

NOV 19 1997

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
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In the matter of:	)	No. <u>97A-210</u>
	)	
Golden Eagle Insurance Corporation, a California corporation,	)	CONSENT ORDER
	)	
Respondent.	)	
	)	

FINDINGS OF FACT

1. Respondent is a California corporation, and a wholly owned subsidiary of Liberty Mutual Insurance Company, licensed to transact property and casualty, including workers' compensation, insurance in the State of California.

2. On October 3, 1997, Respondent submitted an application to the Arizona Department of Insurance for a certificate of authority to transact casualty with workers' compensation, among other lines of insurance, in the State of Arizona.

3. As of October 28, 1997, Respondent has met the requirements for the issuance of the certificate of authority, in accordance with A.R.S. Title 20.

4. Prior to October 28, 1997 Respondent issued seventy-seven insurance policies in this state without possessing a certificate of authority therefor, as identified in exhibits A and B hereto.

CONCLUSIONS OF LAW

1. Respondent has violated A.R.S. §§ 20-107, 20-206 and 20-401.01.

. . . .  
. . . .  
. . . .

ORDER

NOW, THEREFORE, IT IS ORDERED:

1. Respondent shall pay a civil money penalty in the amount of \$10,000, pursuant to A.R.S. § 20-220.

2. Immediately after issuance of the certificate of authority to Respondent, as ordered in paragraph 7 below, Respondent shall issue replacement policies, retroeffective to the date of original issuance by Respondent, for each policy identified on exhibit A and for every other workers' compensation policy which may be subsequently discovered to have been issued in this State by Respondent prior to October 28, 1997.

3. Liberty Mutual Insurance Company shall issue a Reinsurance Cut Through Endorsement, in the form attached as exhibit C hereto, with respect to each of the policies identified in exhibits A and B and any additional policies identified in paragraph 2 above.

4. The rates and forms ultimately approved by the Arizona Department of Insurance for initial use by Respondent in Arizona shall be deemed the effective rates and forms with respect to the policies identified in exhibits A and B and any additional policies identified in paragraph 2 above, for all purposes, to the extent such policies are not exempt from the requirement of approved rates and forms.

5. Respondent shall include the premium received in consideration for the policies identified in exhibits A and B and any additional policies identified in paragraph 2 above on its tax reports for the applicable period and shall pay the premium tax due relative to such premiums, as if Respondent had been author-

1 ized to issue such policies, in accordance with A.R.S. §§ 20-224,  
2 23-961 and 23-1065.

3 6. Respondent shall establish a special deposit for the pro-  
4 tection of affected policyholders and claimants under the policies  
5 identified in exhibits A and B and any additional policies identi-  
6 fied in paragraph 2 in the amount of \$1,200,000 (One Million Two  
7 Hundred Thousand Dollars) in the form attached as exhibit D here-  
8 to.

9 7. Respondent shall be issued a certificate of authority to  
10 transact insurance in this state as applied for, with an effective  
11 date of October 28, 1997.

12 DATED this 14 day of November, 1997.

13   
14 JOHN A. GREENE  
15 Director

16 CONSENT TO ORDER

17 1. Respondent has reviewed the foregoing Findings of Fact,  
18 Conclusions of Law and Order.

19 2. Respondent admits the jurisdiction of the Director of  
20 Insurance, State of Arizona, and admits the foregoing Findings of  
21 Fact and consents to the entry of the foregoing Conclusions of  
22 Law and Order.

23 3. Respondent is aware of its right to notice and a hearing  
24 at which it may be represented by counsel, present evidence, and  
25 cross-examine witnesses. Respondent irrevocably waives its right  
26 to such notice and hearing and to any court appeals relating to  
27 this Consent Order.

28 . . . . .

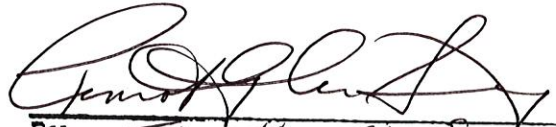
1           4. Respondent states that no promise of any kind or nature  
 2 whatsoever, except as expressly contained in this Consent Order,  
 3 was made to it to induce it to enter into this Consent Order and  
 4 that it has entered into this Consent Order voluntarily.

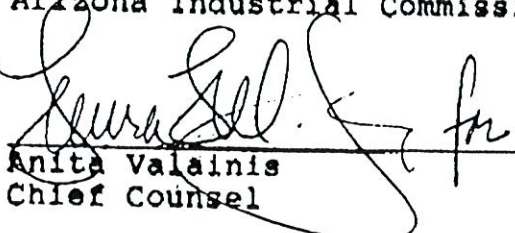
5           5. Respondent acknowledges that the acceptance of this Con-  
 6 sent Order by the Director is solely to settle this matter against  
 7 it and does not preclude any agency, officer or subdivision of  
 8 this state or any other person from instituting civil or criminal  
 9 proceedings as may be appropriate now or in the future.

