insurance agreement consists of this Policy.

We may not be bound by any waiver, modification or change of any of the provisions of this Policy unless there is written evidence of our agreement to change signed by the Executive Director of the California Life and Health Insurance Guarantee Association.

2. **OWNER.** You are the Owner of this Policy unless later changed.

3. **ASSIGNMENT.** You, alone, may assign this Policy. No assignment shall be binding on us unless a copy is filed at the Association's office. We assume no responsibility for the validity, effect or sufficiency of any assignment. The rights of the beneficiaries and you are subject to the rights of an assignee.

4. **BENEFICIARY.** You will advise us of your beneficiary. While you are living, the beneficiary may be changed at any time by written notice to us. The change will be effective when it is received by us at our office and will not apply to any payment made or action taken before the request is received.

No change of beneficiary may be made if the right to change the beneficiary has been surrendered or if prohibited by the terms of any recorded assignment of the Policy.

5. **PAYMENT OF PREMIUMS.** No premiums are due while you are receiving disability insurance benefits from the Association.

6.      **TERMINATION.** This Policy will terminate the earlier of when you reach age 65 or stop receiving disability benefits.

7.      **INCONTESTABILITY.** This Policy shall be incontestable.

## **EXHIBIT F**

CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE  
ASSOCIATION

HOME OFFICE ADDRESS:

10780 Santa Monica Boulevard, Suite 401  
Los Angeles, CA. 90025

CONTACT:

Peter Leonard  
Executive Director

Dependent Term to 65

Owner\_\_\_\_\_

Age\_\_\_\_\_

Amount\_\_\_\_\_

No.\_\_\_\_\_

Premium Per Month \_\_\_\_\_

Date of Issue \_\_\_\_\_

WE AGREE TO PAY the Life Insurance Benefits of this Policy to the Beneficiary after receiving proof of your death. We also agree to provide you (the Owner) with other rights and benefits of this Policy. These agreements are subject to the provisions of this Policy.

Signed for the CALIFORNIA LIFE AND HEALTH INSURANCE  
GUARANTEE ASSOCIATION this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
\_\_\_\_\_

TERM TO AGE 65 POLICY PREMIUMS ARE PAYABLE AS SHOWN  
ABOVE.

TEN-DAY RIGHT TO EXAMINE POLICY

WITHIN 10 DAYS AFTER THIS POLICY IS FIRST RECEIVED, YOU  
MAY CANCEL IT FOR ANY REASON BY DELIVERING OR MAILING IT

TO THE ASSOCIATION. UPON CANCELLATION, WE WILL RETURN ANY PREMIUM PAID.

In this Policy the Insured (Owner) will be referred to as "You," "Your" or "Yours" and the California Life and Health Insurance Guarantee Association will be referred to as "We," "Our" or "Us."

## BENEFITS

1. LIFE INSURANCE BENEFITS. The amount of life insurance benefit is shown above. Any amount to be paid at your death will be paid in one lump sum unless otherwise provided.

## GENERAL PROVISIONS

1. ENTIRE CONTRACT. Our entire insurance agreement consists of this Policy.

We may not be bound by any waiver, modification or change of any of the provisions of this Policy unless there is written evidence of our agreement to change signed by the Executive Director of the California Life and Health Insurance Guarantee Association.

2. OWNER. You are the Owner of this Policy unless later changed.

3. ASSIGNMENT. You, alone, may assign this Policy. No assignment shall be binding on us unless a copy is filed at the Association's office. We assume no responsibility for the validity, effect or sufficiency of any assignment. The rights of the beneficiaries and you are subject to the rights of an assignee.

4. BENEFICIARY. You will advise us of your beneficiary. While you are living, the beneficiary may be changed at any time by written notice to us. The change will be effective when it is received by us at our office and will not apply to any payment made or action taken before the request is received.

