



OFFICE OF
INSURANCE COMMISSIONER

FILED

2012 OCT 23 PM 4: 55

HEARINGS UNIT
Fax: (360) 664-2782

Patricia D. Peterson
(360) 725-7105
Chief Hearing Officer

Kelly A. Cairns, Paralegal
(360) 725-7002
KellyC@oic.wa.gov

FILED
NORTH COAST LIFE
INSURANCE COMPANY

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the)	No. 12-0236
Proposed Acquisition of Control of:)	FINAL ORDER APPROVING PROPOSED
)	ACQUISITION AND CHANGE OF
)	CONTROL OF NORTH COAST LIFE
North Coast Life Insurance Company,)	INSURANCE COMPANY AND
A Washington Domestic Insurance)	PROPOSED MERGER OF GPM
Company, by Government Personnel)	MERGER CORPORATION WITH
Mutual Life Insurance Company,)	AND INTO NORTH COAST LIFE
A Texas mutual life insurer,)	INSURANCE COMPANY
)	
The Applicant,)	
)	
AND the Proposed Merger of GPM)	
Merger Corporation, a Washington)	
Corporation and wholly-owned)	
Subsidiary of Applicant, with and into)	
North Coast Life Insurance Company)	

TO: Government Personnel Mutual Insurance Company
2211 N.E. Loop 410
San Antonio, Texas 78265-9567
Attention: Peter J. Hennessey III, CLU, FLMI
Chairman, President & CEO

David D. Knoll, Esq.
Thompson, Coe, Cousins & Irons, LLP
701 Brazos, Suite 1500
Austin, Texas 78701



North Coast Life Insurance Company
1116 West Riverside Avenue
Spokane, Washington 99201-1198
Attention: Robert J. Ogden, President & CEO

Douglas J. Siddoway, Esq.
Randall | Danskin
601 W. Riverside Avenue, Suite 1500
Spokane, Washington 99201

COPY TO:

Mike Kreidler, Washington State Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Robin Aronson, Staff Attorney, Legal Affairs Division
Ronald J. Pastuch, Holding Company Manager, Company Supervision Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, Washington 98504-0255

Pursuant to Title 48 RCW, and specifically Chapters 48.31B, and 48.31.010 and Chapter 284-18 WAC, and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Washington State Insurance Commissioner (Commissioner) commencing at 10:00 a.m. on October 22, 2012, in the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, WA 98501. All persons to be affected by the above-titled matter were given the right to be present at such hearing during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses, and to present oral and written statements. The Applicant, Government Personnel Mutual Life Insurance Company (GPM Life) was represented by its outside counsel, David D. Knoll of Thompson, Coe, Cousins & Irons LLP, Austin, Texas. North Coast Life Insurance Company (North Coast) was represented by its outside counsel Douglas J. Siddoway of Randall|Danskin, Spokane, Washington. The Insurance Commissioner (OIC) was represented by Robin Aronson, Staff Attorney in the OIC's Legal Affairs Division. Others participating in the hearing were Pamela A. Hutchins, Senior Vice President and Chief Actuary and a member of the Board of Directors of GPM Life; Ronald J. Pastuch, Holding Company Manager, in the Commissioner's Company Supervision Division, and Robert J. Ogden, President and CEO of North Coast Life Insurance Company (North Coast).

NATURE OF PROCEEDING

On June 6, 2012, GPM Life, the Applicant, filed a Statement Regarding the Proposed Acquisition of Control of or Merger with a Domestic Insurer dated June 1, 2012 (the "Form A") with the Office of the Insurance Commissioner of the State of Washington, by and through Peter