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GOLDEN EAGLE INSURANCE CORPORATION

November 7, 1997  
Date

  
By Timothy M. Sweeney  
Its Secretary

Approved as to form:  
 Arizona Industrial Commission  
  
Anita Valainis  
 Chief Counsel

COPY of the foregoing mailed/delivered  
 this 19th day of November, 1997, to:

Charles R. Cohen, Deputy Director  
 Gary Torticill, Assistant Director/Chief Examiner  
 Deloris E. Williamson, Assistant Director  
 Arizona Department of Insurance  
 2910 North 44th Street, Suite 210  
 Phoenix, AZ 85018

Anita Valainis, Chief Counsel  
 Arizona Industrial Commission  
 800 West Washington Street  
 Phoenix, AZ 85007

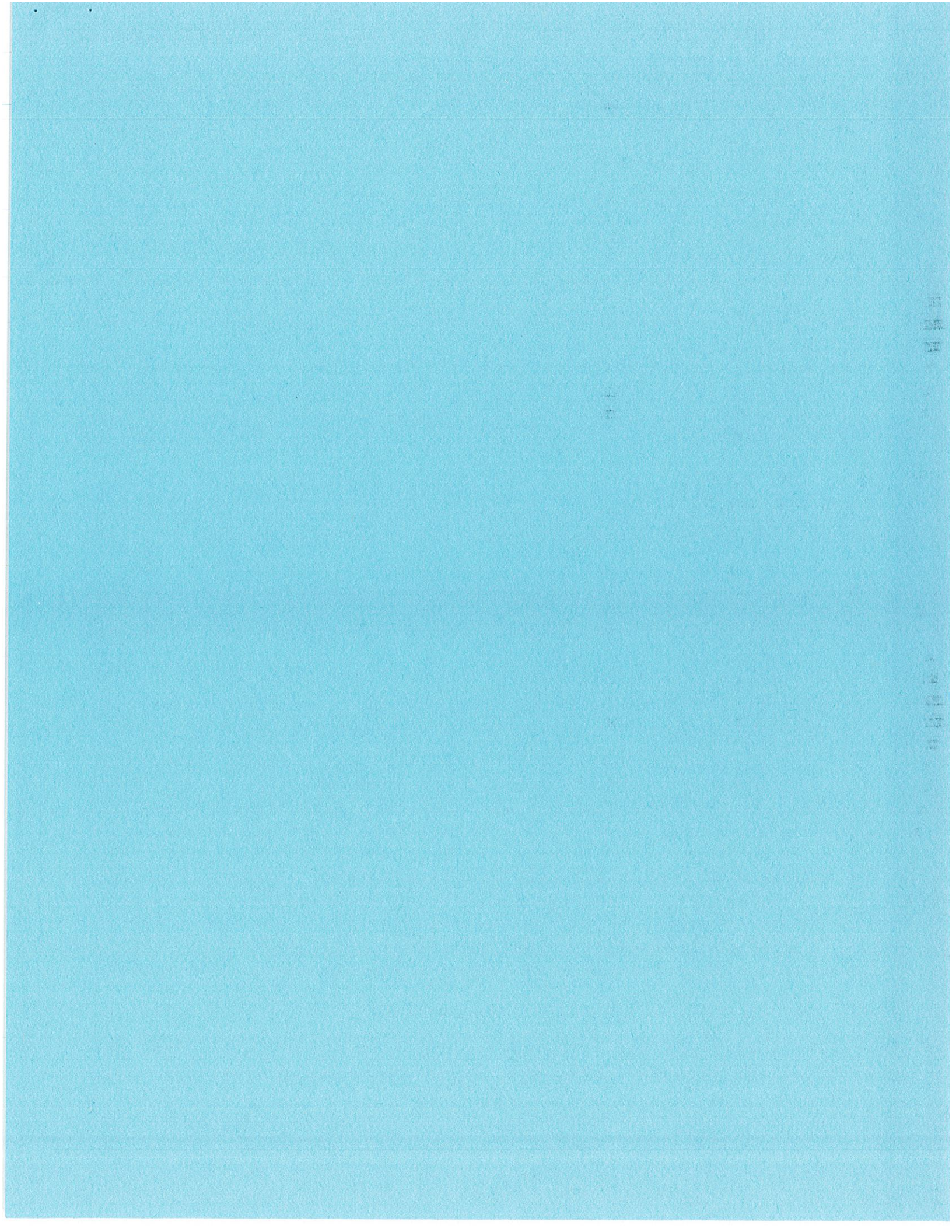
1 Golden Eagle Insurance Corporation  
7175 Navajo Road  
2 San Diego, CA 92119-1642

