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Patricia D. Paterson  
Chief Hearing Officer

**BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER**

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<b>In the Matter of the</b>	)	<b>No. 12-0236</b>
<b>Proposed Acquisition of Control of:</b>	)	
	)	<b>PRE-FILED TESTIMONY</b>
	)	
<b>North Coast Life Insurance Company,</b>	)	
<b>A Washington Domestic Insurance</b>	)	
<b>Company, by Government Personnel</b>	)	
<b>Mutual Life Insurance Company,</b>	)	
<b>A Texas mutual life insurer,</b>	)	
	)	
<b>The Applicant,</b>	)	
	)	
<b>and the Proposed Merger of GPM</b>	)	
<b>Merger Corporation, a Washington</b>	)	
<b>Corporation and wholly-owned</b>	)	
<b>Subsidiary of Applicant, with and into</b>	)	
<b>North Coast Life Insurance Company</b>	)	

**PRE-FILED TESTIMONY OF ROBERT J. OGDEN  
President of North Coast Life Insurance Company**

**October 22, 2012**

**PRE-FILED TESTIMONY OF  
ROBERT J. OGDEN - 1**

**RANDALL | DANSKIN**  
A Professional Service Corporation  
1500 BANK OF AMERICA FINANCIAL CENTER  
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**TESTIMONY OF  
ROBERT J. OGDEN**

Good morning your Honor. My name is Robert J. Ogden and I am the president of North Coast Life Insurance Company. I have been president of North Coast since 2006, succeeding my father, C. Robert Ogden, who co-founded the company and held the office of president since 1965. I am also a director of the company, a position I have held since 1989.

My testimony today will be brief. David Knoll and Pam Hutchins have done a very good job of informing you of the background, nature and effect of the transactions that are the subject of this hearing, and I thank them for that. It has been a long and arduous process, and we appreciate the courtesies and patience that GPM Life and its representatives have extended us in our efforts to bring these transactions to fruition. I would be remiss if I did not acknowledge their efforts. It has been a pleasure working with them.

As Mr. Knoll mentioned in his opening remarks, and as Pam Hutchins elaborated, the circumstances leading up to this transaction began in 1993, when North Coast offered and sold shares of its 10% Series A Cumulative Convertible Preferred Stock to the public in order to meet new minimum capital and surplus requirements.

Obviously, this has proven to be an expensive proposition for us. The cumulative dividend burden accrues at the rate of approximately \$90,200 per quarter, and directly affects our overall equity value, including that of the Ogden family and our other common shareholders. But at the time we offered and sold the preferred stock we had no other options. North Coast needed additional capital in order to continue to do business in Washington and other jurisdictions, and none of the investment bankers we consulted were willing to underwrite an issue of our common stock or anything looking like common stock.

Had we been able to grow our business substantially during the succeeding 20 years, we might have been able to address the financial effects of the cumulative dividend requirement internally. We also might have been able to achieve a financial footing that

1 would have enabled us to go back to the capital markets for less expensive replacement  
2 financing. That was not to be the case, however. Although we have held our own in a  
3 tough operating and interest rate environment, the simple fact remains that by 2008,  
4 given our size, our A.M. Best Rating and other factors, including those Pam Hutchins has  
5 already mentioned to you, we could not continue to pay the ten percent annual dividend  
6 on our outstanding Series A Preferred Stock. That, in sum, was the nature of the  
7 problems we were facing when we were first introduced to GPM Life late that year.

8 I would like to tell you a little more about how that came about. Like many other  
9 companies in the insurance industry, North Coast was caught up in the turmoil of the  
10 financial markets in the last four months of 2008 and suffered defaults on some of the  
11 debt securities held in our portfolio. This cost us a large part of our Asset Valuation  
12 Reserve as well as our Interest Maintenance Reserve.

13 Our now retired consulting actuary, Anthony L. Hollobon, suggested we address  
14 these financial difficulties by developing a reinsurance arrangement with a larger  
15 company. At his suggestion, we contacted Robert A. Shapiro, who had worked with Mr.  
16 Hollobon when he was an actuary at Milliman and Robertson in Seattle. Mr. Shapiro in  
17 turn put us in touch with Pam Hutchins of GPM Life.

18 Ms. Hutchins worked with Mr. Hollobon to develop a reinsurance treaty between  
19 North Coast and GPM Life that enabled us to complete 2008 with a strengthened surplus  
20 account. The treaty consisted of yearly renewable term and co-insurance. Because we  
21 were able to use older policies in force, this arrangement also enabled us to reduce our  
22 death claim exposure.