J. Hennessey III, CLU, FLMI, its Chairman, President and CEO, and David D. Knoll, Esq., its outside counsel, requesting the approval of the Commissioner of Insurance of GPM Life's proposed acquisition of control of North Coast, a Washington domestic life insurer, and the subsequent merger of GPM Life's wholly owned subsidiary, GPM Merger Corporation, a Washington corporation (the "Merger Sub") with and into North Coast, with North Coast as the survivor of the merger and a wholly-owned subsidiary of GPM Life, pursuant to a Common Stock and Surplus Debenture Subscription Agreement dated May 7, 2012 (the "Subscription Agreement"), entered into by and among GPM Life, North Coast and certain "controlling shareholders" of North Coast (the "Controlling Shareholders") and a Plan and Agreement of Merger (the "Merger Agreement") to be executed by the parties thereto upon the closing of the Subscription Agreement. GPM Life filed an executed copy of the Subscription Agreement and an unexecuted copy of the Merger Agreement. GPM Life will file a final, executed copy of the Merger Agreement with the undersigned upon the closing of the Subscription Agreement. The Merger Agreement is also subject to the approval of the holders of the common stock of North Coast at a Special Meeting of the Stockholders of North Coast that will be called by the Board of Directors of North Coast within ten business days after the execution of the Merger Agreement. Because GPM Life and the Controlling Shareholders will own, collectively, over 92% of the outstanding shares of common stock of North Coast at the time the Special Meeting is called, and will enter into a "Shareholders' Agreement" whereby they will agree to vote those shares for and in favor of the merger, approval of the merger by the holders of 2/3 of the outstanding shares of common stock of North Coast is assured.

The acquisition of control of North Coast by GPM Life and the subsequent merger of the Merger Sub with and into North Coast will be accomplished in two steps. GPM Life initially proposes to acquire control of North Coast by subscribing for and purchasing all of the 763,017 authorized, but unissued, shares of the common stock of North Coast at a Subscription Sale price of \$7.66 per share (the "Subscription Shares"), and by purchasing a Surplus Debenture issued by North Coast in the amount of \$469,115 (the "Surplus Debenture"), which will result in GPM Life owning approximately 50.9% of the outstanding common stock of North Coast. The proceeds from sale of the Subscription Shares and the Surplus Debenture (totaling \$6,313,825) will be used by North Coast to redeem the 360,791 shares of Class "A" Preferred Stock of North Coast that are issued and outstanding.

The completion of the acquisition of North Coast as a wholly-owned subsidiary of GPM Life would then be accomplished by the statutory merger of GPM Merger Corporation with and into North Coast, with the common shareholders of North Coast (other than GPM Life) receiving \$7.66 per share in cash for each of the outstanding shares of North Coast common stock owned by those shareholders, at an aggregate merger price of \$5,645,290.

Both the Subscription Agreement and the Merger Agreement are conditioned, upon other things, upon the approval of the Commissioner. RCW 48.31B.015, part of the Washington Insurer Holding Company Act, requires that the Commissioner hold a hearing to examine the evidence and determine whether the proposed acquisition of control of North Coast satisfies the applicable statutory criteria required to be met for approval. In addition, RCW 48.31.010 provides the standards for approval of mergers involving insurers domiciled in Washington, and requires that the Commissioner shall not approve such merger unless, after a hearing, the Commissioner finds that it is fair, equitable, consistent with law, and that no reasonable

objection exists. Based upon a delegation of authority from the Commissioner, the undersigned handled all parts of this proceeding prior to the hearing, conducted the hearing and made the final decision and entered the final order without input from the Commissioner or his staff or any other individual who has knowledge of the issues herein except as was presented into evidence during the hearing. Further, the entire Form A, all documents, and all supplemental information and communications filed relative to this matter are included in the hearing file, by this reference are incorporated herein and can be reviewed by request to the undersigned or at http://www.insurance.wa.gov/orders/hearings_proceedings5.shtml.

FINDINGS OF FACT

Having considered the presentation of the parties including written and oral evidence presented at the hearing, and the documents on file herein, including the Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer dated June 1, 2012, and filed with the OIC on June 6, 2012, and the exhibits, supplements and amendments thereto, and the entire hearing file, the undersigned Presiding Officer finds as follows:

1. The Commissioner has duly and properly appointed the undersigned to conduct the adjudicative proceeding in this matter and to make the final decision herein without communication or input from himself, his staff or any other individuals or entities with knowledge of this proposed transaction. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the State of Washington have been satisfied.

