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Attorneys and Counselors

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JUN 01 2012

INSURANCE COMMISSIONER
COMPANY SUPERVISION

David D. Knoll
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dknoll@thompsoncoe.com

Austin
Dallas
Houston
Saint Paul

June 1, 2012

Office of Insurance Commissioner
Insurance 5000 Building
PO Box 40259
Olympia, WA 98504-0259
Attention: Ronald J. Pastuch
Holding Company Manager, Company Supervision Division

Re: Form A Statement Regarding the Acquisition of Control of and Merger with
North Coast Life Insurance Company, a Washington domestic insurer

Dear Mr. Pastuch:

Pursuant to the requirements of RCW 48.31B.015, we enclose herewith two (2) complete copies of a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, including exhibits (the "Form A"), on behalf of our client, Government Personnel Mutual Life Insurance Company, a Texas mutual life insurance company ("GPM" or the "Applicant") which we are filing with the Insurance Commissioner of the State of Washington in connection with the proposed acquisition by GPM of North Coast Life Insurance Company, a Washington stock life insurance company with its home offices in Spokane, Washington ("North Coast" or the "Domestic Insurer"). We are also filing one complete copy of this Form A by personal delivery or mail addressed to the Insurance Commissioner of the State of Washington, Seattle, Washington 98104, Attention: Chief Examiner, as required by Section 284-18-300 of the Washington Insurance Holding Company regulations.

1. Summary of Proposed Transactions. North Coast is a Washington stock life insurance company based in Spokane, Washington, and is under the control of C. Robert Ogden, members of his immediate family, and entities controlled by Mr. Ogden and members of his family (the "Controlling Shareholders"). As of December 31, 2011, North Coast had total admitted assets of approximately \$134.7 million, and total capital and surplus of approximately \$5.66 million. During 2011, it received total gross premium of approximately \$10.4 million, consisting of about \$4.3 million in life insurance premiums and \$6.1 in annuity considerations. As of year end, 2011, it had 8307 life insurance policies, 1972 annuity contracts, and 8 accident and health insurance policies in force. North Coast is licensed to write life, accident and health insurance in 12 states, Guam, and the Northern Mariana Islands.

GPM is a mutual life insurance company organized under the laws of the state of Texas. It is licensed to write life, accident and health insurance in 48 states, the District of Columbia and Guam. As of December 31, 2011, GPM had total admitted assets of \$834 million, and total policyholders' surplus of \$97 million. It has over \$5.4 billion of life insurance in force.

For many years, North Coast has struggled under a burden resulting from its issuance, in 1992, of 360,791 shares of Class "A" preferred stock, which entitled the holders thereof to receive a cumulative preferred annual dividend of ten percent of the \$10.00 initial issue price of the shares, or \$1.00 per share. Within a few years after the Class A preferred shares were issued, North Coast became unable to pay the preferred dividends, and discontinued declaring them, which did not require the company to post the accumulating value thereof on its financial statements. By the end of 2011, the total amount of accumulated, but undeclared, dividends on the Class A preferred shares was \$2,705,915, an amount, which if required to be posted on the company's books, would have seriously impaired its capital and surplus. North Coast has always had the right to redeem the preferred shares at a price of \$10.00 per share, plus cumulative dividends thereon, whether or not declared. As of December 31, 2011, the total cost for North Coast to redeem the Class A preferred shares was \$6,313,825, an amount that was in excess of its statutory capital and surplus on that date.