No change of beneficiary may be made if the right to change the beneficiary has been surrendered or if prohibited by the terms of any recorded assignment of the Policy.

5. PAYMENT OF PREMIUMS. Premiums are payable in advance at our office.

Premiums are payable in advance beginning on the Date of Issue in the amounts shown on the first page of this Policy. Premiums may be made annually, semi-annually, quarterly or monthly at our premium rate for the mode of payment requested. A change to any such frequency will take effect when we accept the premium for the changed frequency. If the premium is not paid when due or within the Grace Period, your Policy will lapse subject to the Reinstatement provisions of this Policy.

6. GRACE PERIOD. You will be allowed a Grace Period of 31 days for payment of each premium after the first. This Policy will continue in force during the Grace Period unless surrendered.

7. REINSTATEMENT. This Policy may be reinstated at any time within five years after default unless this Policy was surrendered for cash. The requirements for reinstatement are:

- a. Presentation of evidence of insurability;
- b. Payment of all premiums from the date of lapse; and
- c. Payment of annually compounded interest from the date of lapse at a rate of 6% a year on all unpaid premiums and any policy loan and loan interest.

8. MISSTATEMENT OF AGE. If your age was misstated, the amount payable will be what the premiums paid would have bought at your correct age. The premium rate will be based on our rates at the time this Policy was issued. You may file proof of age at any time.

Once your age is established, we will use this age in any settlement.

9. TERMINATION. This Policy will terminate when you reach age 65.

10. INCONTESTABILITY. This Policy shall be incontestable.

## **EXHIBIT G**



SUMMARY OF POLICIES, COVERAGES AND RATES					
Whole Life Paid Up	Policyholders	Current Coverage	Coverage to be Offered	Current Cost	Future Cost
<b>Total Retired Employees</b>	127				
Covered by California GA	77	\$5,000	\$4,000	\$0	\$0
Covered by Another State GA	50	\$5,000	\$5,000	\$0	\$0
<b>Total Retired Officers</b>	17				
Covered by California GA	14	\$10,000	\$8,000	\$0	\$0
Covered by Another State GA	3	\$10,000	\$10,000	\$0	\$0
<b>Total Disabled Employees</b>	2				
Covered by California GA	2	\$5,000	\$4,000	\$0	\$0
Covered by Another State GA	0				
<b>Total Number of Policies</b>	146				
<b>Total Coverage Under Policies</b>		\$815,000	\$708,000 *		
<b>Whole Life Premium Paying (excess coverage)</b>					
<b>Total Retired Officers</b>	11	\$20,000 to \$110,000	\$20,000 to \$110,000	\$9.60 to \$34.10/mo.	\$196.65 to \$824.80/mo.
Covered by California GA	11				
Covered by Another State GA	0				
<b>Total Number of Policies</b>	11				
<b>Total Coverage Under Policies</b>		\$610,000	\$610,000		
<b>Disabled to 65</b>					
<b>Total Disabled Employees</b>	2				
Covered by California GA	2	\$30,000 to \$35,000	\$24,000 to \$28,000	\$0	\$0
Covered by Another State GA	0				
<b>Total Number of Policies</b>	2				
<b>Dependent Term to 65</b>					
<b>Total Dependents</b>	2				
Covered by California GA	2	\$5,000	\$4,000	\$4	\$11.30 to \$13.20/mo.
Covered by Another State GA	0				
<b>Total Number of Policies</b>	2				
* The difference in coverage is a result of the 80% co-insurance provision found in the California guaranty association law.					