2. The Applicant is Government Personnel Mutual Life Insurance Company ("GPM Life"), a Texas-domiciled mutual life insurer incorporated in the State of Texas in 1934, and licensed in 48 states and the District of Columbia. As of the end of the second quarter of 2012, it had admitted assets of \$838 million, and total surplus of about \$101 million. It writes a portfolio of life and health insurance products, and is rated A- (Excellent) by A.M. Best & Co. GPM Merger Corporation is a Washington corporation that was organized by the Applicant on March 15, 2012, as a wholly-owned subsidiary of GPM Life, for the sole purpose of completing the merger with North Coast Life Insurance Company. [Testimony of Pamela A Hutchins, Senior Vice President and Chief Actuary of GPM Life Insurance Company; Form A, Exhibits F and J. Note that where testimony is referred to throughout this document, at the request of the undersigned, each witness also filed written proposed testimony or written declarations which are included in the hearing file in Ex. 1.]

3. North Coast Life Insurance Company ("North Coast") is a domestic Washington stock life insurance corporation organized under the laws of the State of Washington on February 5, 1965. It holds a certificate of authority no. 967, and is authorized to write life, accident and health insurance in the State of Washington and 12 other states, Guam and the Northern Mariana Islands. It is rated C+ (Marginal) by A.M. Best & Co. Chester R. Ogden, members of his immediate family, and entities controlled by the Ogdens (the "Controlling Shareholders") currently own approximately 84 percent of the outstanding shares of common stock of North Coast. North Coast also has outstanding 360,791 shares of "Class A" preferred stock issued in 1992, which provide for the payment of an annual dividend of \$1.00 per share, representing an

annual return of 10% on the initial price of the shares. Several years thereafter, due to financial constraints, North Coast discontinued the declaration and payment of preferred stock dividends, but, because the terms of the Class A Preferred Stock provided that such dividends would be cumulative, undeclared dividends continued to accrue, even though North Coast was not required to report these dividends as a liability on financial statements filed with the Washington OIC. The shares of Class A preferred stock of North Coast are redeemable by North Coast at a redemption price of \$10.00 per share, plus accumulated dividends, whether declared or not, and as of the end of 2011, the total cost of redeeming the preferred stock was \$6,313,825, an amount that exceeded the total capital and surplus of North Coast as of that date. [Testimony of Robert J. Ogden, President and CEO of North Coast.]

4. GPM Life proposes to acquire control of North Coast in two steps: (a) first, GPM Life will acquire all of the authorized but unissued shares of common stock of North Coast at a price of \$7.66 per share, resulting in GPM Life owning approximately 50.9% of the outstanding common stock of North Coast, and GPM Life will also purchase a surplus debenture to be issued by North Coast in the principal face amount of \$469,115, for a total cost of \$6,313,825, an amount equal to the cost of redemption of the outstanding shares of Class A preferred stock as of December 31, 2011; and (b) upon completion of the redemption of the shares of Class A preferred stock, GPM Life will cause its wholly-owned subsidiary, GPM Merger Corporation, to merge with and into North Coast, with North Coast being the survivor of the merger, and the holders of shares of common stock of North Coast (other than GPM Life) would receive cash in an amount equal to \$7.66 per share for each share of common stock owned by them. [Form A Statement and cover letter filing Form A; Testimony of Hutchins.]

5. On June 6, 2012, the Applicant properly filed its Form A, dated June 1, 2012, with the Commissioner. Said Form A, which included exhibits thereto, was filed over 60 days prior to the proposed effective date of the proposed acquisition, and includes substantial information and agreements concerning the proposed acquisition and merger as required, including a copy of the Common Stock and Surplus Debenture Subscription Agreement dated May 7, 2012 and drafts of the Plan and Agreement of Merger and Shareholders' Agreement that would be entered into by the parties thereto upon the closing of the Subscription Agreement. GPM Life and North Coast have requested that approval of this transaction, if granted, be as soon as possible so that they may complete redemption of the shares of Class A preferred stock and hold a Special Meeting of the Shareholders of North Coast to approve the merger and complete the merger with an effective date of December 31, 2012. [Form A; Testimony of Ogden; Testimony of Hutchins.]

6. The subject Form A, with exhibits, was submitted in the form required by, and contains the information required by, the Commissioner and applicable statutes. [Form A; Testimony of Ronald J. Pastuch, Holding Company Manager with the Office of the Insurance Commissioner.]

