

STATE OF MICHIGAN  
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT  
INGHAM COUNTY

RECEIVED

FEB 04 2020

Clerk of the Court  
30th Judicial Circuit

ANITA G. FOX, DIRECTOR OF THE  
MICHIGAN DEPARTMENT OF  
INSURANCE AND FINANCIAL SERVICES,

Case No. 19-504-CR

Petitioner,

HON. WANDA M. STOKES

v

Pavonia LIFE INSURANCE COMPANY OF  
MICHIGAN,

[IN REHABILITATION]

Respondent.

**AFFIDAVIT OF DAVID REILLY**

I, DAVID REILLY, being first sworn, depose and state as follows.

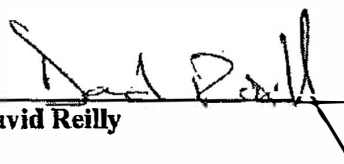
1. I currently reside in Los Angeles, California, and am over the age of 18.
2. I submit this Affidavit in support of the Response of Aspida Holdco, LLC to Supplemental Post-Hearing Filing of Independent Insurance Group ("Response").
3. I am a Partner of Ares Management Corporation ("Ares"), Head of Ares Insurance Solutions, and will be a Director of Aspida Holdco, LLC ("Aspida"). My duties and responsibilities include, but are not limited to, overseeing insurance-related investments and strategic initiatives for Ares.
4. I understand that I may be called to testify in court in connection with this litigation. If called, I would testify to and in accord with the statements made in this Affidavit, and believe that I could do so competently.

5. I caused staff persons under my direction to make examination of the books and records of Aspida and Ares, and report directly to me, in respect of the assertions by Independent Life Insurance Company and related matters referenced in the Response. I make the statements set forth in this Affidavit based upon that review and my own knowledge, information and/or belief.

6. Payment of my compensation is not contingent in any way either upon my statements in this Affidavit or the outcome of this matter.

7. I have reviewed the Response. The facts stated in respect of Ares' responses to the assertions by Independent Life Insurance Company and related matters referenced in the Response are true and correct to the best of my knowledge, information and/or belief.

8. I am prepared to elaborate on the subjects discussed in this Affidavit.

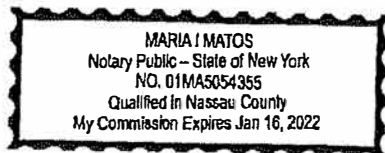
  
\_\_\_\_\_  
David Reilly

Acknowledged before me in \_\_\_\_\_, \_\_\_\_\_, on February 4, 2010 2020  
by David Reilly

Notary Public, State of New York, New York County

My commission expires January 16, 2022

Maria J. Matos



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Petitioner,

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v

PAVONIA LIFE INSURANCE COMPANY  
OF MICHIGAN,

[IN REHABILITATION]

Respondent.

**RESPONSE OF ASPIDA HOLDCO, LLC TO  
SUPPLEMENTAL POST-HEARING FILING OF  
INDEPENDENT INSURANCE GROUP (Corrected)**

Objector's unsubstantiated conclusions about Buyer<sup>1</sup> in yet another "Supplemental" filing matter have not demonstrated any abuse of the Michigan Insurance Director's discretion<sup>2</sup> in seeking the Court's approval of the Rehabilitation Plan. Nor has Objector unearthed any reason why the Plan should not be approved. Not only has Objector failed to demonstrate any factual or legal basis for any standing to be heard in these proceedings, but its entire "objection" is built upon sheer conjecture and innuendo. The Court should reject Objector's transparent attempt to disrupt the independent but complementary regulatory and judicial proceedings pursuant to which the Plan should be implemented for the benefit of Pavonia's policyholders, creditors and

<sup>1</sup> Unless a definition is provided herein, all initially capitalized terms are as defined in Buyer's prior submissions.

<sup>2</sup> Objector has not overcome the authorities cited in Buyer's prior submissions. *See* Buyer's Jan. 10, 2020 Response to Late Submission, and Nov. 1, 2019 Response to Objection.

the general public. It is time to quash Objector's selfish scheme to dismantle the proposed Plan and Stock Purchase Agreement in order to acquire Pavonia itself.

