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11
SUPERIOR COURT OF THE STATE OF CALIFORNIA
12
FOR THE COUNTY OF LOS ANGELES

13 INSURANCE COMMISSIONER OF THE
14 STATE OF CALIFORNIA,

15 Applicant,

16 v.

17 GOLDEN STATE MUTUAL LIFE
18 INSURANCE COMPANY, a California
corporation,

19 Respondent.

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

**NOTICE OF APPLICATION AND
APPLICATION FOR ORDERS
APPROVING:**

**(1) LIQUIDATOR'S DETERMINATIONS
TO NOT HANDLE CLAIMS IN
PRIORITY CLASSES 2 – 9 AND NOT
UNDERTAKE A PROOF OF CLAIMS
PROCESS;**

**(2) LIQUIDATOR'S DETERMINATIONS
TO TERMINATE THE LIQUIDATION
AND DISCHARGE THE LIQUIDATOR;**

**(3) LIQUIDATOR'S STATEMENT OF
ASSETS AND LIABILITIES; AND**

(4) LIQUIDATOR'S EXPENSES

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

Date: November 20, 2015
Time: 9:30 a.m.
Dept: 86

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

6 **PLEASE TAKE NOTICE** that on November 20, 2015, at 9:30 a.m., or as soon thereafter
7 as the parties may be heard, in Department 86 of the Los Angeles Superior Court for the State of
8 California, County of Los Angeles, located at 111 N. Hill Street, Los Angeles, California 90012
9 (“Court”), Applicant Insurance Commissioner of the State of California in his capacity as
10 Liquidator (“Liquidator”) of Golden State Mutual Life Insurance Company (“Golden State”), will
11 and hereby does apply to the Court and submit this application for the following Court orders:

12 1. An Order approving the Liquidator’s determinations that Golden State possesses
13 insufficient assets to permit distribution to creditors in Priority Classes 2 through 9 of Insurance
14 Code § 1033 and, therefore, pursuant to Insurance Code § 1021(c)(1), the Liquidator will not
15 handle claims against Golden State in those classes or undertake a proof of claims process (i.e.,
16 there will be no claims allowed or paid after Priority Class 1 Expenses of Administration);

17 2. An Order approving the Liquidator’s determinations that Golden State possesses
18 insufficient assets to fully pay its expenses of administration in Priority Class 1 of Insurance Code
19 § 1033 and, therefore, pursuant to Insurance Code § 1021(c)(2), it is necessary to terminate
20 Golden State’s liquidation and discharge the Liquidator;

21 3. An Order terminating Golden State’s liquidation and discharging the Insurance
22 Commissioner as Golden State’s Liquidator upon the Liquidator filing a Declaration of
23 Compliance confirming receipt of final payment from the Los Angeles County Arts Commission
24 for its purchase of Golden State’s Art Collection and the Liquidator’s payment of any remaining
25 expenses incurred to close the liquidation;

26 4. An Order approving the Liquidator’s Statement of Assets and Liabilities dated as of
27 August 31, 2015, attached hereto as Exhibit “4” hereto;

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1 5. An Order approving the expenses incurred by the Liquidator to his appointed
2 consultants and vendors for the period January 1, 2015 through August 31, 2015, and approving
3 the Liquidator's estimates of his final expenses for the period September 1, 2015 through the
4 termination of Golden State's liquidation; and

5 6. An Order authorizing the Liquidator to take any and all actions necessary to
6 accomplish the purposes of the above requested Orders.

7 **Grounds for the Application**

8 This application is based on the following:

9 1. Golden State was a mutual life insurance company domiciled and existing under
10 the laws of the State of California. Prior to 2009, Golden State experienced financial difficulties
11 when its assets and investments proved inadequate to support the reserves it required to meet its
12 obligations. On September 30, 2009, Los Angeles Superior Court Judge David P. Yaffe ordered
13 and appointed the Insurance Commissioner to serve as Golden State's Conservator due to Golden
14 State's financial impairment. On September 2, 2010, after receiving Court approval, the
15 Conservator and IA American Life Insurance Company ("IA American") closed an Assumption
16 Reinsurance Agreement in which all of Golden State's in-force insurance policies and annuity
17 contracts were successfully transferred to solvent insurer IA American, such that Golden State's
18 in-force policyholders and annuity contract holders became policyholders and annuity contract
19 holders of IA American as of January 1, 2010 at no loss or coverage reduction for policyholders or
20 annuity contract holders. Thereafter, on January 28, 2011, Los Angeles Superior Court Judge Ann
21 I. Jones terminated the Commissioner's status as Conservator and ordered and appointed the
22 Commissioner to serve as Golden State's Liquidator.

