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Patricia D. Wilson  
Chief Recording Officer

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition  
and Control of:

NORTH COAST LIFE INSURANCE  
COMPANY, a Washington Domestic  
Stock Insurance Company,

by

GOVERNMENT PERSONNEL  
MUTUAL LIFE INSURANCE  
COMPANY, a Texas mutual life  
insurance company,

the Applicant.

**NO. 12-0236**

**DECLARATION OF  
RONALD J. PASTUCH**

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,  
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of  
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of  
eighteen years old and I am competent to testify in this matter. I make this Declaration based  
upon my personal knowledge.

1           2.       I am a graduate of Pacific Lutheran University, where I earned a Bachelor of  
2 Arts Degree in Business Administration in 1988. I received my CPA license in 2003.

3           3.       My previous state employment includes the Washington Department of  
4 Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the  
5 Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to  
6 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from  
7 1993 to 2006 as a Financial Analyst at various levels within the same division.

8           4.       On February 16, 2006, I was appointed the Holding Company Manager in the  
9 same division. As the Holding Company Manager, my primary duties consist of reviewing  
10 and approving holding company transactions, which include reviewing and recommending  
11 OIC staff's position on proposed requests for insurance company acquisitions and mergers,  
12 including disclaimers of control.

13           5.       On June 6, 2012, Government Personnel Mutual Life Insurance Company  
14 ("the Applicant" or "GPM Life") filed an application for approval of the proposed acquisition  
15 of control of North Coast Life Insurance Company ("NCLIC"). NCLIC is a Washington  
16 domiciled stock insurance company incorporated on February 5, 1965, and began writing  
17 business on May 3, 1965. NCLIC has been licensed to write life and disability coverages in  
18 Washington State since its inception. NCLIC is a wholly owned corporation of RJ Martin  
19 Mortgage Company, which is majority owned through beneficial ownership of its common  
20 stock by C. Robert Ogden and members of the Ogden family.

21           6.       The Applicant is a Texas life insurance corporation and has been licensed in  
22 Washington State since November 1950. The Applicant was originally incorporated in 1934  
23 as a legal reserve mutual life insurance company under its current title. The Applicant is  
licensed to write life and disability coverages in Washington.

          7.       The Applicant and PMIC entered into a Stock Purchase Agreement dated May  
7, 2012, where the Applicant would acquire the remaining unissued capital stock of NCLIC,

1 subject to the approval of regulatory authorities. That agreement was filed with the  
2 application for acquisition filing as Exhibit A of that filing. The agreed price would be the  
3 sale of 763,017 shares of common stock at the price of \$7.66 per share for a total price of  
4 \$5,844,710 on the closing date. The number of outstanding and issued shares of common  
5 stock would be 1,500,000 shares and the Applicant would acquire 50.9 percent control of  
NCLIC.

6 8. The Applicant submitted various Exhibits in their application of acquisition  
7 filing, including but not limited to, the fore mentioned Stock Purchase Agreement, its  
8 corporate organization chart, its financial statements of the Applicant, and biographical  
9 affidavits of its directors and executive officers. The Applicant filed subsequent materials to  
10 support information about its directors and executive officers. The Applicant also provided  
11 documentation regarding the proposed merger of NCLIC with and into a wholly owned  
12 subsidiary of GPM Life whereby NCLIC would be the surviving corporation and operate as a  
wholly owned subsidiary of GPM Life.

13 9. On June 28, 2012, the OIC sent a letter to the Applicant's counsel advising the  
14 Applicant's application of acquisition filing did not have all information within that filing,  
15 requested additional information about the Applicant and its affiliates, and revise some  
16 information provided its application of acquisition filing.

17 9. On July 10, 2012, the OIC received the Applicant's response to the OIC's June  
18 28, 2012, deficiency letter.

19 10. On August 16, 2012, the OIC sent a letter to the Chief Hearing Officer  
20 regarding this application for acquisition filing as being complete and requested a hearing to  
decide on such matter.

21 11. On August 23, 2012 and August 29, 2012, the Applicant and NCLIC,  
22 respectively, submitted their latest quarterly unaudited statutory financial statements reporting  
23 their balance sheet, operations and cash flows as of June 30, 2012.

1           13.     On September 20, 2012, the OIC sent a letter to the Chief Hearing Officer  
2 regarding the issuance of a Solicitation Permit for Subsequent Financing of a Domestic Life  
3 and Disability Insurer (Permit No. 12-0260) in connection with the proposed acquisition of  
4 NCLIC.