Buyer is a key part of the Plan designed to protect Pavonia, its policyholders, creditors and the public. Its parent, Ares, is a highly regulated \$9 billion market cap (as of January 31, 2020) NYSE-listed alternative asset manager of investments for publicly regulated and private investors. With \$144 billion of total assets under management (including \$106 billion of credit, as of September 30, 2019) and under the watchful eyes of over 1,200 skilled professionals around the world, Ares is one of the nation's largest non-bank lenders through its funds. As demonstrated below, Ares facilitated loans to Eli entities on behalf of third party investors, and neither Greg Lindberg nor his non-insurance entities or managers will be part of the Ares team supervising Pavonia's managers post-closing. As Objector admits, it "discovered" business dealings of Ares with Eli entities in Ares' own public disclosures – and these loans were made at arm's length. Unlike Mr. Lindberg, no Ares related person or entity has been charged in any federal and state investigation or private litigation that is focused on or derived from the receivership of the NC Insurer Affiliates or the Affiliate Transactions.

Buyer shares the same goal with the Rehabilitator and DIFS – removing Pavonia and ServiceCo from Mr. Lindberg's control and protecting their assets by completing the rehabilitation. Ares and the SPA will facilitate Pavonia's and ServiceCo's rehabilitation. Buyer contracted with Seller (and indirectly Mr. Lindberg) because Seller owns the stock and is the only person who could sell Pavonia – or place it in Rehabilitation without a costly, protracted court battle. Seller did not contract with Buyer because of any non-existent "special relationship" with Mr. Lindberg or his companies, and there was no sweetheart deal. Indeed, loans to Lindberg entities were made in the ordinary course, are not material in the context of



more than \$100 billion to lend, and have been disclosed where required or prudent – including in public SEC filings that Objector reviewed and maliciously miscast.

Ares has worked cooperatively with all regulators and governmental authorities to remove Pavonia and ServiceCo from Mr. Lindberg's control and shield them through the rehabilitation from liability – to protect the Company and its policyholders. Buyer did so after the conclusion of a robust auction process during which Seller marketed Pavonia, ServiceCo and the NC Insurer Affiliates for sale. The SPA was negotiated at arm's length between unaffiliated parties, and until it was fully signed, Buyer had no assurance its bid would be accepted over that of others.

Ares does not believe that management of Pavonia is responsible for the misdeeds Plaintiff lays at their feet. The NC and MI regulators apparently agree, since management remains in place and the NC regulator plans to retain their services even post-acquisition of Pavonia. Moreover, many of the bad actions Objector would lay at management's feet were taken when the various NC Insurer Affiliates were in supervision, and so all with knowledge of the supervising regulators. Notwithstanding Plaintiff's defamatory comments regarding the MI and NC regulators, Buyer believes they have competently and thoroughly dealt with a very challenging situation, and will continue to do so. The fitness of management is well within the DIFS' purview as part of the Form A process.

Having no visibility into the extensive confidential regulatory oversight that was triggered in both Michigan and North Carolina long before the so-called "2-week Investment Surge" of July 2018, Objector has resorted to a smear campaign directed by company officers and furthered by retained professionals. Without the benefit of the facts and material provided to regulators in both states, Objector has fallen to the level of telling the Court on January 16th that

Greg Lindberg “directly or indirectly masterminded this whole transaction, brought it to DIFS when it was partially cooked, [and] had DIFS input on the cooking it.” (Hrg. Tr. at 26, L. 25 – 26, L. 3, Jan. 16, 2020.) Now Objector declares that “the North Carolina Department of Insurance has used Pavonia to curry favor with” criminal defendant Lindberg. (2d Supp. at 15.) The Court should not countenance Objector’s flaccid attempt to subvert to its own selfish gain the very regulatory oversight that resulted in the integrated structure of the SPA and Plan.