7. After the closing of the Subscription Agreement, GPM Life will directly own and control approximately 50.9% of the outstanding shares of common stock of North Coast, and the Controlling Shareholders will directly own and control approximately 41.3% of the outstanding shares of common stock of North Coast. GPM Life, North Coast and the Controlling Shareholders will, upon the closing of the Subscription Agreement, execute a Shareholders'

Agreement whereby they will agree to vote all of the shares of common stock owned by them for and in favor of the Plan and Agreement of Merger, and the amendment to North Coast's articles of incorporation reducing the par value of its common stock from \$3.01 per share to \$1.76 per share. [Form A; Testimony of Hutchins.]

8. Under the terms of the Plan and Agreement of Merger, at the effective time on the effective date of the proposed merger, each share of common stock of North Coast that is outstanding immediately prior to the effective time of the proposed merger, and all rights and obligations in respect of those shares, would without further action be extinguished, and each of the shares of common stock will be converted into the right to receive cash in the amount of the Common Share Merger Price, or \$7.66 per share. The effective time of the merger, under the terms of the Merger Agreement, will be 11:59 p.m., Pacific Time, on the last day of the month during which the holders of two-thirds of the outstanding shares of common stock of North Coast have approved the Plan and Agreement of Merger. GPM Life and North Coast believe that, if an order approving the Plan and Agreement of Merger has been timely issued, the effective date may be December 31, 2012. The outstanding shares of GPM Merger Corporation (all of which are owned by GPM Life) will be converted into 736,983 shares of common stock, par value \$1.67 per share, of North Coast, as the surviving corporation. As the surviving corporation, North Coast would thereafter continue to exist by virtue and under the laws of the State of Washington. The corporate identity, existence, purpose, powers, obligations to policyholders and others, franchises, rights, and immunities of North Coast would continue unaffected and unimpaired by the merger. Likewise, the corporate identity, existence, purpose, powers, obligations, franchises, rights and immunities of GPM Merger Corporation would be merged with and into North Coast, and North Coast would be fully vested therewith. The separate existence of GPM Merger Corporation, except insofar as it may be continued by reason of applicable Washington statute, would cease upon the Plan and Agreement of Merger becoming effective and thereupon, GPM Merger Corporation and North Coast would become a single corporation, North Coast. [Form A; Testimony of Hutchins.]

9. Pursuant to RCW 48.31.010, on June 6, 2012, in advance of the proposed effective date of December 31, 2012, the Applicant properly filed its Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, together with an unexecuted draft of the Plan and Agreement of Merger. [Form A; Testimony of Pastuch.]

10. The Commissioner requires that reasonable notice of the proposed acquisition and the proposed merger be given to the public. Accordingly, on October 9, 2012, the Commissioner posted a public notice on the Commissioner's website concerning the Applicant's application for approval of the change of control and proposed merger and information about the Commissioner's review process. [Testimony of Pastuch.] Such notice was updated by the Commissioner regarding the adjudicative proceeding herein, via the publication of the undersigned's Notice of Hearing and announcement posted on the Commissioner's website commencing on October 10, 2012, and remained continuously on that website since that date and up until the date of the hearing. The Notice of Hearing informs the public of the October 22, 2012 hearing, refers to all relevant documents filed herein and where they can be found on the Commissioner's website and also informs and advises all interested parties that any individual or entity is permitted to submit comments on, or objections to, the proposed acquisition and

proposed merger, which were to be directed to the undersigned. [Testimony of Pastuch.] Based upon this evidence, it is hereby found that this notice constitutes reasonable notice as required by the Commissioner.

11. As indicated in the Notice of Hearing, all interested parties were given the opportunity to submit any comments on, or objections to, the proposed acquisition and merger up until October 22, 2012 at 9:00 a.m. Pacific time, to the undersigned by fax, U.S. mail, or personal delivery or email. All interested parties were also advised that they would be given the opportunity to participate in the hearing by telephone and/or present evidence at the hearing and to examine and cross-examine witnesses and offer oral and written arguments, and in connection therewith to conduct discovery proceedings. No comments, objections or questions of any kind were received by the undersigned or by Kelly A. Cairns, Paralegal to the undersigned. Additionally, no objections were received by GPM Life or North Coast. [Testimony of Hutchins; Testimony of Ogden.] Finally, no objections were received by the Commissioner or his representatives. [Testimony of Pastuch.] Based upon this evidence, it is hereby found that reasonable notice of the proposed acquisition of control and proposed merger was given, and that no reasonable objection exists.