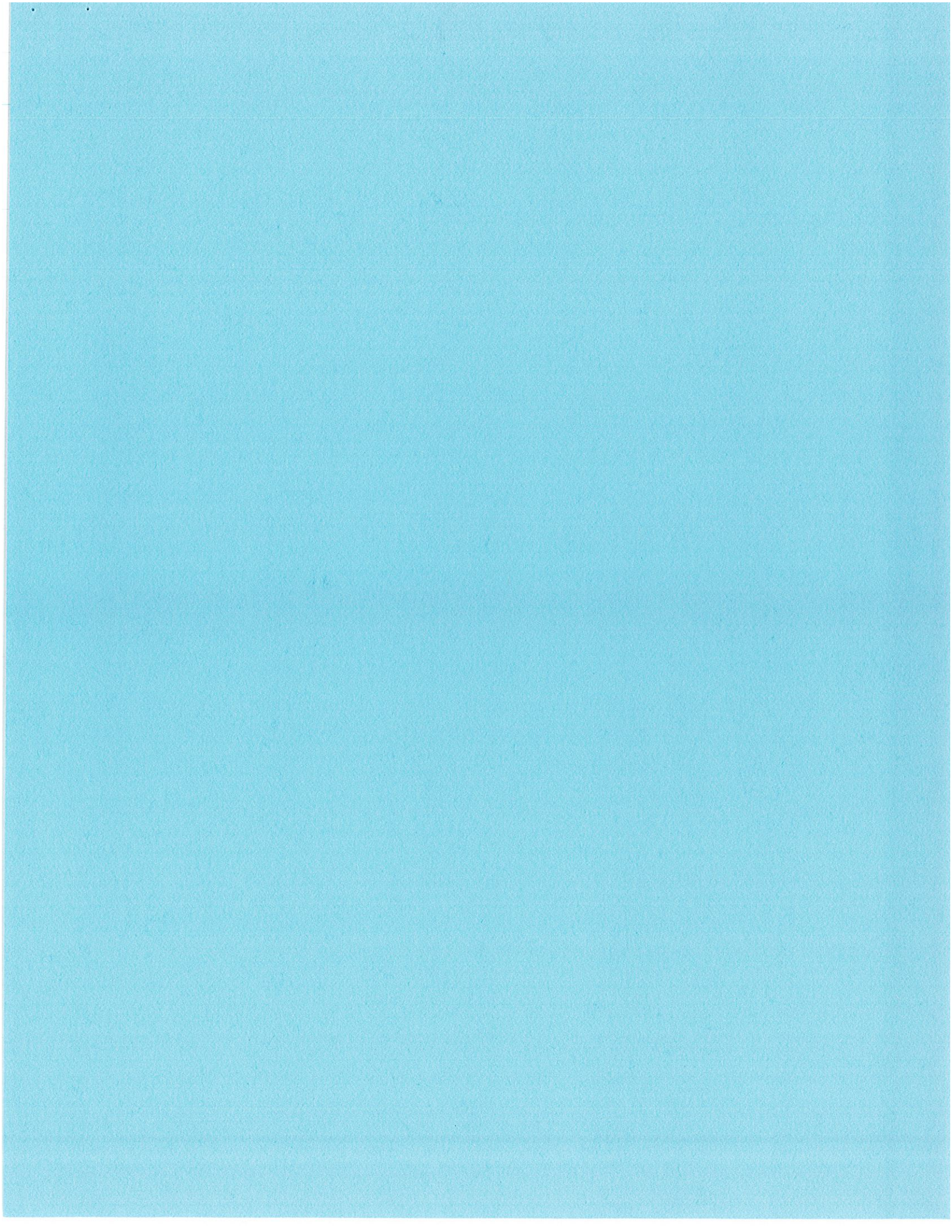
3 Liberty Mutual Insurance Company  
175 Berkeley Street  
4 Boston, MA 02117