## **EXHIBIT H**

### EXCESS RETIREE PROGRAM

Gender	State	Excess Coverage	Attained age on 4/5/12	Current Monthly Premium	New Monthly Premium
M	CA	70,000	65.1	\$21.70	\$431.20
M	CA	22,000	78.1	\$17.01	\$302.72
F	CA	45,000	60.2	\$13.95	\$176.85
M	CA	40,000	86.9	\$12.60	\$868.80
M	CA	58,000	72.6	\$31.90	\$547.52
F	CA	45,000	61.7	\$13.95	\$187.65
F	CA	70,000	66.2	\$33.94	\$381.50
F	CA	110,000	60.3	\$34.10	\$432.30
M	CA	20,000	86.8	\$9.60	\$434.40
M	CA	70,000	75.6	\$33.94	\$851.20
F	CA	60,000	68.4	\$29.09	\$369.60

To Be Used With Whole Life Premium Paying Policy

Exhibit H

# **EXHIBIT I**

### **RATES FOR DEPENDENT CERTIFICATE HOLDERS**

<b>AGE</b>	<b>RATE</b>
57	2.72 per 1000 or \$13.60 per month
53	2.36 per 1000 or \$11.80 per month

Exhibit I

## **EXHIBIT J**

List of Guaranty Associations

California Life & Health Insurance Guarantee Association

Georgia Life & Health Insurance Guaranty Association

Illinois Life & Health Insurance Guaranty Association

Michigan Life & Health Insurance Guaranty Association

North Carolina Life & Health Insurance Guaranty Association

Texas Life, Accident, Health & Hospital Service Insurance Guaranty Association

Exhibit J

## **EXHIBIT K**



ORIGINAL FILED

JAN 28 2011

RECEIVED

LOS ANGELES

DEC 21 2010

SUPERIOR COURT

DEPT 86

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Attorneys for Applicant

Insurance Commissioner of the State of California

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

INSURANCE COMMISSIONER OF THE  
STATE OF CALIFORNIA,

Applicant,

v.

GOLDEN STATE MUTUAL LIFE  
INSURANCE COMPANY, a California  
corporation,

Respondent.

Case No. BS123005

Assigned to Hon. Ann I. Jones, Dept. 86

~~PROPOSED~~ ORDER OF LIQUIDATION  
AND ORDERS AND INJUNCTIONS IN  
AID OF LIQUIDATION FOR GOLDEN  
STATE MUTUAL LIFE INSURANCE  
COMPANY

Date: January 28, 2011

Time: 9:30 a.m.

Dept: 86

Exhibit K

1 On January 28, 2011, in Department 86 of the above-entitled Court, the Honorable Ann I.  
2 Jones, Judge Presiding (the "Court"), the Court held the hearing on the Court's Order to Show  
3 Cause and the Motion For Order Of Liquidation And Orders And Injunctions In Aid Of  
4 Liquidation For Golden State Mutual Life Insurance Company, filed by Applicant Steve Poizner,  
5 Insurance Commissioner of the State of California, in his capacity as Conservator ("Conservator")  
6 of Golden State Mutual Life Insurance Company in Conservation ("Golden State"). Deputy  
7 Attorney General Marta L. Smith and attorney Michael R. Weiss appeared on behalf of the  
8 Conservator. Other appearances, if any, are noted in the record.

9 The Court, having read and considered the Conservator's Notice of Order to Show Cause  
10 and Motion, Memorandum of Points and Authorities in support of the Motion, the Declarations of  
11 David E. Wilson and Michael R. Weiss, and all documents and evidence submitted, and having  
12 heard and considered the arguments presented to the Court, and upon good cause shown,

13 IT IS HEREBY ORDERED that the Conservator's Motion is granted and that:

14 A. Liquidation, Administration and Operation

15 1. As of September 30, 2010, Golden State is insolvent and remains insolvent today,  
16 and it would be futile for the Commissioner to proceed as Conservator; and therefore, sufficient  
17 grounds exist in accordance with Insurance Code § 1016 for entry of an order of liquidation of  
18 Golden State. (Insurance Code § 1016.)

19 2. The Commissioner's status as Conservator is terminated, he is appointed  
20 Liquidator of Golden State as set forth in Insurance Code § 1016, and he is directed as Liquidator  
21 to liquidate and wind up the business of Golden State and to act in all ways and exercise all  
22 powers necessary for the purpose of carrying out this Order. (Insurance Code § 1016.)