12. GPM Life (the Applicant) is a financially stable insurance corporation. As of June 30, it had \$839 million in total admitted assets, and policyholder surplus in excess of \$101 million. It has a financial strength rating of A- (Excellent) from A.M. Best & Co. GPM Merger Corporation, Applicant's wholly-owned subsidiary, will have assets of \$2.0 million at the time of merger. [Testimony of Hutchins.] At the end of 2011, North Coast had total admitted assets of \$135 million and capital and surplus of less than \$5.7 million. It is rated C+ (Marginal) by A.M. Best & Co. [Testimony of Ogden.] There will be no adverse financial impact on GPM Life or North Coast, the proposed merger is in no way likely to be hazardous or prejudicial to the insurance-buying public, policyholders will not be adversely affected in any way and there are no plans or proposals to liquidate North Coast, sell its assets, consolidate or merge it with any other entity which would be unfair or unreasonable to the policyholders of North Coast or not in the public interest. Rather, North Coast will be the surviving corporation in the merger with GPM Merger Corporation, and will continue to transact business in Washington as a wholly-owned subsidiary of GPM Life. [Testimony of Pastuch; Testimony of Hutchins.]

13. After the proposed acquisition and change of control and proposed merger, North Coast will be able to satisfy the requirements for the issuance of a license to write its current lines of business for which it is presently licensed. [Testimony of Pastuch; Testimony of Hutchins.]

14. The effect of this proposed acquisition of control would not be to substantially lessen competition in insurance in the State of Washington or to create a monopoly therein. [Testimony of Pastuch; Testimony of Hutchins.]

15. GPM Life intends to keep most of North Coast's operations, after the proposed merger, in the State of Washington as they are currently structured, including maintaining most of the same officers and employees, until their abilities can be assessed. GPM Life intends to

replace the current members of the Board of Directors of North Coast with directors elected by GPM Life as sole shareholder of North Coast. [Testimony of Pastuch; Testimony of Hutchins.]

16. Based upon the evidence presented herein, it cannot be found that the plan of merger would not be fair, equitable, and consistent with law. [Testimony of Pastuch.]

17. It is not likely that this proposed acquisition or merger is hazardous or prejudicial to the insurance-buying public in the State of Washington. [Testimony of Pastuch; Testimony of Hutchins.] After completion of this proposed acquisition of control and proposed merger, all rights and privileges of policyholders of North Coast will remain the same as they are at this time. [Testimony of Hutchins.]

18. It cannot be found that the competence, experience and integrity of those persons who would control the operation of North Coast after the proposed acquisition of control and merger are such that it would not be in the interest of the policyholders of North Coast or of the public to permit this proposed acquisition of control. [Testimony of Pastuch; Testimony of Hutchins.]

19. No director, officer, member or subscriber of GPM Life or North Coast, except as is expressly provided in the Merger Agreement or Subscription Agreement, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the proposed merger. [Testimony of Hutchins.]

20. The proposed merger as to North Coast and GPM Merger Corporation, the incorporated Washington corporations, shall in other respects be governed by, and the parties shall fully comply with, the general laws of the State of Washington relating to business corporations, as required by RCW 48.31.010. [Testimony of Hutchins; Testimony of Ogden.]

21. Ronald J. Pastuch, Holding Company Manager in the Commissioner's Company Supervision Division, appeared as a witness on behalf of the Insurance Commissioner, and also submitted a written Declaration detailing his testimony. Mr. Pastuch was duly authorized to testify, and to submit his written Declaration, on behalf of the Insurance Commissioner. He presented his testimony at hearing in a detailed and credible manner with no apparent biases.

22. Pamela A. Hutchins, Senior Vice President and Chief Actuary of Applicant GPM Life, appeared as a witness on behalf of GPM Life in her role as Senior Vice President and Chief Actuary of GPM Life. Ms. Hutchins also filed pre-filed written testimony. Ms. Hutchins was duly authorized to testify and submit written testimony on behalf of GPM Life. Ms. Hutchins presented her testimony at hearing in a detailed and credible manner and exhibited no apparent biases.