Buyer will leave it to DIFS to explain the Form A regulatory apparatus, and Seller to describe Management’s actions taken to address the financial condition of the NC Affiliate Insurers and the Affiliate Investments, all of which have been the subject of extensive due diligence review and investigation by experienced private sector professionals, the cost of whose work Objector is constrained to challenge as “fairly significant.” (2d Supp. at 42.)

Objector is a spurned suitor for another transaction with Mr. Lindberg’s insurance enterprise that offered employment and a senior role to a former executive of such enterprise. Their hypocrisy – and malignant self-interest – has worked to the detriment of regulators, Pavonia and its policyholders. We expect that the Court will be surprised to learn that: (i) Objector itself sought to transact with Eli and enter into a long term business relationship with Eli and Mr. Lindberg in the fall of 2016; (ii) Objector later offered employment to the former CEO of the insurance group that included the NC Insurer Affiliates and Chairman of ServiceCo’s board in the same time period that Objector began “piecing together” what it purports was “undisclosed” information about the Affiliated Investments, ServiceCo’s Management, the SPA and the Plan; and (iii) such CEO himself was involved in many of the Affiliate Investments under review. In other words, Objector is guilty of the same conduct it charges against Buyer:

pursuing the retention of ServiceCo's senior managers and an acquisition of Pavonia. In the final analysis, Objector is wasting the Court's and the state's time and the SPA parties' assets.

Buyer will respond briefly below to matters raised in the Objector's most recent "Supplement." The bottom line, however, is this: at no time has Objector demonstrated with *competent evidence* that its focus on North Carolina has established any abuse of the Director's/Rehabilitator's considerable discretion in proffering a rehabilitation plan in Michigan, or that the Form A process should be taken away from the Director's control, or that Buyer is anything other than a fully qualified purchaser for fair value.

Buyer hereby reserves all rights in law and equity against the Objector, which is purposefully engaging in reckless, bad faith tactics for which it should be liable for damages and for which it should be sanctioned.

#### **PUBLICLY AVAILABLE FACTS OBJECTOR HAS OMITTED**

Disingenuously casting itself as some kind of self-anointed guardian, Objector purports to rely on "New Information" and "heretofore unavailable details . . . leading up to the filing of the Plan" (2d Supp. at 3), but has failed to apprise the Court of material information referenced in the public record that eviscerates Objector's misrepresentative arguments.<sup>3</sup> Information available in the public record or otherwise known by Objector since before Objector first met with DIFS in July 2019 and later filed its first letter objection in the Form A proceeding on August 2, 2019, shows that:

- Dec. 14, 2017 DIFS approved acquisition of Pavonia by Eli affiliate Southland National Holdings, Inc., but concluded that a "planned change [in] the investment policy of Pavonia . . . may not comply with the investment requirements of Michigan

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<sup>3</sup> Neither Objector nor its statutory accounting expert Mr. Buttner has mentioned, much less addressed, this information. As DIFS is best positioned to explain more fully, the fact of supervision cannot be disclosed publicly under North Carolina law, N.C. Gen. Stat. § 58-30-62(f) and 70, and so is not referenced in statutory financial statements; however, state insurance regulators share such information *inter se* and the National Association of Insurance Commissioners monitors all such matters under confidentiality. See, e.g., [https://content.naic.org/cmte\\_e\\_rfawg.htm](https://content.naic.org/cmte_e_rfawg.htm). Accordingly, no state regulator was "duped."

law. In response to DIFS' concerns in this regard, Southland affirmed that Pavonia will not invest in any middle market *loans to non-insurance companies* without the prior approval of DIFS." (See DIFS Letter dated Dec. 14, 2017, attached hereto as **Ex. A** (emphasis added).)