23 3. Title to all of the assets of Golden State, wheresoever situated, shall remain vested  
24 in the Commissioner, now as Liquidator, or his successor in office, in his official capacity as  
25 such, including without limitation real and personal property, deposits, certificates of deposit,  
26 bank accounts, mutual funds, securities, contracts, rights of actions, books, records and other  
27 assets of any and every type and nature, wheresoever situated, presently in Golden State's  
28

1 possession and/or those which may be discovered hereafter. (Insurance Code §§ 1011, 1016 and  
2 1037 General Powers.)

3 4. All funds and assets, including without limitation deposits, certificates of deposit,  
4 bank accounts, securities, and mutual fund shares of Golden State, in various financial depository  
5 institutions, including without limitation banks, savings and loan associations, industrial loan  
6 companies, mutual funds and/or stock brokerages, wheresoever situated, are subject to withdrawal  
7 only upon direction or order by the Liquidator. (Insurance Code §§ 1011, 1016 and 1037 General  
8 Powers.)

9 5. The Liquidator is authorized to collect all moneys due to Golden State, and to do  
10 such other acts as are necessary or expedient to collect, conserve, protect and/or liquidate Golden  
11 State's assets, property and business. (Insurance Code § 1037(a).)

12 6. The Conservator is authorized to collect all debts due and claims belonging to  
13 Golden State and to have the authority to sell, compound, compromise, or assign, for the purpose  
14 of collection upon such terms and conditions as the Liquidator deems best, any bad or doubtful  
15 debts. (Insurance Code § 1037(b).)

16 7. The Liquidator is authorized to compound, compromise or in any other manner  
17 negotiate settlements of claims against Golden State upon such terms and conditions as the  
18 Liquidator shall deem to be most advantageous to the estate of Golden State. (Insurance Code §  
19 1037(c).)

20 8. The Liquidator is authorized, without permission of the court and without notice,  
21 to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of  
22 or deal with, any real or personal property of Golden State at its reasonable market value, or, in  
23 cases other than acquisition, sale, or transfer on the basis of reasonable market value, upon such  
24 terms and conditions as the Liquidator may deem proper, provided the market value of the  
25 property involved does not exceed the sum of twenty thousand dollars (\$20,000). (Insurance  
26 Code § 1037(d).)

27 9. The Liquidator is authorized to transfer to a trustee or trustees, under a voting trust  
28 agreement, the stock of Golden State heretofore or hereafter issued to the Liquidator in

1 connection with a rehabilitation or reinsurance agreement, or any other proceeding under  
2 Insurance Code § 1010 *et seq.* (Insurance Code § 1037(e).)

3 10. The Liquidator is authorized, for the purpose of executing and performing any of  
4 the powers and authority conferred upon the Liquidator under Insurance Code § 1010 *et seq.*, in  
5 the name of Golden State or in the Liquidator's own name, to initiate, prosecute and/or defend any  
6 and all suits and other legal proceedings, legal or equitable, and to execute, acknowledge and  
7 deliver any and all deeds, assignments, releases and other instruments necessary and proper to  
8 effectuate any sale of any real and personal property or other transaction in connection with the  
9 administration, liquidation or other disposition of the assets of Golden State, in this or other states  
10 as may appear to him necessary to carry out his functions as Liquidator. (Insurance Code §  
11 1037(f) and 1037 General Powers.)

12 11. The Liquidator is authorized to divert, take possession of and secure all mail of  
13 Golden State and to effect a change in the rights to use any and all post office boxes and other  
14 mail collection facilities used by Golden State. (Insurance Code §§ 1011 and 1037 General  
15 Powers.)