5           14.     I have reviewed and analyzed these submittals. My analysis was performed  
6 under the criteria set forth in RCW 48.31B.015(4). From my analysis,

7           a.     The domestic insurer would be able to satisfy the requirements for the  
8 issuance of a license to write its current lines of business from which it is presently licensed.  
9 As stated previously, NCLIC is presently licensed to write life and disability coverages.  
10 NCLIC's minimum capital and surplus as of the date of the Declaration is \$4.8 million  
11 (\$4,800,000). As of its latest financial statement as of June 30, 2012, NCLIC reportedly has  
12 \$5.8 million in capital and surplus. Also, NCLIC's latest risk-based capital exceeded its  
13 company action level as defined under RCW 48.05.430 and RCW 48.05.440. Since NCLIC's  
14 current financial condition exceeds the minimum capital and surplus with the current  
15 authorized lines of business as prescribed by RCW 48.05.340(3), NCLIC would continue to  
16 maintain its license for life and disability coverages in Washington State.

17           b.     The effect of the proposed acquisition of control would not lessen  
18 competition in this state or tend to create a monopoly therein. We performed a market  
19 analysis on the Applicant and NCLIC's direct writings in the Washington life market. The  
20 Applicant is the only US entity within its holding company system operating in Washington.  
21 NCLIC is licensed in 14 states with a majority of writings in Arizona, California, Idaho,  
22 Oregon, and Washington. NCLIC also writes business in Guam, Northern Mariana Islands,  
23 and other US Territories. The combined writings of the Applicant and NCLIC would be less  
than a tenth of one percent (0.1%) of each life and annuity markets in Washington. There  
would be no effect in the disability market since NCLIC no longer actively writes disability

1 coverages. Our conclusion is there is no evidence indicating a violation of the competitive  
2 standards or situations meeting the criteria set forth in RCW 48.31B.020(4) exists.

3 c. The financial condition of the Applicant appears that it would not  
4 jeopardize the financial stability of the domestic insurer or prejudice the interest of its  
5 policyholders. As of June 30, 2012, the Applicant's unaudited financial condition had  
6 reportedly \$839 million in assets and \$102 million in policyholders' surplus. The Applicant's  
7 AM Best rating is A- (Excellent) and has reportedly maintained that rating since 2007. Based  
8 on these facts, the financial condition of the Applicant would not jeopardize the financial  
9 stability of NCLIC or the interest of NCLIC's policyholders.

10 d. We are not aware of any plans or proposals by the Applicant to  
11 liquidate the domestic insurer, sell its assets, or make any other material changes other than  
12 what the Applicant has stated in its application of acquisition filing.

13 e. We verified the competence, experience, and integrity of those persons  
14 who would control the operation of the domestic insurer with the federal, state, and local  
15 officials through a third party verification firm. That firm provides background checks on  
16 information provided in each person's biographical affidavit. We also had the criminal  
17 background verified of those individuals who would directly control the operations of NCLIC.  
18 As to these background checks, we did not detect any representation that would question the  
19 integrity of those individuals listed in the acquisition filing.

20 f. We are not aware that the acquisition is likely to be hazardous or  
21 prejudicial to the insurance buying public. We expect that quality service continue to be  
22 provided to NCLIC's policyholders after the acquisition is approved. The Applicant has a  
23 history of reinsuring blocks of business including a portion of NCLIC's business and has  
acquired one life insurer domiciled in Texas. All other operations are performed by the  
Applicant. We expect the new owners and leadership to provide services that would not be  
hazardous to prejudicial to NCLIC or the insurance buying public.

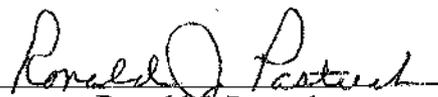
1           15.     According to this analysis and review of the subject acquisition filing and its  
2 attachments, we recommend to the presiding officer to approve the acquisition of NCLIC by  
3 the Applicant.