23. Robert J. Ogden, President and CEO of North Coast, appeared as a witness on behalf of North Coast in his role as President and CEO of North Coast. Mr. Ogden also filed pre-filed written testimony. Mr. Ogden was duly authorized to testify and submit written testimony on behalf of North Coast. Mr. Ogden presented his testimony at hearing in a detailed and credible manner and exhibited no apparent biases.

24. Based upon the above Findings of Fact, it is here found that there exists no basis for denial of the Applicant's request for approval of its proposed acquisition of control of North Coast. It is further found that there exists no basis for denial of the Applicant's request for approval of its proposed merger of GPM Merger Corporation with and into North Coast. Therefore, it is reasonable that this proposed acquisition of control and proposed merger be approved effective on the date of oral order approving this proposed acquisition and proposed merger, October 22, 2012. Subject to the affirmative vote of the holders of common stock of North Coast, the parties should be granted the authority to close the transactions contemplated in the Form A as soon as they may determine to be suitable.

CONCLUSIONS OF LAW

1. Pursuant to Title 48 RCW and specifically RCW 48.31B, the Washington State Insurance Commissioner has jurisdiction of the plan of acquisition and change of control of North Coast Life Insurance Company. Further, the undersigned has been properly delegated the authority to handle all prehearing matters regarding this adjudicative proceeding, to conduct the proceeding, to review and consider all documents and evidence presented and to make the final determination herein.

2. Pursuant to RCW 48.31.010, the Commissioner shall not approve a merger involving a domestic insurer unless, after a hearing thereon, it is found that: (1) the plan of merger was submitted to the Commissioner in advance for approval; (2) the merger is fair, equitable, consistent with law, and that no reasonable objection exists; and (3) no director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger or consolidation, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting the merger or consolidation.

3. Based upon the above Findings of Fact, the Applicant properly filed the Form A, sufficiently before the requested effective date of this proposed acquisition, as required by RCW 48.31B.015(1), and such Form A contains the information required by RCW 48.31B.015(2).

4. Based upon the above Findings of Fact, the application for approval of this proposed merger under RCW 48.31.010, the Plan and Agreement of Merger and accompanying documents were submitted to the Commissioner in advance of the proposed effective date in compliance with RCW 48.31.010(1)(a).

5. Based upon the above Findings of Fact, reasonable notice of the proposed acquisition of control of North Coast and proposed subsequent merger, as required by the Commissioner, was given and no reasonable objections were received by the Applicant GPM Life, North Coast, the Commissioner, or the undersigned, as required by RCW 48.31.010(1)(b).

6. Based upon the above Findings of Fact, after the proposed acquisition and change of control, North Coast will continue to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed, as contemplated by RCW 48.31B.015(4)(a)(i).

7. Based upon the above Findings of Fact, and considering the application of the competitive standard in RCW 48.31B.015(4)(a)(ii), it cannot be found that the effect of this proposed acquisition and change of control of North Coast would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein, as contemplated by RCW 48.31B.015(4)(a)(iii).

8. Based upon the above Findings of Fact, the financial condition of the Applicant, GPM Life, is not such as might jeopardize the financial stability of North Coast, or prejudice the interest of its policyholders, as contemplated by RCW 48.31B.015(4)(i)(iii).

9. Based upon the above Findings of Fact, the Applicant, GPM Life, has no plans to liquidate North Coast, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management which are unfair and unreasonable to policyholders of North Coast, or which are not in the public interest, as contemplated by RCW 48.31B.015(4)(a)(iv).

10. Based upon the above Findings of Fact, the competence, experience and integrity of those persons who will control the operation of North Coast are not such that it would not be in the interest of policyholders of North Coast or of the public to permit this proposed acquisition and change of control of North Coast, as contemplated by RCW 48.31B.015(4)(a)(v).

11. Based upon the above Findings of Fact, the proposed acquisition and change of control of North Coast by the Applicant, GPM Life, is not likely to be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31B.015(4)(a)(vi).

12. The provisions of the Insurance Code of the State of Washington, Chapter 48.31B RCW, and specifically RCW 48.31B.015 governing the approval of proposed acquisitions, have been met and it cannot be found that there are any bases for disapproval of this proposed acquisition. Therefore, pursuant to Chapter 48.31B RCW, and specifically RCW 48.31B.015, the Applicant GPM Life's request for approval of its proposed acquisition and change of control of North Coast is granted.