16 12. The Liquidator is authorized, without permission of the court and without notice,  
17 to invest and reinvest, in such manner as the Liquidator may deem suitable for the best interests of  
18 the policyholders and/or creditors of Golden State, such portions of the funds and assets of  
19 Golden State in his possession as do not exceed the amount of the reserves required by law to be  
20 maintained by Golden State as reserves for life insurance policies, annuity contracts,  
21 supplementary agreements incidental to life business, and reserves for non-cancelable disability  
22 policies, and which funds and assets are not immediately distributable to creditors, provided the  
23 investment or reinvestment to be made does not exceed the sum of one hundred thousand dollars  
24 (\$100,000), except that the Liquidator, without permission of the court and without notice, may  
25 make investments or reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per  
26 investment or reinvestment, if such investments or reinvestments are part of Golden State's  
27 existing investments or are made pursuant to the investment guidelines of the Commissioner's  
28 Conservation & Liquidation Office including investments and reinvestments through an

1 investment pool consisting exclusively of assets from conserved and/or liquidating estates.

2 (Insurance Code § 1037(g) and General Powers.)

3 13. The Liquidator is authorized, in his discretion, without permission of the court and  
4 without notice, to pay or defer payment of some or all claims, expenses, liabilities and/or  
5 obligations of Golden State, in whole or in part, accruing prior and/or subsequent to his  
6 appointment as Liquidator. (Insurance Code §§ 1011 and 1037 General Powers.)

7 14. The Liquidator is authorized to appoint and employ under his hand and official  
8 seal, special deputy commissioners and/or legal counsel, as his agents, and to employ clerks  
9 and/or assistants, and to give to each of them those powers that the Liquidator deems necessary.  
10 (Insurance Code §§ 1035(a) and 1036.)

11 15. The Liquidator is authorized to fix the costs of employing special deputy  
12 commissioners, legal counsel, clerks, and/or assistants, and all expenses of taking possession of,  
13 conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and  
14 property of Golden State, subject to the approval of the court, and to pay such costs out of the  
15 assets of Golden State to the Liquidator and others including without limitation expenses, expense  
16 allocations, administrative costs, administrative overhead, and costs incurred and/or allocated by  
17 the Conservation & Liquidation Office, and if there are insufficient funds to pay such costs, then  
18 to pay such costs out of the Insurance Fund pursuant to Insurance Code § 1035. (Insurance Code  
19 §§ 1035(a), 1036 and 1037 General Powers.)

20 16. The Liquidator is authorized to assume or reject, or to modify, any executory  
21 contract, including without limitation, any lease, rental or utilization contract or agreement  
22 (including any schedule to any such contract or agreement), and any license or other arrangement  
23 for the use of computer software of business information systems, to which Golden State is a  
24 party or as to which Golden State agrees to accept an assignment of such contract, not later than  
25 120 days of the date of the Order Appointing Conservator, unless such date is extended by  
26 application to and further order of this Court, and if not expressly assumed by the Conservator  
27 within that time then such executory contract is deemed rejected. (Insurance Code § 1037  
28 General Powers.)

1        17.    The Liquidator is authorized to terminate compensation arrangements with  
2 employees, to enter into new compensation arrangements with employees including arrangements  
3 containing retention incentives, and to hire employees on such terms and conditions as he deems  
4 reasonable. (Insurance Code § 1037 General Powers.)

5        18.    The Liquidator is vested with all the powers of the directors, officers and managers  
6 of Golden State, whose authorities are suspended except as such powers may be re-delegated by  
7 the Liquidator. (Insurance Code § 1037 General Powers.)