4           16.     From a procedural standpoint, the OIC requires that notice of this proposed  
5 acquisition be given to the public via the Internet (on the Insurance Commissioner's website).  
6 On October 9, 2012, the OIC posted a notice on the Insurance Commissioner's website  
7 concerning the proposed acquisition of NCLIC and information about the OIC's hearing  
8 process, a true and correct copy of which is attached hereto as Exhibit "A". Such notice  
9 included information regarding the hearing, via the Notice of Hearing dated October 4, 2012,  
10 and announcement posted on the website. The Notice of Hearing, which was filed on October  
11 5, 2012, was available to the public on October 10, 2012, which described the nature of the  
12 proceeding as to the hearing itself. We understand that notice will remain posted on the  
13 website from the date of this Declaration to the date of the hearing.

14           17.     The Notice of Hearing informs and advises all interested parties that any  
15 individual or entity is permitted to submit comments on, or objections to, this proposed  
16 acquisition. The Notice of Hearing states that any questions or concerns should be directed to  
17 Ms. Kelly Cairns, Paralegal to the OIC Chief Hearing Officer.

18           18.     As of the date of this Declaration, I personally have received one letter  
19 concerning an agreement between NCLIC and an unrelated entity, however, we determined  
20 that agreement has no relationship to the Stock Purchase Agreement between GPM Life and  
21 NCLIC. I am not aware of any other correspondence, email, or phone, nor am I aware of any  
22 comments, questions, or objections having been received by the OIC Chief Hearing Officer.

23 SIGNED this 15th day of October, 2012.

  
\_\_\_\_\_  
Ronald J. Pastuch



## **Public notices**

### **October 2012**

Hearing set for Government Personnel Mutual Life's request to acquire North Coast

### **August 2012**

Hearing set to consider Sagacor Life's request to acquire PEMCO Life - 08/16/2012

### **March 2012**

Hearing set to consider Humana's request to acquire Arcadian Health Plan - 03/13/

### **December 2011**

Industrial Alliance Pacific Insurance and Financial Services Inc. requests approval to move from Washington State to Texas – Hearing set for February 1, 2012. - 12/23/2011

Humana has applied to acquire Arcadian Health Plan, Inc. and its parent company, - 12/22/11

Safeco Companies seek approval to move their state of incorporation from Washington to Texas - 12/12/11

### **October 2011**

Hearing scheduled for disclaimer of control of Commonwealth Insurance Company

### **September 2011**

Hearing set for disclaimer of control of Commonwealth Insurance Company of America

Notice of filing for disclaimer of control of Commonwealth Insurance Company of America

### **July 2011**

Hearing set for merger of PEMCO Insurance Company - 7/11/2011

## EXHIBIT "A" (2)

**Notice**

Mike Kreidler  
Washington Insurance Commissioner  
Website: [www.insurance.wa.gov](http://www.insurance.wa.gov)

For more information, contact:  
Public Affairs: 360-725-7055  
Office of the Insurance Commissioner

Oct. 8, 2012

**Hearing set to consider Government Personnel Mutual Life's request for approval to acquire North Coast Life Insurance Company**

Olympia, Wash. – The Insurance Commissioner has scheduled a hearing for October 22, 2012 at 10:00 a.m. Pacific Time, in his Tumwater, Washington office to consider whether he should approve or deny Government Personnel Mutual Life Insurance Company's request to acquire Washington-based North Coast Life Insurance Company. GPM Life is proposing to acquire the remaining unissued authorized common stock of North Coast Life, which would allow GPM Life to obtain 50.9 percent ownership of North Coast Life. GPM Life is also proposing to merge North Coast Life with a GPM subsidiary at a later date after receiving approval of the acquisition.

North Coast Life Insurance Company, which has been a Washington-based insurer since 1965, provides life and disability products to approximately 1,100 Washington individual and group policyholders. North Coast Life is majority owned by its parent company, RJ Martin Mortgage Company, and the members of the Ogden family. North Coast Life's preferred and common stock shares are publicly traded on the OTC exchange.

GPM Life is a Texas-based insurer licensed to write accident, health and life insurance in Texas and has been authorized to write life and disability insurance in Washington since 1950. GPM Life is a mutual company owned by its policyholders. As of December 31, 2011, GPM Life's consolidated statutory surplus for policyholders was \$97.0 million.

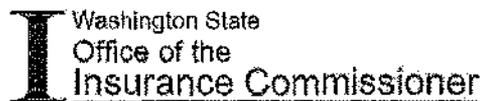
The public is notified that all interested parties may submit letters of support or objections and/or may participate in the hearing by appearing in person or by telephone. The Notice of Hearing includes how to participate and other related documents.