13. Based upon the above Findings of Fact, it cannot be found that the proposed merger of GPM Merger Corporation with and into North Coast is not fair, is not equitable, or is not consistent with law, as required by RCW 48.31.010(1)(b).

14. Based upon the above Findings of Fact, no director, officer, member, or subscriber of any insurer, except as is expressly provided by the Plan and Agreement of Merger, shall receive any fee, commission or other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger, as required by RCW 48.31.010(1)(c).

15. The proposed merger of GPM Merger Corporation with North Coast Life Insurance Company, the incorporated Washington domiciled insurer, shall in all other respects be governed by, and the parties shall fully comply with, the general laws of Washington relating to business corporations, as required by RCW 48.31.010.

16. The requirements of the Insurance Code of the State of Washington, and specifically Chapter 48.31 RCW governing approval of proposed mergers, have been met. Pursuant to the Findings of Fact and Conclusions of Law above, Title 48 RCW, Title 34 RCW, and regulations applicable thereto, approval of this proposed merger is reasonable under the circumstances and should be granted.

ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of GPM Life's 1) proposed acquisition and change of control, and 2) proposed merger, have been met, and approval is reasonable and should be granted,

IT IS HEREBY ORDERED that the application of Government Personnel Mutual Life Insurance Company for the Washington State Insurance Commissioner's approval of its proposed acquisition and change of control of North Coast Life Insurance Company by means of its acquisition of 763,017 authorized, but unissued shares of the common stock of the Company pursuant to the terms of a Common Stock and Surplus Debenture Subscription Agreement dated May 7, 2012, included in evidence in this proceeding, is **GRANTED** effective immediately. The parties may close the transactions contemplated in the Common Stock and Surplus Debenture Subscription Agreement as soon as they determine suitable.

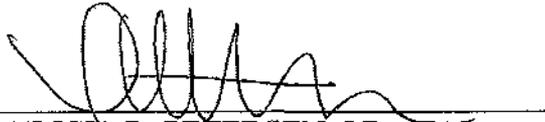
IT IS FURTHER ORDERED that the application of Government Personnel Mutual Life Insurance Company for the Washington State Insurance Commissioner's approval of the proposed merger of GPM Merger Corporation with and into North Coast Life Insurance Company, a Washington domestic life insurance corporation, with the surviving entity being North Coast Life Insurance Company, including amendments to the articles of incorporation of North Coast reducing the par value of the shares of its common stock from \$3.01 per share to \$1.76 per share pursuant to the Plan and Agreement of Merger, is hereby **GRANTED**.

IT IS FURTHER ORDERED that on October 22, 2012, at the conclusion of the hearing on this matter, the undersigned orally ordered that GPM Life's applications for approval of its proposed acquisition and its proposed merger were approved effective October 22, 2012. This written Order confirms that the undersigned's order approving these proposed transactions were approved effective as of that date and time.

IT IS FURTHER ORDERED that, while the parties contemplated that the effective date and time of the proposed merger shall be 11:59 p.m. on December 31, 2012, its effective date can be at any time on that date or time or the end of any subsequent month in which two-thirds of the holders of shares of common stock of North Coast approve the merger.

This Order is entered pursuant to Title 48 RCW and specifically RCW 48.31B.015, RCW 48.04.010, RCW 48.31.010, Title 34 RCW, and specifically RCW 34.05, and regulations applicable thereto.

ENTERED at Tumwater, Washington, this 23rd day of October, 2012, and confirming the oral order of the undersigned entered and made effective on October 22, 2012.



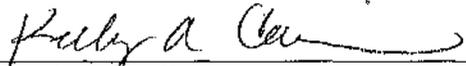
PATRICIA D. PETERSEN, J.D.
Chief Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: David D. Knoll, Esq., Peter J. Hennessey III of Government Personnel Mutual Insurance Company, Douglas J. Siddoway, Esc., Robert J. Ogden of North Coast Life Insurance Company, Mike Kreidler, Michael G. Watson, Carol Surcau, Esc., Robin Aronson, Esq., James T. Odiorne and Ronald J. Pastuch.

DATED this 24th day of October, 2012.


KELLY A. CAIRNS