8        **B.    Injunctions and Other Orders**

9        19.    Except upon the express authorization of the Liquidator, all persons are hereby  
10 enjoined, including without limitation Golden State and its officers, directors, agents, servants,  
11 and employees, from the transaction of Golden State's business or disposition of its property  
12 including without limitation from disposing of, using, transferring, selling, assigning, canceling,  
13 alienating, hypothecating or concealing in any manner or any way, or assisting any person in any  
14 of the foregoing, of the property or assets of Golden State or property or assets in the possession  
15 of Golden State, of any nature or kind, including without limitation claims or causes of action,  
16 until further order of this Court and further, enjoining such persons from obstructing or interfering  
17 with the Liquidator's conduct of his or her duties as Liquidator. (Insurance Code §§ 1011, 1020  
18 and 1037.)

19        20.    All persons are enjoined from instituting or prosecuting or maintaining any action  
20 at law or suit in equity including without limitation actions or proceedings to compel discovery or  
21 production of documents or testimony, and matters in arbitration, and from obtaining or  
22 attempting to attain preferences, judgments, foreclosures, attachments or other liens of any kind  
23 or nature, against Golden State, its assets, or the Liquidator, and from attaching, executing upon,  
24 foreclosing upon, redeeming of, making levy upon, or taking any other legal proceedings against  
25 any of the property and/or assets of Golden State, and from doing any act interfering with the  
26 conduct of said business by the Liquidator, except after an order from this Court obtained after  
27 reasonable notice to the Liquidator. (Insurance Code §§ 1011, 1020, and 1037 General Powers.)  
28

1        21. All persons are enjoined from the sale or deed for nonpayment of taxes or  
2 assessments levied by any taxing agency of property and/or assets of Golden State. (Insurance  
3 Code § 1020(f).)

4        22. Except with leave of court issued after a hearing in which the Liquidator has  
5 received reasonable and statutory notice, all persons are enjoined from accelerating the due date  
6 of any obligation or claimed obligation, exercising any right of set-off, taking, retaining, retaking  
7 or attempting to retake possession of any real or personal property, withholding or diverting any  
8 rent or other obligation, and doing any act or other thing whatsoever to interfere with the  
9 possession of or management by the Liquidator of the property and assets, owned or controlled,  
10 by Golden State or in the possession of Golden State or in any way interfering with the Liquidator  
11 or interfering in any manner during the pendency of this proceeding with the exclusive  
12 jurisdiction of this Court over Golden State. (Insurance Code §§ 1020 and 1037 General Powers.)

13        23. All persons are enjoined from the waste of the assets of Golden State. (Insurance  
14 Code § 1020.)

15        24. Golden State and all officers, directors, agents and employees of Golden State are  
16 ordered to deliver to, and immediately make available to, the Liquidator all assets, books,  
17 accounts, records, information, computers, tapes, discs, writings, other recordings of information,  
18 equipment and other property of Golden State, wheresoever situated, in said person's custody or  
19 control and further, and are directed the aforesaid to disclose verbally, or in writing if requested  
20 by the Liquidator, the exact whereabouts of the foregoing items if such items are not in the  
21 possession, custody or control of said persons. (Insurance Code §§ 1011, 1016, 1020 and 1037  
22 General Powers.)

23        25. Golden State and all officers, directors, trustees, employees or agents of Golden  
24 State, or any other person, firm, association, partnership, corporate parent, holding company,  
25 affiliate or other entity in charge of any aspect of Golden State's affairs, either in whole or in part,  
26 and including but not limited to banks, savings and loan associations, financial or lending  
27 institutions, brokers, stock or mutual associations, or any parent, holding company, subsidiary or  
28 affiliated corporation or any other representative acting in concert with Golden State, are ordered

1 to cooperate with the Liquidator in the performance of his or her duties. (Insurance Code § 1037  
2 General Powers.)

3 26. All persons who maintain records for Golden State, pursuant to written contract or  
4 any other agreement, are ordered to maintain such records and to deliver to the Liquidator such  
5 records upon his request. (Insurance Code §§ 1020 and 1037 General Powers.)