5 S. David Childers, Esq.  
Low & Childers, P.C.  
2999 North 44th Street, Suite 250  
6 Phoenix, AZ 85018

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9 Curvey Burton

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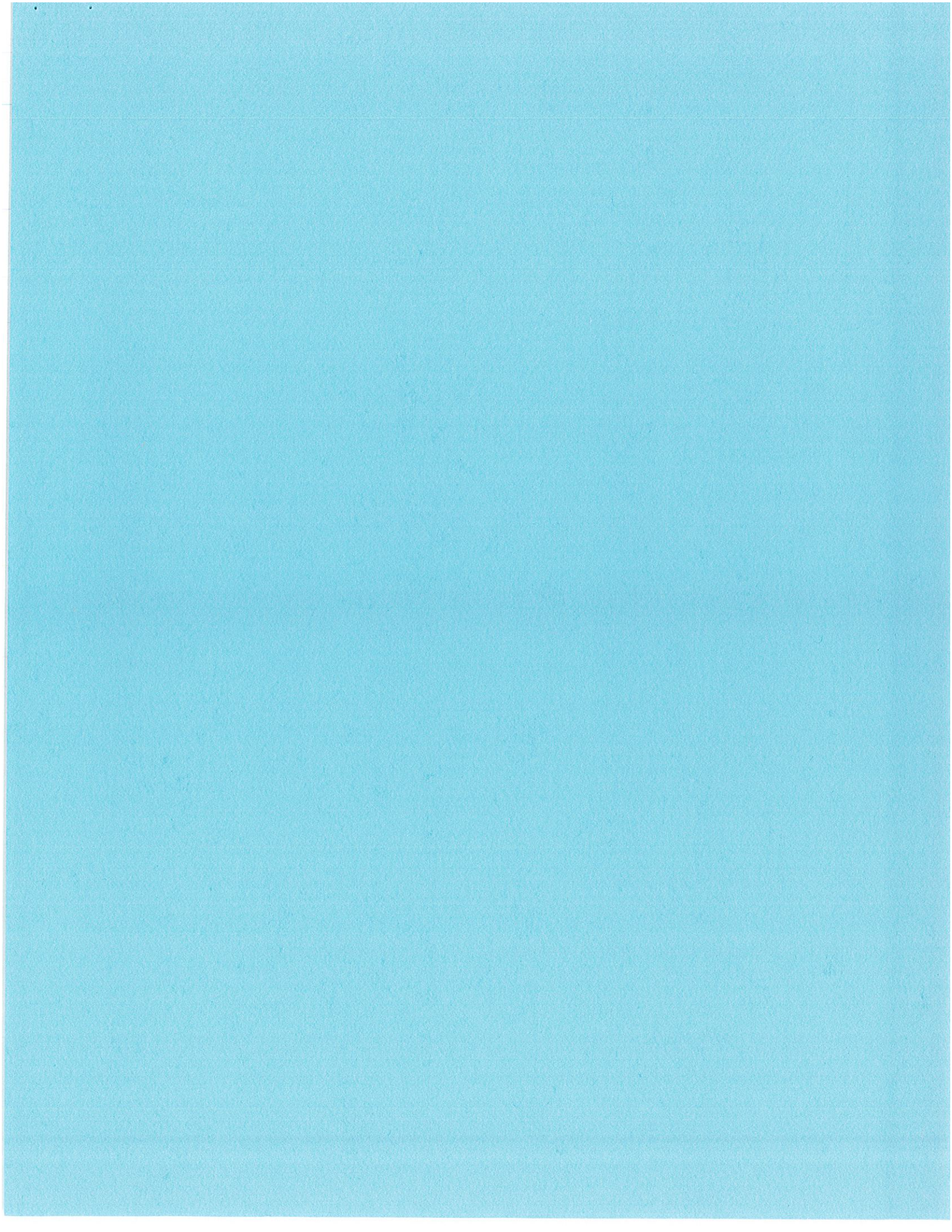
**GOLDEN EAGLE INSURANCE CORPORATION  
WORKERS COMPENSATION POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Advantage Telecom	238 Leah Court Upland, California 91784	NWC-479134-50	8-1-97	\$0.00
Heating and Cooling Supply, Inc.	5002 South 38 <sup>th</sup> Place Phoenix, Arizona 85040	NWC-481059-50	8-1-97	\$0.00
Enriquez Materials and Quilting	No address provided	NWC-336446-50	9-24-97	\$0.00
Intra American Foundation	No address provided	NWC-417410-41	9-24-97	\$0.00
SCME Mortgage	3333 East Camelback Road, Suite 285 Phoenix, Arizona	475033-50	9-14-97	\$0.00
J & J Trucking	21050 North 185 <sup>th</sup> Avenue Wittmann, Arizona 85361	NWC-418571-50	10-22-97	\$0.00
Deanos Body Works & Custom Painting	No address provided	NWC-417023-50	10-2-97	\$0.00
Rick Thomas King	No address provided	NWC-417927-51	10-8-97	\$0.00
Southwest Golf, Inc.	9101 North Thornydale Road Tucson, Arizona 85741	NWC-481064-50	10-1-97	\$0.00
D & D Plumbing	6608 West Desert Cove Glendale, Arizona 85304	NWC-481063-50	8-19-97	\$0.00
Mr. Catfish Moes	2660 West Ruthkauff Road Tucson, Arizona 85705	481062-50	8-1-97	\$0.00



**GOLDEN EAGLE INSURANCE CORPORATION  
WORKERS COMPENSATION POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Lynndale Stainless Services	5302 West Mohave Phoenix, Arizona 85043	NWC-481061-50	9-1-97	\$0.00
WLT Builders, Inc.	251 East Fieldcrest Lane Tucson, Arizona 85737	NWC-481060-50	8-4-97	\$0.00
* U.S. Radiator	3044 North 33 <sup>rd</sup> Drive Phoenix, Arizona 85107	NWC-385216-50	10-1-97	\$0.00