23 2. As of August 31, 2015, assets retained by Golden State total approximately
24 \$203,041 and include the following: (1) cash and cash equivalents of \$163,041, and (2) Art
25 Collection whose value is at least \$40,000. Golden State's sole remaining asset to liquidate is its
26 Art Collection, which was approved for sale by the Court on August 28, 2015, to the Los Angeles
27 County Arts Commission ("County") for \$65,000. The second and final payment of \$55,000 due
28 from the County is to be paid on or before November 13, 2015, at which time ownership of the Art

1 Collection will be transferred to the County. The Art Collection is carried on Golden State's
2 Statement of Assets and Liabilities at its pre-realized value of \$40,000.

3 3. As of August 31, 2015, liabilities retained by Golden State currently are estimated
4 to be at least approximately \$10,262,042 and include the following estimates of possible claims
5 which may be asserted:

- 6 a. Unclaimed funds payable of \$257,017;
- 7 b. Accrued liabilities of \$768,965;
- 8 c. Liabilities of \$1,664,205 to insurance guarantee associations for their
9 assumption of non-transferred policy obligations;
- 10 d. Pension Plan liability of \$5,127,622, which is the difference between the
11 liability when the plan was terminated on December 31, 2010 and the plans
12 assets at termination;
- 13 e. Obligations under Certificates of Contribution including accrued interest of
14 \$2,444,234; and
- 15 f. Non-contractual liability to Golden State's policyholders as mutual owners
16 of Golden State, who retain their Insurance Code § 1033 priority 9 rights.

17 4. Based on these amounts, as of August 31, 2015, Golden State's assets are
18 inadequate to satisfy its remaining obligations in that Golden State's estimated net asset deficiency
19 is at least \$10,059,001, which is the difference between Golden State's liabilities of \$10,262,042
20 and remaining estimated assets of \$203,041. Further, as of August 31, 2015, and pursuant to the
21 authorities set forth in Insurance Code § 1035(a) and the Court's Order Appointing Liquidator,
22 Golden State has received \$716,841 in administrative expense funding from the California
23 Department of Insurance's Insurance Fund to pay Golden State's continuing liquidation
24 administrative expenses. The Insurance Fund contains monies appropriated for the maintenance
25 of the Department which pursuant to Insurance Code § 1035(a) can be used to pay an insolvent
26 insurer's expenses of administration for the insurer's conservation and liquidation. The \$716,841
27 received by Golden State to pay Golden State's administrative expenses is an unpaid Priority
28 Class 1 Expense of Administration against Golden State's remaining assets. Golden State's

1 remaining assets, however, total only \$203,041 as of August 31, 2015, such that the Insurance
2 Fund will not be repaid at least \$513,800.

3 5. Pursuant to Insurance Code § 1021(c)(1), when the Liquidator determines that an
4 insolvent insurer is not likely to possess sufficient assets to permit significant distribution to
5 certain priority classes of claimants set forth in Insurance Code § 1033, then the Liquidator may
6 decline to handle certain claims from classes of claimants after complying with the “publication of
7 notice” requirement in Insurance Code § 1022. Further, pursuant to Insurance Code § 1021(c)(2),
8 when the Liquidator determines that an insolvent insurer is not likely to possess sufficient assets to
9 pay the administrative expenses to liquidate the insurer, then the Liquidator may decline to
10 continue, and may abandon the liquidation, after complying with the “publication of notice”
11 requirement in Insurance Code § 1022.

12 6. Based on the above facts and the facts stated in the Memorandum and Evidence
13 concurrently filed with this Notice, and pursuant to the Insurance Code, the Liquidator has (1)
14 determined that Golden State is not likely to possess sufficient assets to permit distribution to
15 Priority Classes 2 through 9, (2) determined that Golden State is not likely to possess sufficient
16 assets to pay the administrative expenses to liquidate itself, (3) determined it is necessary to
17 terminate Golden State’s liquidation and discharge the Liquidator, and (4) complied with
18 Insurance Code § 1022’s notice requirements in that notice of this application, the Liquidator’s
19 determinations and the Orders requested herein were provided (a) by publication in the Los
20 Angeles Times on Sunday and Monday, October 11 and 12, 2015, in compliance with “notice of
21 publication” requirements in Insurance Code §§ 1021 and 1022, and (b) in writing by U.S. Mail to
22 all persons who have routinely been provided notice of the Liquidator’s Court applications and to
23 all persons and entities known to him that may have a substantial, unsatisfied claim that may be
24 affected by this application and any Court Orders pertaining thereto, regardless of whether the
25 persons or entities are a party to this action or have appeared in it, in compliance with California
26 Rules of Court Rule 3.1184(c).