6 27. All agents of Golden State, and all brokers who have done business with Golden  
7 State, are ordered to make all remittances of all funds collected by them or in their hands directly  
8 to the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

9 28. All persons having possession of any lists of policyholders, escrow holders,  
10 mortgages or mortgagees of Golden State are ordered to deliver such lists to the Liquidator and all  
11 persons are enjoined from using any such lists or any information contained therein without the  
12 consent of the Liquidator. (Insurance Code §§ 1020 and 1037 General Powers.)

13 29. Golden State and its officers, directors, agents, servants, employees, successors,  
14 assigns, affiliates, and other persons or entities under their control and all persons or entities in  
15 concert or participation with Golden State, and each of them, are ordered to turn over to the  
16 Liquidator all records, documentation, charts and/or descriptive materials of all funds, assets,  
17 property (owned beneficially or otherwise), and all other assets of Golden State wherever situated,  
18 and all books and records of accounts, title documents and other documents in their possession or  
19 under their control, which relate, directly or indirectly, to assets or property owned or held by  
20 Golden State or to the business or operations of Golden State. (Insurance Code §§ 1020 and 1037  
21 General Powers.)

22 30. Any and all provisions of any agreement entered into by and between any third  
23 party and Golden State, including by way of illustration, but not limited to, the following types of  
24 agreements (as well as any amendments, assignments, or modifications thereto), are stayed, and  
25 the assertion of any and all rights and remedies relating thereto are also stayed and barred, except  
26 as otherwise ordered by this Court, and this Court shall retain jurisdiction over any cause of action  
27 that has arisen or may otherwise arise under any such provision: financial guarantee bonds,  
28 promissory notes, loan agreements, security agreements, deeds of trust, mortgages,



1 indemnification agreements, subrogation agreements, subordination agreements, pledge  
2 agreements, assignments of rents or other collateral, financial statements, letters of credit, leases,  
3 insurance policies, guaranties, escrow agreements, management agreements, real estate brokerage  
4 and rental agreements, servicing agreements, attorney agreements, consulting agreements,  
5 easement agreements, license agreements, franchise agreements, or employment contracts that  
6 provide in any manner that selection, appointment or retention of a conservator, receiver or trustee  
7 by any court, or entry of any order such as hereby made, shall be deemed to be, or otherwise  
8 operate as, a breach, violation, event of default, termination, event of dissolution, event of  
9 acceleration, insolvency, bankruptcy, or liquidation. (Insurance Code §§ 1020 and 1037 General  
10 Powers).

11 **C. Creditors and Setting of Claims Bar Date**

12 31. The rights and liabilities of claimants, policyholders, shareholders, members and  
13 all other persons interested in the assets of Golden State are fixed as of the date of entry of this  
14 Order. (Insurance Code § 1019.)

15 32. Any and all claims against Golden State, including without limitation those claims  
16 which in any way affect or seek to affect any of the assets of Golden State, wherever or however  
17 such assets may be owned or held, must be filed no later than December 31, 2011 (the "Claims  
18 Bar Date"), together with proper proofs thereof, in accordance with the provisions of Insurance  
19 Code § 1010 *et seq.* including without limitation Insurance Code § 1023. The proof of claim must  
20 be timely filed on the form provided by the Liquidator, together with proper proofs thereof, and  
21 must be supplemented with such further information as the Liquidator requests, in accordance  
22 with Insurance Code § 1023(f). Except for persons deemed to have filed claims against Golden  
23 State in accordance with the provisions of Insurance Code § 1010 *et seq.* including without  
24 limitation Insurance Code § 1024 and § 1025.5, any claims not filed by the Claims Bar Date shall  
25 be conclusively deemed forever waived. (Insurance Code § 1024.)

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1        33.    For such other and further relief as may be proper or necessary.

2        34.    The Liquidator is authorized to take any and all action necessary to accomplish the  
3 purposes of this Order and the Orders requested herein.

4 DATED: 1-28-11

**ANN I. JONES**

THE HONORABLE ANN I. JONES  
Los Angeles Superior Court Judge