**GOLDEN EAGLE INSURANCE CORPORATION  
"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Armando & Callia Hernandez	P.O. Box 565; Dewey, Arizona 86327	FRP-516566-00	9-5-97	\$0.00
Porfirio Avena, Jr.	16247 North 70 <sup>th</sup> Drive Peoria, Arizona 85382	FRP-509478-00	8-26-97	\$0.00
Nez, Jerry	P.O. Box 1535 Snowflake, Arizona 85937	FRP-439170-00	10-7-97	\$0.00
Varaclas, George & Louisa	4727 East Bell Road Phoenix, Arizona 85032	FRP-509476-00	8-29-97	\$0.00
Naguin Precision Earth Moving, Inc.	3419 South Avenue 41E Roll, Arizona 85347	FRP-509409-00	8-12-97	\$0.00
Naguin Precision Earth Moving, Inc.	3419 South Avenue 41E Roll, Arizona 85347	EXC-509449-00	8-12-97	\$0.00
On A Whim Farm (dba)	1901 North Wilmot Apartment 1231 Tucson, Arizona 85712	FRP-509364-00	8-14-97	\$0.00
Sunrise Trucking	8956 South Eisenhower Tucson, Arizona 85706	CCP-514874-00	9-1-97	\$0.00
Sunrise Trucking	8956 South Eisenhower Tucson, Arizona 85706	TCR-514975-00	9-1-97	\$0.00
Chuys Mesquite Broiler-Orange (dba)	6453 North Oracle Road Tucson, Arizona 85741	CCP-430433-01	8-18-97	\$0.00

**GOLDEN EAGLE INSURANCE CORPORATION  
"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Old West Cow Camp (dba)	P.O. Box 2596 Globe, Arizona 85602	FRP-372383-02	10-20-97	\$0.00
James Boyle	2415 North Pioneer Mesa, Arizona 85203	FRP-413446-01	10-6-97	\$0.00
Bill Polkinhorn, Inc.	23609 West Third Street San Luis, Arizona 85349	CCP-512006-00	8-21-97	\$0.00
Jalisco Jojoba Farming Co.	P.O. Box 426 Tucna, Arizona 85352	FRP-326153-02	10-19-97	\$0.00
Rutan (dba)	6370 North Chapparal Road Tucson, Arizona 85743	FRP-439145-01	10-21-97	\$0.00
Korner Laundromat (dba)	143 Riverside Drive Parker, Arizona 85344	CCP-334787-02	10-30-97	\$0.00
Comancho Contractors, Inc.	4910 East Larkspur Drive Scottsdale, Arizona 85251	CCP-512263-00	8-14-97	\$0.00
Randy & Susan Rist	13200 West Rudasill Road Tucson, Arizona 85743	FRP-436539-01	10-18-97	\$0.00
Mules For Hire	P.O. Box 2402 Apache Junction, Arizona 85217	FRP-429940-01	10-18-97	\$0.00
Harold & Cristina Vogel	8485 East Dixileta Scottsdale, Arizona 85262	FRP-509452-00	10-9-97	\$0.00

**GOLDEN EAGLE INSURANCE CORPORATION**  
**"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Lone Mountain Ranch	21152 North 22 <sup>nd</sup> Street Cave Creek, Arizona 85024	FRP-415272-01	10-11-97	\$0.00
Marquez Labor Contractor (dba)	1810 Madison Avenue Yuma, Arizona 85364	FRP-330732-02	10-20-97	\$0.00
Beth Oden	8401 East Cholla Scottsdale, Arizona 85260	FRP-433-482-01	9-26-97	\$0.00
Post Time Farms, LLC	P.O. Box 1422 Queen Creek, Arizona 85242	FRP-471011-01	10-15-97	\$0.00
Anarch Security, Inc.	P.O. Box 31045 Flagstaff, Arizona 86003	CCP-370025-02	10-3-97	\$0.00
Adamcin Quarterhorses	9015 North Camino De Anza Tucson, Arizona 85737	FRP-503880-00	9-30-97	\$0.00
Journey's End Ranch (dba)	45208 North 22 <sup>nd</sup> Street Phoenix, Arizona 85027-7540	FRP-509374-00	10-1-97	\$0.00
Custom Metal Finishing Company	P.O. Box 683 Parker, Arizona 85344	CCP-513744-00	9-13-97	\$0.00
Colorado River Awnings	800 11 <sup>th</sup> Street, Suite A Parker, Arizona 85344	CCP-438356-01	10-1-97	\$0.00
Sheryl Gonsen	9009 Calle Buena Vista Oro Valley, Arizona 85737	FRP-503849-00	9-28-97	\$0.00