GPM was first introduced to North Coast in 2008, when it agreed to provide reinsurance for two blocks of in-force life insurance business on North Coast's books, resulting in providing about \$929,000 in reserves ceded to GPM Life. GPM and North Coast's management share the view that there is considerable value in North Coast as a going concern, including its outstanding business in force as well as its marketing organization, and realize that this value would be lost if the company were to be forced into receivership and liquidation. Over the past two years of due diligence and negotiations, they have reached agreement on a plan whereby GPM would acquire North Coast for total consideration of \$11,959,115, which would take place in two steps: (a) first, the acquisition by GPM of all of the remaining authorized, but unissued shares of common stock of North Coast, at a price of \$7.66 per share, plus the issuance by North Coast to GPM of a surplus debenture in the amount of \$469,115, which, together, will provide \$6,313,825 to North Coast to be utilized to effect a redemption of all of its Class A preferred shares; and (b) the subsequent merger of a wholly-owned subsidiary of GPM, formed for the purpose of this transaction (the "Merger Sub"), with and into North Coast, with North Coast being the survivor of the merger and becoming a wholly-owned subsidiary of GPM, and the common shareholders of North Coast (other than GPM) being paid \$7.66 per share for each share of common stock held by them, or a total consideration of \$5,645,290.

The first step will be accomplished by means of the Common Stock and Surplus Debenture Subscription Agreement entered into by and among, North Coast, GPM and the Controlling Shareholders of North Coast, which is attached as Exhibit A to the Form A. As a result of this transaction, GPM would wind up owning approximately 50.9% of the outstanding common stock of North Coast, resulting in a "change of control" of the Domestic Insurer within the contemplation of RCW 48.31B.005(2).

The second step, the merger of a wholly-owned subsidiary of GPM with and into North Coast, and the payment of cash to North Coast's common shareholders (other than GPM) of \$7.66 per share, will be accomplished pursuant to the Plan and Agreement of Merger that will be entered into by and among North Coast, the Controlling Shareholders, GPM and the Merger Sub, a copy of which is attached as Exhibit B to the Form A. The Boards of Directors of North Coast, GPM and the Merger Sub have already approved the Plan and Agreement of Merger (see the resolutions attached as Exhibit C to the Form A), and all that will remain will be the approval of the common shareholders of North Coast. That approval is guaranteed, because the Controlling Shareholders and GPM, which together will then own 92.2% of the issued and outstanding shares of common stock of North Coast, will also enter into a Shareholders' Agreement (Exhibit D to the Form A), whereby they will agree to vote all of the shares held by them in favor of the proposed merger. GPM, as the sole shareholder of the Merger Sub, will also act to approve the transaction.

2. Approvals Requested. GPM, as the Applicant, is seeking the approval of the Washington Insurance Commissioner for both (a) the change of control of the Domestic Insurer that will result from the first step of this transaction; and (b) the subsequent merger of the Domestic Insurer with the Merger Sub, with the result that the Domestic Insurer will be the surviving corporation of the merger, and a wholly-owned subsidiary of GPM. We have provided *pro forma* financial statements as Exhibit I to the Form A, which will provide the Commissioner with information regarding the financial impact of these transactions on North Coast, and demonstrate that the Domestic Insurer, as a result of these transactions, will emerge as a stronger, more well-capitalized life insurance company.

3. Other Approvals Required. Separate from the filing of this Form A, North Coast will also be filing with the Office of the Insurance Commissioner applications for approval of matters relating to these transactions, including (a) a request for issuance of a solicitation permit pursuant to RCW 48.06.640 for the sale of the authorized but unissued shares of common stock of North Coast and the surplus debenture to GPM; (b) a request for approval of the redemption of the Class A preferred shares by North Coast, which would constitute an extraordinary dividend or distribution within the contemplation of RCW 48.31B.030(2); and (c) approval of an amendment to the articles of incorporation of North Coast to reduce the par value of its common stock from \$3.01 per share to \$1.67 per share, to be effective upon the merger of North Coast and the Merger Sub.

June 1, 2012

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We are prepared to respond to any questions you may have with respect to the transactions described in the Form A, and to present evidence at the hearing that the acquisition of control and merger of North Coast by GPM meets the requirements of law, and should be approved. A copy of this Form A has also been provided to North Coast.

Sincerely,

A handwritten signature in black ink, appearing to read "David D. Knoll", with a horizontal line extending to the right.