- Sept. 2018 Pavonia became aware the U.S Attorney's Office for the Western District of North Carolina (USAO) was conducting an investigation into certain campaign contributions to the North Carolina Commissioner of Insurance and other officials by the Ultimate Controlling Person of the Company [Mr. Lindberg] and certain of its affiliates in connection with the investigation. The Company, such affiliates and the Ultimate Controlling Person are cooperating with the USAO's investigation and providing requested documents and information. (Pavonia Statement as of June 30, 2019 at 7.11, attached hereto as **Ex. B**.)
- Oct. 18, 2018 The NC Insurer Affiliates entered into a 120 day (until Feb. 15, 2019) Consent Order for statutorily confidential Administrative Supervision. (See Verified Petition for an Order of Rehabilitation, and Order Appointing Receiver, and Injunctive Relief ("**NC Rehab. Pet.**") par. 14, June 27, 2019 (attached hereto as **Ex. C**.) The NC Commissioner (as Supervisor) appointed Noble Consulting Service, Inc. as Deputy Supervisor and Noble's Michael Dinius assumed the role;
- Feb. 5, 2019 The NC Commissioner entered an Amended Consent Order extending the supervision period 120 days to June 15, 2019. (NC Rehab. Pet. Par. 16.)
- Apr. 3, 2019 The NC Insurer Affiliates entered into a Second Amended Consent Order. (NC Rehab. Pet. Par. 17.) During the course of the administrative supervision, based upon the NC Affiliate Insurers' investment structure, their transactions among affiliates, subsidiaries, or controlling persons raised concerns that there was insufficient liquidity to assure such Insurers' abilities to meet outstanding obligations. (*Id.* par. 18)
- April 6, 2019 Seller announced publicly that it had commenced a sale process for its domestic life insurance companies, including Pavonia. (Pavonia Statement as of June 30, 2019 at 7.11.)
- June 27, 2019 A Consent Order of Rehabilitation (attached hereto as **Ex. D**) was entered against the NC Insurer Affiliates; the NC Commissioner was appointed Rehabilitator and Mr. Dinius was appointed Special Deputy.
- July 9, 2019 Seller and Buyer executed the SPA.
- July 9, 2019 Pavonia and ServiceCo were placed into rehabilitation in Michigan.

## ARGUMENT

### Objector's Arguments Wholly Miss The Mark

Despite the redundant, scattergun nature and obtuse verbiage of Objector's points, Ares responds to the discrete criticisms of its *bona fides* and the challenges to its role as follows:

Independent Allegations	Truth
<p>"Key aspects of the Amended Complaint are summarized as follows: . . . (iii) The NC Insurance Companies lent \$1.3 billion to their non-insurance affiliates, almost all of which occurred in the 2-week Investment Surge discussed in the First Supplement" (2d Supp. at 3)</p>	<p>The Amended Complaint neither references nor indicates any threat to Pavonia or ServiceCo, and neither references a "surge" nor \$1.3 billion in loans having been done July 18-31, 2018</p>
<p>Ares is a "significant lender" to Lindberg and is a "third-party lender" referenced in the Amended Complaint; "according to the Amended Complaint, the loans outlined above [{"Loans"}] have a senior position to the loans provided the NC Insurance Companies"; Ares is "an insider senior secured lender" and one of "Lindberg's primary private lenders" (<i>id.</i> at 4, 7, 8, 14, 16)</p>	<p>Neither Ares nor Aspida is mentioned in the 192 page Amended Complaint (including exhibits) against Lindberg; indeed, Pavonia is only listed in one exhibit as an "Other Affiliate" (<i>id.</i> at 94 of 192), Lou Hensley appears only as signatory to the June 6, 2019 Revolving Credit Agreement (<i>id.</i> at 190 of 214), and ServiceCo is not mentioned at all.</p> <p>Funds managed by Ares for third party investors made loans to businesses owned by Mr. Lindberg in the ordinary course of business, at arms-length. This did not create a special relationship or incentivize Ares to offer a sweetheart deal.</p> <p>Ares is a leading manager of credit strategies across the non-investment grade credit universe, and validated hundreds of completed loans in 2019.</p>
<p>Lindberg is the architect and signatory of the SPA and the SPA is "suspect" (<i>id.</i>)</p>	<p>The SPA is the product of many months of arms' length negotiation between parties represented by legal counsel (including Sidley Austin, DLA Piper, Kirkland &amp; Ellis, Proskauer Rose, Akin Gump, and Morvillo Abramowitz Grand Iason &amp; Anello); the SPA has been the subject of Form A examination since it was first filed over six months ago on</p>