**GOLDEN EAGLE INSURANCE CORPORATION  
"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Ken McGuire	P.O. Box 1148 Parker, Arizona 85344	FRP-503831-00	9-21-97	\$0.00
Michael Fisher & James Ritman	P.O. Box 10096 Sedona, Arizona 86336	FRP-503878-00	10-1-97	\$0.00
Carniceria Rancho Grande	4227 South Central Avenue Phoenix, Arizona 85040	CCP-427497-01	8-7-97	\$0.00
APSI, Inc.	P.O. Box 2975 Mesa, Arizona 85214-2975	FRP-436536-01	10-2-97	\$0.00
Leo & Winona Reber	13047 South Val vista Gilbert, Arizona 85234	FRP-503812-00	9-29-97	\$0.00
J & J Company	21050 North 185 <sup>th</sup> Avenue Wittmann, Arizona 85361	TCR-514809-00	8-29-97	\$10,791
Quartzsite Chamber of Commerce	P.O. Box 85 Quartzsite, Arizona 85346	CCP-432186-01	10-16-97	\$0.00
Sunset Market & Liquor	17235 North 19 <sup>th</sup> Avenue Phoenix, Arizona 85023	CCP-447918-01	10-14-97	\$0.00

**GOLDEN EAGLE INSURANCE CORPORATION  
"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Julie Lanford	6055 East Dynamite Cave Creek, Arizona 85331	FRP-509470-00	10-12-97	\$0.00
Richard Hilderbrandt Farms	14444 East Riggs Road Chandler, Arizona 85249	FRP-436548-01	10-15-97	\$0.00
Rainbow Enterprises, Inc.	c/o Walter Lorimor 13228 North 64 <sup>th</sup> Drive Glendale, Arizona 85304	CCP-512071-00	8-22-97	\$0.00
Phil White Ford, Inc.	P.O. Box 159 Payson, Arizona 85541	DLR-518917-00	10-1-97	\$0.00
Rare Performance Motors	3632 North Bishop Lane Scottsdale, Arizona 85251	DLR-518903-00	9-15-97	\$0.00
Lamb Chevrolet	828 Gail Gardner Way Prescott, Arizona 86301	DLR-518910-00	10-1-97	\$0.00
DBA: Franky's Farm Labor	1952 West 21 <sup>st</sup> Street Yuma, Arizona 85365	CCP-516000-00	9-25-97	\$0.00
Beaudy Motor Company	4646 East 22 <sup>nd</sup> Street Tucson, Arizona 85711	DLR-518906-00	10-1-97	\$0.00

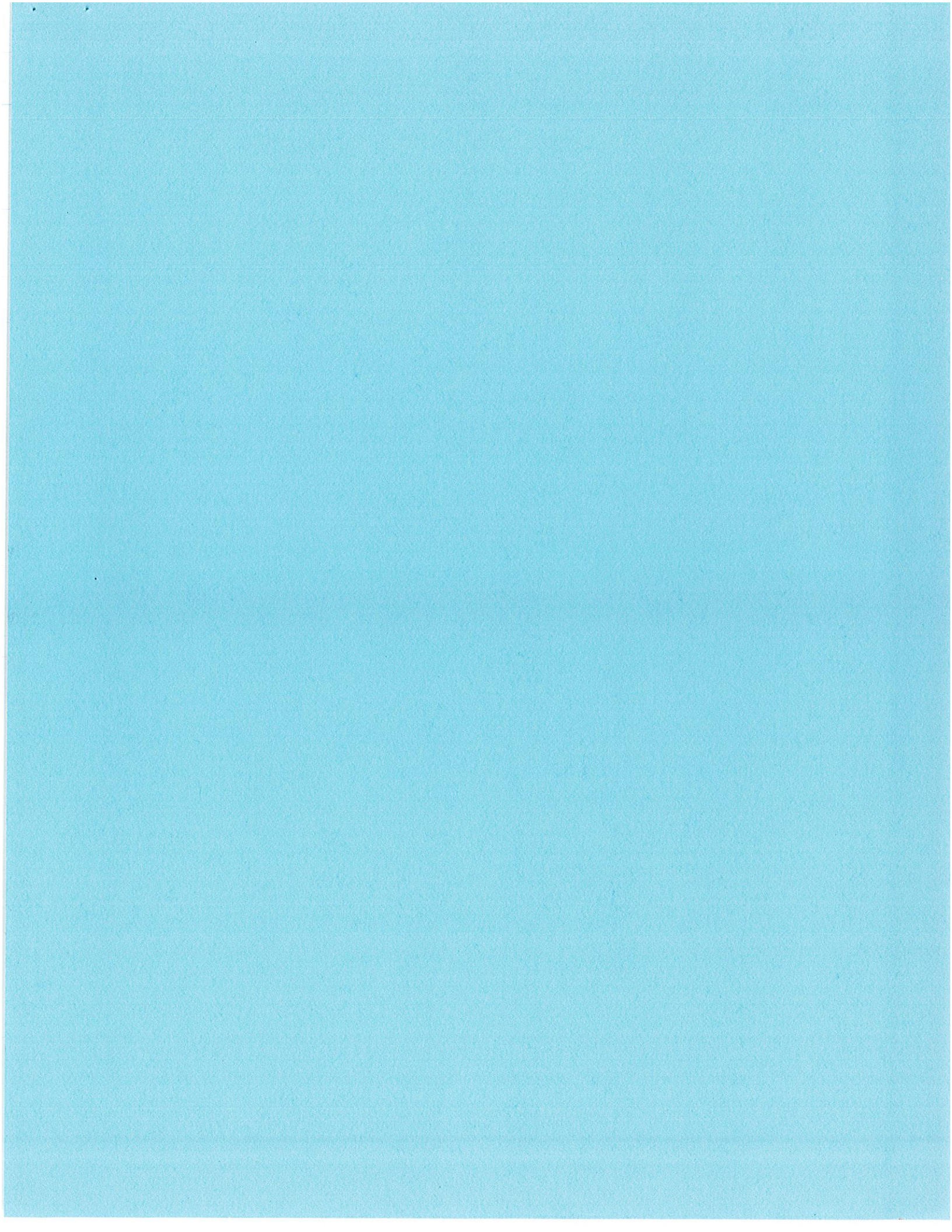
**GOLDEN EAGLE INSURANCE CORPORATION**  
**"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
* GH-A, Inc.	595 West Cottonwood Casa Grande, Arizona 85222	CCF-518159-00	09-17-97	\$0.00
* Lodging, Inc.	3550 North Central Avenue, Suite 1115 Phoenix, Arizona 85012	EXC-518226-00	09-15-97	\$0.00
* Vincents Appliance Service, Inc.	10230 Harbor Drive Parker, Arizona 85344	CCP-519253-00	10-1-97	\$0.00
* DBA: Water Tech	2610 East Highway 95 Yuma, Arizona 85364	CCP-519356-00	10-4-97	\$0.00