David D. Knoll

cc: Hon. Mike Kreidler, Insurance Commissioner
C. Alan Ferguson, Esq.
Peter J. Hennessey III
Lourdes Mendoza
Pamela A Hutchins
Robert J. Ogden
Douglas J. Siddoway, Esq.
Timothy J. Giesa, Esq.

FORM A

**STATEMENT REGARDING THE ACQUISITION OF
CONTROL OF OR MERGER WITH A DOMESTIC INSURER**

Relating to

NORTH COAST LIFE INSURANCE COMPANY
(Name of Domestic Insurer)

By

GOVERNMENT PERSONNEL MUTUAL LIFE INSURANCE COMPANY
(Name of Acquiring Person or "Applicant")

Date: June 1, 2012

Filed with the Insurance Commissioner of the State of Washington

Name, title, address, and telephone number of individual(s) to whom notices and
correspondence concerning this statement should be addressed:

Peter J. Hennessey III, CLU, FLMI
Chairman, President & CEO
Government Personnel Mutual Life Insurance Company
2211 N.E. Loop 410
PO Box 659567
San Antonio, Texas 78265-9567
Facsimile: (210) 357-2216

With a copy to:

David D. Knoll, Esq.
Thompson Coe Cousins & Irons, LLC
701 Brazos, Suite 1500
Austin, Texas 78701
Facsimile: 512/708-8777

Item 1. Insurer and Method of Acquisition

The name and address of the Domestic Insurer to which this statement relates are as follows:

North Coast Life Insurance Company
1116 West Riverside Avenue
PO Box 1445
Spokane, WA 99210-1445

The Applicant proposes to acquire "control" of the Domestic Insurer through the acquisition of 763,017 shares of the authorized and unissued common stock, par value \$3.01 per share (the "Subscription Shares") of the Domestic Insurer (representing approximately 50.9% of the outstanding shares of the Domestic Insurer) under a Common Stock and Surplus Debenture Subscription Agreement dated May 7, 2012 (the "Subscription Agreement") entered into by and among the Applicant, the Domestic Insurer, and certain controlling shareholders of the Domestic Insurer (the "Controlling Shareholders"). A copy of the Subscription Agreement is attached hereto as **Exhibit A**. Following the acquisition of the Subscription Shares, the Applicant proposes to merge its wholly-owned subsidiary, GPM Merger Corporation, a Washington corporation, with and into the Domestic Insurer, with the Domestic Insurer being the surviving corporation of the merger, thereby becoming a wholly owned subsidiary of the Applicant, pursuant to a Plan and Agreement of Merger (the "Merger Agreement"), a draft of which is attached hereto as **Exhibit B**. The Merger Agreement will be entered into by the Applicant, the Domestic Insurer, the Controlling Shareholders and GPM Merger Corporation on the Closing Date (as defined therein) of the Subscription Agreement. The Boards of Directors of the Applicant, the Domestic Insurer, and GPM Merger Corporation have each passed resolutions approving the Merger Agreement, copies of which are attached hereto as **Exhibit C**. The Controlling Shareholders and Applicant will also, on the Closing Date of the Subscription Agreement, enter into a Shareholders' Agreement whereby all will agree to vote for and in favor of the proposed merger. A copy of the Shareholders' Agreement is attached hereto as **Exhibit D**.

Item 2. Identity and Background of the Applicant

(a) Name and Address of Applicant.

The Applicant is Government Personnel Mutual Life Insurance Company, a Texas mutual life insurance company with principal offices in the GPM Building, 2211 N.E. Loop 410, PO Box 659567, San Antonio, Texas 78265-9567. Applicant is a mutual life insurance company organized on May 12, 1934.

(b) Nature of Applicant's Business Operations

For the past five years, Applicant has been engaged in the business of life, accident and health insurance in the State of Texas and currently 49 other jurisdictions in which it is licensed

to write business. It is the oldest and largest mutual life insurance company organized under the laws of the State of Texas. Applicant intends to continue life, accident and health insurance through its own operations and through its subsidiaries.