23 That was only the beginning of our relationship with GPM Life. As time  
24 progressed and we became more familiar with each other, additional opportunities  
25 presented themselves. For example, I had nine years of computer programming  
26 experience in the Los Angeles insurance market prior to joining North Coast in May of  
27 1989, much of it with a company called Management Applied Programming, where I  
28 helped develop and install computer systems for both life and casualty company clients  
of the firm. After I joined North Coast, we began to develop an internet based agent  
recruiting and marketing system which we installed in mid-year 2007. For several years

PRE-FILED TESTIMONY OF  
ROBERT J. OGDEN - 3

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1 we had striven to develop a better quality agency force that yielded a higher rate of  
2 persistent business. We found a higher quality of business from agents recruited on line  
3 as compared to agents recruited through direct mail.

4 GPM Life felt that our agent recruiting system would benefit them as well, and  
5 we began working in that direction. In time, our reinsurance and agent recruiting  
6 connections developed to the point where it made sense to explore the possibility of both  
7 companies joining together. The transactions that are before you today are the  
8 culmination of this relationship. We look forward to North Coast becoming a part of the  
9 GPM Life family and to a strong and growing future for our combined companies.

10 Unless your Honor has questions about it, I am not going to go into the details of  
11 our negotiations with GPM Life or the terms and conditions of the transactions that our  
12 board of directors and their board of directors ultimately agreed to. Pam has done a good  
13 job of summarizing all of that for you in her testimony.

14 That being said, I do wish to make the following specific points in support of the  
15 draft findings of fact that GPM Life has submitted to you -- namely: (1) we have not  
16 received any objections to the proposed acquisition and merger; (2) once the merger has  
17 been completed, North Coast will continue to operate in Washington as a wholly-owned  
18 subsidiary of GPM Life and will fully comply with the laws of the state of Washington  
19 relating to business corporations; and (3) no officer, director, member or subscriber of  
20 North Coast has received anything of value for promoting the acquisition and merger.

21 In conclusion, I will simply say that we at North Coast are pleased with the terms  
22 and believe that consummation of the change in control and merger are in the best  
23 interests of all of our shareholders, our employees and our current and prospective  
24 policyholders.

25 We urge your expedited approval of these transactions so that we can complete  
26 them no later than December 31<sup>st</sup> of this year.

27 Thank you.  
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Executed under penalty of perjury this 11<sup>th</sup> day of October, 2012.

  
Robert J. Ogden

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**PRE-FILED TESTIMONY OF  
ROBERT J. OGDEN - 5**

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Patricia D. Polston  
Chief Hearing Officer

**BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER**

10	<b>In the Matter of the</b>	)	<b>No. 12-0236</b>
11	<b>Proposed Acquisition of Control of:</b>	)	<b>PRE-FILED OPENING</b>
12	<b>North Coast Life Insurance Company,</b>	)	<b>STATEMENT</b>
13	<b>A Washington Domestic Insurance</b>	)	
14	<b>Company, by Government Personnel</b>	)	
15	<b>Mutual Life Insurance Company,</b>	)	
16	<b>A Texas mutual life insurer,</b>	)	
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21	<b>Subsidiary of Applicant, with and into</b>	)	
22	<b>North Coast Life Insurance Company</b>	)	

**PRE-FILED OPENING STATEMENT OF DOUGLAS SIDDOWNAY  
Randall | Danskin, P.S., Spokane, Washington  
Representing North Coast Life Insurance Company**

**October 22, 2012**

PRE-FILED OPENING STATEMENT OF  
DOUGLAS SIDDOWNAY - 1

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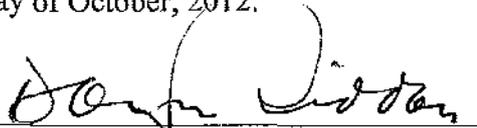
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**OPENING STATEMENT OF DOUGLAS SIDDOWAY  
ON BEHALF OF NORTH COAST**

Your Honor, my name is Douglas Siddoway and I am with the Spokane firm of Randall | Danskin, P.S. We have represented North Coast since at least 1990, if not before then, and represent it in these proceedings. We also represented North Coast in the negotiation and preparation of the Common Stock and Surplus Debenture Subscription Agreement, the Plan and Agreement of Merger and other documents that are attached as exhibits to GPM Life's Form A Statement.

Rob Ogden, who is North Coast's president and one of its directors, is here with me today to comment briefly on the testimony you have just heard from Mr. Knoll and Ms. Hutchins, and to answer any questions you may have.

Executed under penalty of perjury this 11<sup>th</sup> day of October, 2012.

  
Douglas Siddoway