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1 7. The known claimants in Priority Classes 2 through 9 who will not receive any
2 money from Golden State's estate include:

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

13 8. The expenses incurred by the Liquidator to the below described consultants and
14 vendors for the period January 1, 2015 through August 31, 2015, and an estimate of the
15 Liquidator's final expenses for the period September 1, 2015 through termination of the
16 Liquidation, necessary for Golden State's liquidation for which approval is requested in this
17 Application, are the following. Included in the chart are the hourly rates and scope of work for the
18 consultants and vendors.

<u>Consultant</u>	<u>Hourly Rate</u>	<u>1/1/2015 to 8/31/2015</u>	<u>Estimate 9/1/2015-End</u>	<u>Scope of Work</u>
1. Dept. of Finance:	\$50-100	\$ 7,205.00	\$ 0.00	Audit services
2. ART Movers:	Fee based	\$ 3,176.72	\$ 1,500.00	Art storage services
3. Todd Donovan:	\$90	\$ 2,722.50	\$ 2,500.00	Management services
4. JLK Rosenberger:	Fee based	\$ 9,000.00	\$ 7,500.00	Financial, tax returns
5. Kane Corporation:	\$149-250	\$ 23,498.50	\$ 0.00	Real estate services
6. Wisener Nunnally Roth:	\$250	\$ 53.00	\$ 0.00	Legal services
7. Epstein Turner/LBBS:	\$200-295	\$ 30,781.48	\$ 30,000.00	Legal services
8. Ins. Commissioner's CLO:	\$200-251	\$134,195.59	\$ 60,000.00	Liquidator's staff
Totals		\$210,632.79	\$101,500.00	

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1 9. Court approval of the expenses is appropriate because the expenses were necessary
2 for the liquidation of Golden State, are reasonable for the services performed, are within the
3 Liquidator's statutory authorities and broad discretion pursuant to the Court's Order Appointing
4 Liquidator and Insurance Code §§ 1021 and 1037, and the Liquidator has complied with *In Re*
5 *Executive Life Insurance Company* (1995) 32 Cal.App.4th 344, 399-403, in that the Liquidator has
6 provided the Court with "adequate information to permit intelligent evaluation" and approval of
7 the above requested expenses. Moreover, as detailed in the Memorandum and Evidence filed
8 concurrently with this application, the Liquidator has provided the following information in the
9 application:

- 10 a. Declaration from the Insurance Commissioner's Senior Estate Trust Officer
11 Scott Pearce reciting that detailed timekeeping and invoices seeking
12 payment were received and reviewed by the Liquidator's staff including Mr.
13 Pearce, the invoices were confirmed to be accurate and consistent with the
14 services and tasks to be performed, and the proposed payments were
15 reasonably and necessary for Golden State's liquidation and in its best
16 interests;
- 17 b. Descriptions of the services performed by each consultant and vendor;
- 18 c. Invoices for the services performed by each consultant and vendor for the
19 period January 1 through August 31, 2015; and
- 20 d. Descriptions of tasks performed, amount billed and basis for amount billed
21 for each consultant and vendor, as reflected in the Invoices and declarations.

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

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1 **Copies of Liquidator's Application and Supporting Evidence and Documents**

2 Copies of the Liquidator's Notice, Memorandum, Evidence and Proposed Order
3 supporting this application can be reviewed and downloaded at the Insurance Commissioner's
4 Conservation & Liquidation Office's website at www.cacllo.org/GoldenStateMutual.

5 **Response or Opposition to Application**

6 Any response or opposition to this application shall be filed with the Court and served by
7 mail or e-mail to Liquidator's attorney Michael R. Weiss, with supporting evidence, on or before
8 November 6, 2015. The Liquidator shall file any replies, with supporting evidence, on or before
9 November 13, 2015. The address for Golden State's attorney Michael R. Weiss for service is:


10 Michael R. Weiss
11 Lewis Brisbois Bisgaard & Smith LLP
12 633 West 5th Street, Suite 4000
13 Los Angeles, California 90071
14 Telephone: 213.250.1800
15 Facsimile: 213.250.7900
16 E-Mail: Michael.Weiss@lewisbrisbois.com

17 No action is required on your part if you do not oppose this Application.

18 DATE: October 16, 2015

19 KAMALA D. HARRIS
20 Attorney General of California
21 DIANE S. SHAW
22 Supervising Deputy Attorney General
23 LISA W. CHAO
24 Deputy Attorney General

25 LEWIS BRISBOIS BISGAARD & SMITH LLP

26 By: 
27 MICHAEL R. WEISS
28 Attorneys for Applicant
 Insurance Commissioner Of The
 State Of California