(c) Organizational Chart

Included with this Form A Statement as **Exhibit E** is an organizational chart presenting the identities and inter-relationships among the Applicant and all affiliates of the Applicant. The Applicant is a mutual life insurance company and has no shareholders. The chart indicates the percentage of voting securities and/or ownership of each person which is owned or controlled by the Applicant or by any other such person, as well as the type of organization and the state or other jurisdiction of domicile of each entity specified therein. Unless otherwise indicated on such chart or in this Application, each organization is a corporation and control is maintained by the ownership or control of voting securities. No court proceedings looking toward a reorganization or liquidation are pending with respect to any entity listed on **Exhibit E**.

GPM Merger Corporation was issued a certificate of incorporation by the Washington Secretary of State on March 15, 2012. A copy of its certificate of incorporation and articles of incorporation and bylaws are attached hereto as **Exhibit F**. The individuals serving on the Board of Directors of and officers of GPM Merger Corporation are identified on **Exhibit G**.

Item 3. Identity and Background of Individuals Associated with the Applicant

The material occupations, positions, offices or employment during the last five (5) years, including the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, with respect to the directors and executive officers of the Applicant are set forth in the biographical affidavits for such persons attached hereto as **Exhibit H**. Except as set forth in such biographical affidavits, no such occupation, position, office or employment required licensing by or registration with any Federal, State or municipal government agency. The current status of any licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith, are stated in such biographical affidavits. The Applicant is a mutual life insurance company, and has no shareholders. Except as set forth in such biographical affidavits, no such person has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

The current executive officers and members of the Applicant's Board of Directors are:

Chairman of the Board	Peter J. Hennessey III*
President and CEO	Peter J. Hennessey III*
Vice President and Treasurer	Lourdes Mendoza*
Sr. Vice President, General Counsel & Secretary	C. Alan Ferguson*
Sr. Vice President & Chief	

Actuary	Pamela A. Hutchins*
Sr. Vice President-Marketing	Peter J. Hennessey IV*
Director	R. Clark Boddy
Director	Eugene E. Habiger
Director	Neal T. Jaco
Director	Susan L. Pamerleau
Director	James R. Reed

*Individual is also a member of the Board of Directors

Item 4. Nature, Source and Amount of Funds or Other Consideration

(a) Nature, source and amount of consideration

Applicant will acquire 763,017 shares of the authorized but unissued common stock, par value \$3.01 per share, of the Domestic Insurer (the "Subscription Shares") at a subscription price of \$7.66 per share, or an aggregate amount of \$5,844,710.00. In addition, Applicant will acquire a surplus debenture of the Domestic Insurer in a face amount of \$469,115 in the form of Appendix 1 attached to the Subscription Agreement (the "Surplus Debenture"). Contemporaneously with the filing of this Form A, the Domestic Insurer shall file an application for issuance of a solicitation permit pursuant to RCW 48.06.040, allowing for the approval of the issuance of the Subscription Shares and the Surplus Debenture with the Office of the Insurance Commission of the State of Washington (the "OIC"). The total consideration for the acquisition of the Subscription Shares and the Surplus Debenture will be derived from funds of the Applicant available for investment. The proceeds from the acquisition of the Subscription Shares and the Surplus Debenture will be used by the Domestic Insurer to redeem the 360,791 shares of Class "A" Preferred Stock of the Domestic Insurer that are issued and outstanding. Contemporaneously with the filing of this Form A, the Domestic Insurer shall file a Notice of Dividend or Distribution (Form IC-18-CS) with the OIC seeking the approval of the Commissioner for an extraordinary dividend to allow for the redemption of the shares of Class A Preferred Stock of the Domestic Insurer.

