

JAN 24 2014

TIM RHODES
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IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

STATE OF OKLAHOMA, ex rel.)	
JOHN D. DOAK, Insurance Commissioner,)	
)	
Petitioner,)	
)	Case No. CJ-2014-59
vs.)	
)	
UNION MUTUAL INSURANCE COMPANY,)	
a licensed domestic mutual insurer in the)	
State of Oklahoma,)	
)	
Defendant.)	

**ORDER PLACING INSURER INTO RECEIVERSHIP AND REHABILITATION,
APPOINTING RECEIVER, AND FOR PERMANENT INJUNCTION**

NOW on this 24th day of January, 2014, there comes for hearing the Court's January 6, 2014 Order Directing Insurer to Show Cause and Allowing Injunctive Relief. Petitioner, John D. Doak, Insurance Commissioner, appears by and through Susan D. Dobbins, General Counsel for the Oklahoma Insurance Department. Defendant Union Mutual Insurance Company (hereinafter Union Mutual or the Company), having been duly and properly served, appears not.

The Court, having examined the Petitioner's Verified Application for Order Directing Insurer to Show Cause and For Injunctive Relief filed January 6, 2014; having viewed the evidence presented thus far; having reviewed the representations and statement of the parties; and being well advised in the premises, finds as follows:

1. John D. Doak is the duly qualified and acting Insurance Commissioner of the State of Oklahoma, and as such is charged with the duty of administering and regulating the state's insurance industry. Pursuant to 36 O.S. § 1903, the Insurance Commissioner may appear in the District Court

to make application for an order directing the insurer to show cause why an Order of Rehabilitation should not be entered and a Receiver appointed.

2. This Court has jurisdiction of this action pursuant to 36 O.S. § 1902(A).

3. Venue in this Court is appropriate pursuant to 36 O.S. § 1902(F).

4. Union Mutual is an Oklahoma domestic mutual insurance company, whose business practices qualify it as an “insurer” pursuant to Oklahoma law, and subject it to the insurance supervisory authority of, or to liquidation, rehabilitation, reorganization or conservation by the Oklahoma Insurance Commissioner. 36 O.S. § 1901(2).

5. 36 O.S. § 1905 provides that the Insurance Commissioner may apply to the Court for an order appointing the Insurance Commissioner as receiver of and directing the Insurance Commissioner to rehabilitate a domestic insurer upon the grounds (among others) that the insurer is impaired or insolvent, is in such a condition that the continued operation would be hazardous to the policyholders, the creditors of the insurer, or the general public, and has failed to comply with an order of the Insurance Commissioner to make good an impairment of capital or surplus or both.

6. Pursuant to 36 O.S. § 1901(13), a Receiver includes the function of rehabilitator.

7. Pursuant to 36 O.S. § 1910(A), an order to rehabilitate shall direct the Receiver to take possession of the property of the insurer and to conduct the business thereof, and to take such steps toward removal of the causes and conditions which have made rehabilitation necessary as the Court may direct.

8. Pursuant to 36 O.S. § 1910(B), the Receiver may apply to the Court for an order of liquidation if at any time he deems that further efforts to rehabilitate the insurer would be useless.

9. John D. Doak, Insurance Commissioner, has attempted the remedies of Supervision and Conservation pursuant to Article 18 of the Oklahoma Insurance Code, 36 O.S. § 1801, *et seq.*

He has made significant progress in addressing the conditions that lead to the necessity of first supervision and then conservation, but he requires the additional authority and remedies granted to a Receiver, in order to completely remedy the causes of Union Mutual's poor financial condition.

10. The Oklahoma Insurance Commissioner has determined that Union Mutual is financially impaired and/or insolvent in that the company's surplus as regards policyholders has fallen below the statutorily required capital and surplus of \$150,000.00. According to Union Mutual's September 30, 2013 Quarterly Financial Statement, filed with the Oklahoma Insurance Department on or about November 15, 2013, the company's net capital and surplus is a negative One Million, Five Hundred Thirty Four Thousand, Four Hundred Eighty Six Dollars (-\$1,534,486.00).

11. Union Mutual is currently insolvent and/or impaired and in a condition such that the continued operation would be hazardous to the policyholders, the creditors of the insurer or the general public; therefore, it is appropriate: (1) to place Union Mutual in Receivership; (2) to appoint John D. Doak, Insurance Commissioner, as Receiver; (3) for the Court to direct the Insurance Commissioner to rehabilitate the business of Union Mutual; and (4) that statutory protections be afforded to policyholders, creditors and claimants of Union Mutual as set forth in 36 O.S. § 1901; et seq.