**GOLDEN EAGLE INSURANCE CORPORATION  
"OTHER" POLICIES**

Name	Address	Policy Number	Effective Date	Incurred Losses
Doug Mellon & Doug Mellon Farms, Inc.	2191 South 4 <sup>th</sup> Avenue, Suite D Yuma, Arizona 85364	FRP-516568-00	9-1-97	\$0.00
Doug Mellon & Doug Mellon Farms, Inc.	2191 South 4 <sup>th</sup> Avenue, Suite D Yuma, Arizona 85364	EXC-516569-00	9-1-97	\$0.00
James & Ethelmae Haldan	20 Miles Northeast of Parker Parker, Arizona 85344	CCP-432023-01	9-10-97	\$0.00
James & Ethelmae Haldan	20 Miles Northeast of Parker Parker, Arizona 85344	EXC-519085-00	9-10-97	\$0.00
S-M Pizza, DBA: Chuck E. Cheese Pizza	1540 East McKellips, Suite D-5 Mesa, Arizona 85203	CCP-435407-01	9-22-97	\$0.00
S-M Pizza, DBA: Chuck E. Cheese Pizza	1540 East McKellips, Suite D-5 Mesa, Arizona 85203	EXC-519368-00	9-22-97	\$0.00
Earl & Sylvia Baker	P. O. Box 294 Springerville, Arizona 85938	FRP-433472-01	9-24-97	\$0.00
Havasu Springs Resort, L.L.C.	Route 2, Box 624 Parker, Arizona 85344	CCP-513454-00	8-25-97	\$0.00
Havasu Springs Resort, L.L.C.	Route 2, Box 624 Parker, Arizona 85344	EXC-513455-00	8-25-97	\$0.00
* Power & palmer, Inc.	6793 Telegraph Street Yuma, Arizona 85365	FRP-516645-00	09-28-97	\$0.00



**REINSURANCE CUT-THROUGH ENDORSEMENT**

(hereinafter referred to as the "Endorsement")

This Endorsement is made by and between GOLDEN EAGLE INSURANCE CORPORATION, a California domiciled insurer with its principal office in San Diego, California (hereinafter referred to as the "Company") and LIBERTY MUTUAL INSURANCE COMPANY, a Massachusetts domiciled insurer with Administrative Offices in Boston, Massachusetts (hereinafter referred to as the "Reinsurer").

For value received, the Reinsurer and the Company hereby agree that, with respect to loss payment obligations arising under the Company's policy identified below (hereinafter referred to as the "Policy"), which Policy is reinsured in whole or in part by the Reinsurer.