Upon the Closing of the Stock Subscription Agreement, the parties will enter into the Merger Agreement which provides that the holders of outstanding shares of common stock of the Domestic Insurer (other than the Applicant) will receive cash in the amount of \$7.66 per share for each share of common stock of the Domestic Insurer held by them, for a total aggregate merger price of \$5,645,290.00 (the "Merger Price"). The Merger Price will be paid by the Applicant out of funds available for investment. No part of the consideration paid by the Applicant for the Subscription Shares, Surplus Debenture or Merger Price shall be from borrowed funds. Prior to the Closing of the Stock Subscription Agreement, the Applicant will fund GPM Merger Corporation with cash in the amount of \$2,000,000.00, which will become part of the capital and surplus of the Domestic Insurer as the "surviving corporation" of the proposed Merger. Applicant has included as **Exhibit I** *pro forma* summary financial statements of the Domestic Insurer showing the effects of the Applicant's investment in the Subscription

Shares, the redemption of all of the outstanding shares of Class A Preferred Stock of the Domestic Insurer, and the Merger of GPM Merger Corporation with and into the Domestic Insurer.

(b) Value of the consideration and how value was determined

The total value of the consideration to be paid by the Applicant for the Subscription Shares, the Surplus Debenture, and the Merger Price is \$11,959,115. The value of the consideration was determined based upon arms-length negotiations between the Applicant and the Controlling Shareholders, and included, among other things, the statutory book value of the Domestic Insurer based upon financial statements filed with the OIC; the total amount of consideration that would be required to redeem the Class A Preferred Stock of the Domestic Insurer, including accrued and unpaid dividends thereon; the value of the Domestic Insurer's business in force and future prospects; the value of the Domestic Insurer as a going concern; and other factors.

(c) No part of the consideration consists of borrowed funds.

Item 5. Future Plans for Domestic Insurer

As noted above, following the acquisition of the Subscription Shares by the Applicant, the parties shall enter into the Merger Agreement which provides for the merger of a wholly-owned subsidiary of the Applicant with the Domestic Insurer, as a result of which the Domestic Insurer shall be the surviving corporation and operate as a wholly-owned subsidiary of the Applicant. In this Form A Statement, the Applicant seeks the approval of the Washington Insurance Commissioner for both (a) Applicant's acquisition of control of the Domestic Insurer through the purchase of the Subscription Shares; and (b) the merger of a wholly-owned subsidiary of the Applicant with the Domestic Insurer, as provided in the draft of the Merger Agreement. The merger is, of course, ultimately subject to the approval of the holders of the outstanding common stock of the Domestic Insurer, but the Applicant and the Controlling Shareholders will agree to vote their shares, representing a total of approximately 92.2% of the outstanding shares of common stock of the Domestic Insurer then outstanding, for and in favor of the merger, so the approval required under Washington law by two-thirds of the shareholders of the Domestic Insurer is assured.

In connection with the merger, the Domestic Insurer will amend its articles of incorporation to reduce the par value of its common shares from the current \$3.01 per share to \$1.67 per share, which will result in having a minimum capital of over \$2.5 million, and surplus of over \$2.5 million. The Applicant has prepared *pro forma* summary financial statements of the Domestic Insurer which demonstrates the effect of the merger on the financial condition of the Domestic Insurer, which are attached hereto as **Exhibit I**. Contemporaneously with the filing of this Form A Statement, the Domestic Insurer is filing with the OIC amendments to its articles of incorporation to accomplish the reduction in the par value of its common shares, to be effective upon the Effective Date of the Merger (as defined in the Merger Agreement).

Item 6. Voting Securities to be Acquired

The Applicant will acquire 763,017 shares of common stock of the Domestic Insurer in connection with the Subscription Agreement, and another 736,983 shares of common stock of the Domestic Insurer in connection with the proposed merger, or a total of 1,500,000 shares of common stock. The terms of the Subscription Agreement and the Merger Agreement were arrived at by arms-length negotiations between the Applicant and the Controlling Shareholders, and involved extensive due diligence examination of the business and affairs of the Domestic Insurer. The transaction was structured in such a manner as to provide the Domestic Insurer with sufficient funds to redeem the outstanding Class A Preferred Stock, which was continuing to accrue dividends at an annual rate of \$1.00 per share, and still provide substantial value to the common shareholders in the proposed merger. As such, the parties believe that the proposed transaction is fair to the holders of all of the equity securities of the Domestic Insurer.