IT IS THEREFORE ORDERED AND DECREED THAT:

1. This Order Placing Insurer Into Receivership and Rehabilitation, Appointing Receiver, and for Permanent Injunction is hereby entered as to and against Union Mutual. This is a final order.

2. Union Mutual is hereby placed into receivership pursuant to the provisions of 36 O.S. §§ 1901 *et seq.*

3. John D. Doak, Insurance Commissioner of the State of Oklahoma, is hereby appointed Receiver of Union Mutual, and presently directed to take possession and conduct the business of Union Mutual pursuant to the laws of the State of Oklahoma.

4. The Receiver is vested with all powers and authority, express or implied, under the provisions of 36 O.S. §§ 1901 *et seq.*, in order to rehabilitate Union Mutual.

5. The Receiver shall forthwith take possession of the property of Union Mutual.

6. The Receiver is hereby vested by operation of law with the title to all of the property, accounts, assets, contracts, rights of action and all of the books and records of Union Mutual wherever located, now or hereafter discovered, as of the date of this Order.

7. As Receiver, the Insurance Commissioner may appoint one or more assistant commissioners or receivers to act for him and may employ such counsel, clerks, and assistants as he deems necessary. The Insurance Commissioner's appointment of Terry K. Smith as Assistant Receiver is hereby approved. The Insurance Commissioner's selection of Gibbs, Armstrong, Borochoff, Mullican & Hart, P.C., as counsel for the Receiver is hereby approved. The compensation of the assistant commissioners or receivers, counsel, clerks, or deputies, and all expenses of taking possession of Union Mutual, and of conducting the proceedings, including the compensation from January 24, 2014 forward, shall be fixed by the Insurance Commissioner, as Receiver, subject to approval of this Court, and shall be paid out of the funds or assets of Union Mutual, as appropriate and approved by the Court. Within the limits of duties imposed upon them, any assistant commissioner or assistant receiver shall possess all of the powers given to the Receiver and, in the exercise of those powers, shall be subject to all of the duties, powers and limitations imposed upon the receiver with respect to these proceedings. 36 O.S. § 1914(F).

8. If any legal action is commenced against the Insurance Commissioner, Receiver, assistant commissioners or receivers, retained counsel, deputies, and/or any of their employees or personnel, whether personally or in an official capacity, alleging property damage, property loss, personal injury, or other civil liability caused by or resulting from any alleged act, error, or omissions of any such person, the Insurance Commissioner, Receiver, assistant commissioners or receivers, deputies, retained counsel, and/or any of their employees or personnel shall be immune from liability and indemnified as defined and set forth under 36 O.S. § 1937.

9. Until further order of the Court, no obligation, claim or debt of Union Mutual shall be paid except those which the Receiver deems to be necessary or appropriate to facilitate the taking of possession or furtherance of rehabilitation. Except as provided for herein, no distribution of the property of Union Mutual, will be made without approval of the Court.

10. Union Mutual and each of its respective officers, employees, directors, trustees, members, subscribers, agents, representatives, and all other persons are hereby permanently enjoined and prohibited from transacting any further business of Union Mutual, and are further permanently enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds, records, correspondence, memoranda, or any other documents or other property of Union Mutual, or any of their respective affiliates.

11. Union Mutual, its respective officers, employees, directors, affiliates, trustees, members, insurers, agents, representatives, contractors, subcontractors and all other persons are hereby directed to assign, transfer and deliver any/all amounts owed to and/or property of Union Mutual to the Insurance Commissioner, as Receiver.

12. Any and all authority of Union Mutual officers and directors is hereby terminated.

13. Until further order from this Court, all persons and entities (including secured creditors, unsecured creditors, claimants and/or litigants) are hereby enjoined and prohibited from wasting, transferring, selling, concealing, destroying, disbursing, disposing and assigning, in any manner, the assets and/or property of Union Mutual; and are further enjoined and prohibited from prosecuting any pending action or litigation involving Union Mutual (whether as a plaintiff or defendant) or against its insureds; obtaining any preferences, judgments, attachments, or other liens against Union Mutual or their insureds; or making any levy against Union Mutual or against their assets or any part thereof. Notwithstanding anything to the contrary herein, this stay order shall not apply to co-Defendants of Union Mutual, nor to co-Defendants of Union Mutual's insureds.

14. Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this Order and having in its possession accounts or any other assets which are, or may be, the property of Union Mutual are restrained from disbursing or disposing of said accounts or assets, and are further restrained from disposing of or destroying any records, pertaining to any business transaction between Union Mutual; and such banks, brokerage houses, financial institutions, companies, persons or entities having done business or doing business with Union Mutual or having in its possession assets which are, or may be, the property of Union Mutual are ordered to immediately deliver any and all such assets and/or records to the Receiver.

15. All agents, brokers and fronting companies of Union Mutual and their respective agents, servants, representatives and employees, and all other persons having knowledge of this Order are restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums upon policies, contracts or certificates of insurance or reinsurance previously issued by Union Mutual to policyholders or others; and all such agents, servants, representatives and employees are directed to turn over all such funds in their possession or

under their control, including any premium or money to which they may hereafter acquire possession or control, to the Receiver in gross and not net of any commissions which may be due thereon.

16. All expenses of these proceedings, including those incurred January 24, 2014, and thereafter but prior to the Entry of this order, shall be taxed and assessed against Union Mutual, as approved by the Court.

17. Except as noted herein, in the interest of judicial economy and until further order from this Court, entry of this Order, by filing with the clerk of any court in this state with competent jurisdiction along with an affidavit of counsel of record that a Union Mutual insured is a named party in a lawsuit, will serve to stay any action, against Union Mutual's insureds only, either commenced or in the process of being prosecuted without further notice or the necessity of a separate motion to stay a pending or commenced action. Notwithstanding anything contrary contained herein, this stay order shall not prevent the commencement of any new action against any Union Mutual's insured, provided however that such new action shall become subject to the provisions of this order including the stay provisions herein. This injunction shall be afforded full faith and credit by sister states. U.S. Const. art. IV, § 1.

18. The Court, being duly informed, authorizes the Receiver to pay any and all remaining supervision expenses, including examiners and attorney fees, which were incurred during the supervision and conservatorship of Union Mutual, but which may not have been fully invoiced and paid during the supervision and conservatorship of Union Mutual prior to the inception of Union Mutual's receivership.

19. Pending the Receiver's first application to the Court for approval of administrative fees and expenses, the Receiver is authorized to advance funds not to exceed \$50,000 to cover the initial expenses of Oklahoma Receivership Office, Inc.'s common and direct expenses of this

receivership. These expenses shall be itemized and presented to the Court for approval in the Receiver's first application for approval of administrative fees and expenses.

20. Pursuant to 36 O.S. § 1923, the Insurance Commissioner shall not be required to pay any fee to any public officer in this state for filing, recording, issuing a transcript or certificate or authenticating any paper or instrument pertaining to the exercise by the Insurance Commissioner, as Receiver, of any of the powers or duties conferred upon him, whether or not such paper or instrument be executed by the Insurance Commissioner or his assistants, deputies, employees or attorneys of record and whether or not it is connected with the commencement of any action or proceeding by or against the Insurance Commissioner, or with the subsequent conduct of such action or proceeding.

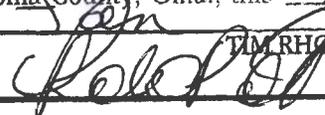
21. Unless otherwise ordered by this Court, any violation of this Order or the injunctive relief set forth herein shall be deemed a contempt of Court and shall subject the violating party to such penalties as allowed by law.

Signed and entered this 24th day of January, 2014.

BRYAN C. DIXON

Bryan C. Dixon
JUDGE OF THE DISTRICT COURT


ATTORNEY FOR PLAINTIFF
STATE OF OKLAHOMA, ex rel.
JOHN D. DOAK, INSURANCE COMMISSIONER
Susan D. Dobbins, OBA # 17337
General Counsel, Oklahoma Insurance Department
3625 NW 56th Street, Suite 100
Oklahoma City, OK 73112

TIM RHODES, Court Clerk for Oklahoma County,
Okla., certifies that the foregoing is a true, correct
and complete copy of the instrument as appears of
record in the District Court Clerk's Office of
Oklahoma County, Okla., this 24 day
of Jan, 2014
By  TIM RHODES, Court Clerk
Deputy

CERTIFICATE OF MAILING TO PARTIES

I certify that a true and correct copy of the above Order was mailed this 21st day of January, 2014, to:

Jack Robinson, Director
Union Mutual Insurance Company
1885 Piedmont Road North
Oklahoma City, Oklahoma 73028

Jackie Robinson, Director
Union Mutual Insurance Company
2026 Red Bud Circle
Piedmont, OK 73078

Terry Smith, Conservator
Union Mutual Insurance Company
PO Box 720060
Oklahoma City, OK 73172-0060

by depositing it in the U.S. Mail, postage prepaid.



Susan D. Dobbins