1. In the event the Company is declared insolvent and placed in liquidation by a court of competent jurisdiction, and therefore is unable to pay any loss for which the Company would be legally liable under the Policy, the Reinsurer shall become liable to pay the reinsurance liability for the loss directly to the Insured.
2. The Reinsurer's obligation to make loss payments pursuant to this Endorsement shall be limited as they appear in the Policy, by the Company's liability under the terms, limits and conditions contained in the Policy; by the Reinsurer's liability; and by applicable state law.
3. Any payment by the Reinsurer pursuant to this Endorsement shall be, to the extent of the payment, in substitution, satisfaction and discharge of the reinsurance obligation to the Company. Neither this Endorsement, nor any other agreement, shall be construed in a manner which would subject the Reinsurer to liability for a duplicative payment of losses reinsured.
4. This Endorsement shall expire upon the earlier of the renewal or the cancellation of the Policy listed below.
5. The provisions of this Endorsement shall apply only with respect to losses covered under the Policy listed below.

**SECURITY DEPOSIT , ASSIGNMENT, AND TRUST AGREEMENT  
FOR SOLE BENEFIT OF ARIZONA POLICYHOLDERS AND CLAIMANTS**

This agreement is made, by and between Golden Eagle Insurance Corporation, a California corporation, with its principal place of business at San Diego, CA, hereinafter referred to as "Insurer", the Arizona Department of Insurance, hereinafter "Department" and the Arizona State Treasurer.

The Insurer has been, is or will be engaged in the transaction of insurance within the State of Arizona and has and/or will issue insurance policies to Arizona residents. In order to provide additional security to all Arizona residents that purchased insurance policies from the Insurer which became effective prior to October 28, 1997, hereinafter "The Policies", and claimants under such policies, the Insurer hereby deposits and assigns to the Arizona State Treasurer, as Trustee, the following described property for the benefit of all Arizona policyholders within and claimants under The Policies as follows:

The following securities or like kind held by BNY Western Trust Company in a segregated account maintained in Trust for the Arizona State Treasurer for statutory and other special deposits as may be required:

Par Value	Description	Rate%	Maturity Date
\$1,200,000	U. S. Treasury Notes	6.500%	10/15/2006

The assets of the Insurer which are the subject of this agreement are intended to be security for Arizona residents who are policyholders within The Policies or claimants against such policyholders only and it is the intent of the parties that a claim of an Arizona resident within The Policies or a claimant thereof be a "secured claim" within the meaning of A. R. S. §20-611(11) and that the deposited and assigned assets are being placed in trust with the Arizona State Treasurer to act as a security deposit for the sole benefit of the Arizona residents within The Policies and all claimants against members of The Policies. The Insurer consents and agrees that in the event of the insolvency of he Insurer the above deposited, assigned and trusteeed assets shall be considered "security" within the meaning of A. R. S. §20-629(E) and that the Arizona policyholders within The Policies and claimants thereof shall be deemed "secured" claimants within the meaning of A. R. S. §20-629(E). The parties specifically agree that no part of the assets which are subject to this agreement shall be deemed to be a "Statutory" deposit within the meaning of A. R. S. §20-213 even though such assets may be held and commingled with assets held for Statutory deposit purposes within the account established for such purposes with BNY Western Trust Company, its successors, or such other bank or trust company which shall be acceptable to the Arizona State Treasurer. The Insurer expressly recognizes that its "Statutory" Deposit requirement under A. R. S. §20-213 must be other wise satisfied.

The Insurer warrants that it has free and clear title to the assets which are the subject of this agreement, and that the assets are not subject to or restricted by any encumbrance, lien, pledge, assignment, trust or any other kind of claim or interest.

Exhibit D

The Insurer further warrants that the amount of this Special Deposit is at least equal to the sum of the unearned premium and loss and loss adjustment expense gross reserve, herein defined as direct loss and loss adjustment expense without application of reinsurance, related to Arizona policyholders within and claimants under The Policies together with an additional 10% of such sum to account for market value fluctuation.

This assignment and expressed trust deposit for the benefit of Arizona policyholders within The Policies and claimants thereof is irrevocable and shall be maintained so long as The Policies are in force or all claims associated with such policies are settled or otherwise liquidated whichever is later, provided however, that the Department and the Arizona State Treasurer hereby agree that the assets deposited in connection with this Agreement shall be released as special deposits and shall, upon application by the Insurer, convert to "Statutory" Deposits within the meaning of A. R. S. §20-213 as the premiums represented by The Policies are earned and losses paid, provided further that such releases do not reduce the remaining deposit to an amount less than the sum of the unearned premium and loss and loss adjustment expense gross reserves related to Arizona policyholders within The Policies together with an additional 10% of such sum to account for market value fluctuation.

**GOLDEN EAGLE INSURANCE CORPORATION**

Insurer

BY: David J. Barnas, Assistant Secretary      10-29-97  
Its Shareholder / Director / Officer      dated

David J. Barnas

**Arizona Department of Insurance**

BY: \_\_\_\_\_      \_\_\_\_\_  
Assistant Director / Chief Examiner      dated

**Office of the Arizona State Treasurer**

BY: \_\_\_\_\_      \_\_\_\_\_  
dated