Item 7. Ownership of Voting Securities

Applicant does not currently own any class of any voting security of the Domestic Insurer.

Item 8. Contracts, Arrangement, or Understandings with Respect to Voting Securities of the Insurer

Other than the Subscription Agreement, the Merger Agreement and the Shareholders Agreement, as set forth in Exhibits A, B, and D attached hereto, there are no contracts, arrangements or understandings with respect to any voting securities of the Domestic Insurer in which the Applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to the transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

Item 9. Recent Purchases of Voting Securities

There have been no purchases of voting securities of the Domestic Insurer by the Applicant, its affiliates or any person listed in Item 3 during the twelve calendar months preceding the filing of this Form A Statement.

Item 10. Recent Recommendations to Purchase

Neither the Applicant, its affiliates, nor any person listed in Item 3, nor any other person based upon interviews or at the suggestion of the Applicant, its affiliates or any person listed in Item 3 has made any recommendations to purchase any voting security of the Applicant during the twelve calendar months preceding the filing of this Form A Statement.

Item 11. Arrangements with Broker-Dealers

There are no agreements, contracts or understandings between the Applicant and any broker-dealer as to the solicitation of voting securities of the Domestic Insurer for tender. The Domestic Insurer has engaged the services of Robert D. Shapiro and the Shapiro Network, Inc., Milwaukee, Wisconsin, to advise it with respect to the prospective acquisition of the Domestic Insurer, and whose fees shall be the sole responsibility of the Controlling Shareholders.

Item 12. Financial Statements and Exhibits

(a) List of Financial Statements and Exhibits

Following is a list of exhibits and financial statements attached to this Form A:

<u>Exhibit</u>	<u>Description</u>
A	Common Stock and Surplus Debenture Subscription Agreement
B	Plan and Agreement of Merger
C	Resolutions Adopted by the Boards of Directors of Applicant, the Domestic Insurer and GPM Merger Corporation approving the Plan and Agreement of Merger.
D	Shareholders' Agreement
E	Organizational Chart of Applicant
F	Certificate of Incorporation and Articles of Incorporation and Bylaws of GPM Merger Corporation
G	List of Officers and Directors, GPM Merger Corporation
H	Biographical Affidavits
I	<i>Pro Forma</i> Summary Financial Statements, Domestic Insurer
J	Annual Financial Statements, Applicant, 2007-2011
K	Annual Financial Statements, Texas Directors, 2007-2011
L	Audited Financial Statements, Applicant, 2007-2011
M	<i>Pro Forma</i> Internal Financial Statement for GPM Merger Corporation, as of Closing Date of Subscription Agreement

Item 13. Signature and Certification

Pursuant to the requirements of RCW 48.31B.015, the Applicant has caused this application to be duly signed on its behalf in the City of San Antonio and the State of Texas, on June 1, 2012.

Government Personnel Mutual Life Insurance Company
(Name of Applicant)

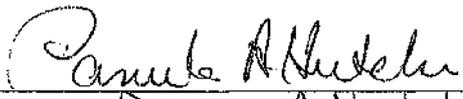
By: 
Name: Pamela A Hutchins
Title: Senior VP & Chief Actuary

Attest:

By: 
Name: C. Alan Ferguson
Title: SVP, Gen. Counsel & Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated June 1, 2012, for and on behalf of Government Personnel Mutual Life Insurance Company, that he/she is the Senior VP & Chief Actuary of such company and is authorized to execute and file such instrument. Deponent further says that he/she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

By: 
Name: Pamela A Hutchins
Title: Senior VP & Chief Actuary