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Tell a friend |

## EXHIBIT "A"

(3)



## Judicial proceedings

A-B | C-D | E-F | G-I | J-L | M-O | P-R | S-T | U-V | W-Z

Note: The orders below are not official. You may request official copies from our Public Disclosure Office, 360-725-7003, or email: pdr@oic.wa.gov.

Name/docket no.	Type of action	Status	Documents are in PDF format
Matson, Melissa H. D04-191	Appeal OIC's Revocation of Insurance Agent's License	Final Order Terminating Proceedings, Stipulation and Consent Order entered 3/3/05	Final decision Notice of Hearing Demand for Hearing Order revoking license
The MEGA Life & Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, and the Chesapeake Life Insurance Company	Objections to the Draft Report of Market Conduct Examination	Demand for hearing withdrawn; proceedings terminated	Order Terminating Proceedings (90KB) Withdrawal of Demand for Hearing (57KB) Joint Request for Continuance of Hearing Transmittal to OAH Extension Letter Notice of Appearance and Amended Demand for Hearing Notice of Hearing Receipt of Demand Demand for Hearing Transmittal to Hearings Unit
Monumental General Casualty Company D06-199 OAH-2006-INS-0016	Appeal OIC's Proposed Consent Order/Fine	Matter Terminated	Final decision Prehearing Order Demand for Hearing Proposed order
Mosely, Terrence G05-80	Failure of the Commissioner to Act	Closed	Final decision Demand for hearing
Nase, Daniel D03-0233	Request for hearing	Request for Hearing Denied	Order to dismiss Response to motion Motion to dismiss Request for Hearing Order revoking license
Nation Motor Club, Inc. D10-0165	Appeal OIC's Notice of Revocation of Registration	Settled and Dismissed	Notice of Hearing Order Granting Continuance Notice of Prehearing Receipt of Demand Demand for Hearing  Order Dismissing Adjudicative Proceeding
National Merit Insurance Company G10-0235	Redomestication	Redomestication Approved	Final decision OIC's Prefiled Testimony National Merit's Prefiled Testimony

## EXHIBIT "A"

(4)

National States Insurance Co. D06-122	Appeal OIC's Proposed Consent Order/Fine		Demand for hearing Notice of intent
Nikzad, Gholamreza and Wood Financial Services Company 12-0130	OIC Request for Imposition of Fine and Placement of Licensees on Probation	Pending	Notice of Hearing (169KB) Notice of Receipt of OIC's Request (68KB) OIC's Request for Fine and Probation (129KB)
Noble, Richard M.	Request for Hearing	Proceedings Terminated	Order Terminating Proceedings Notice of Hearing Notice of Receipt
North American Dealer Co-op (NADC), National Administrative Dealer Services, Inc., & Henry C. Bailey, Jr., D07-149	Unauthorized Insurer; Unlicensed Agents	OIC's Order affirmed by Superior Court; appealed to Court of Appeals	Notice of Appeal to COA Motion for Limited Reconsideration Motion for Return of Cash Bond Superior Court Decision 08-28-09 Order 2nd Order Granting Stay Petition for review Stay & final order Final order Order on testimony Notice of hearing Demand for hearing Notice of intent
North Coast Life Insurance Co., proposed acquisition by Government Personnel Mutual Life Insurance Co. 12-0236	Proposed acquisition/ Form A Statement	Pending Hearing scheduled for October 22, 2012 at 10 am	Notice of Hearing (268KB) Solicitation Permit (87KB) Notice of Receipt (74KB) Transmittal of Form A Statement to Hearings (78KB) Supplement to Form A (121KB) Form A Statement (with explanatory transmittal; without supporting documents) (341KB) Form A Supporting Documents
Northwest Dentists Insurance Co., Incorporation, Proposed Acquisition by Health Services Group Inc., & Washington State Dental Association G07-13	Acquisition	Acquisition Approved	Final decision Amended Notice of Hearing Notice of hearing Demand for Hearing Amended Form A
Omaha Woodmon Life Insurance Society D06-351	Objection to Consent Order/Fine	Order Set Aside	Final decision Notice of hearing Demand for hearing Proposed order
Orion Insurance Group 11-0123	Proposed Consent Order	\$250 fine imposed	Findings of Fact, Conclusions of Law and Final Order OIC Hearing Exhibits Orion Hearing Exhibits Hearings Unit Notice of Hearing Notice of Hearing Receipt of Demand for Hearing