Independent Allegations	Truth
	July 23, 2019.
Loans by Ares to Eli affiliates that Ares described as not “material” “were/are clearly material to Lindberg,” “represent over 30% of the third-party loans” to noninsurance affiliates, and “was material enough for Ares to specifically break it out in the Ares Investor Exhibit” (2d Supp. at 5-6, 7, 10)	<p>The American Academy Holdings Loan was repaid in full out of proceeds from a competing lender.</p> <p>A fund managed by Ares publicly disclosed the Loans in public SEC filings.</p> <p>Ares has not withheld any loan information from DIFS.</p>
The interest rate Ares is charging for, and the senior position of the Loans is “very atypical in the financial services world” and “done at the expense of the NC Insurance Companies and their policyholders” ( <i>id.</i> at 9)	The loans were negotiated by independent parties at arm’s length.
“[I]t is questionable that Ares would not have disclosed the precise amounts and other details of any and all loans to affiliates of Pavonia in the Plan.” ( <i>id.</i> )	The Court will note the deep irony of Objector using Ares public filings to identify loans and then claim they were not disclosed (in a Plan DIFS drafted and submitted).
“The proposed officers, directors, and owners of Aspida Holdco, LLC . . . were not publicly disclosed until the filing of the proposed Form A . . . on July 28, 2019 [and] . . . detailed financial exhibits filed by Ares were not released publicly”; “a complete lack of disclosure of the preexisting business relationships” ( <i>id.</i> at 12)	The Form A was filed July 23 (not 28), and DIFS handles the treatment of financial exhibits, pursuant to law. <i>See</i> MCL 500.1315(1).
“[B]uyer (Ares) counsel, Stephen Schwab, responded to the Court, he did not address the disclosure question” ( <i>id.</i> )	<p>THE COURT: But just my question is, <i>full disclosures were made</i>, and you didn’t hear anything this morning that was a surprise to you?</p> <p>MR. SCHWAB: No. Certainly the Wall Street article published yesterday, we didn’t know that. And everything else, <i>absolutely</i>.</p> <p>(Hrg. Tr. 68, Jan. 16. 2020 (emphasis added).)</p>
“[M]anagement employees such as Lou Hensley . . . are to receive ownership stakes if	There is no such agreement; Lou Hensley will be a director of Aspida post-Closing.

Independent Allegations	Truth
Ares is allowed to own Pavonia” ( <i>id.</i> at 13)	In the event that DIFS requires removal of any proposed management, Ares will do so. In all events, Ares will actively and closely supervise Pavonia and ServiceCo and will follow all DIFS directives. Ares has not withheld from DIFS any information regarding the ServiceCo managers who would be involved in Pavonia post-closing. Appropriate filings re management will be made as required under all applicable state law. And, NAIC accounting statements require affirmation that senior officers are subject to a code of ethics. <i>See, e.g.,</i> Pavonia Statement as of June 30, 2019 at 8.1, Ex. B)
“The relationships with Ares . . . have defied the NC Rehabilitator’s understanding after months of effort given the tangled, interconnected web Lindberg wove with these affiliates and third-party lenders like Ares” ( <i>id.</i> at 14-15)	Again, neither Ares nor Aspida is mentioned in the Amended Complaint (or any exhibits)

### **Objector Disparages Ares And Mischaracterizes Its Role And Involvement**

There is no “cooked” deal here, just Objector’s presentation of disconnected facts. As demonstrated below, after a competitive auction process, Buyer worked cooperatively with regulators and governmental authorities to remove Pavonia from Mr. Lindberg’s control and protect its assets by causing it to enter Rehabilitation and the jurisdiction of this Court.

Consistent with the Second Amended Consent Order, Ares and Seller began negotiating an SPA for one or more of the NC Insurer Affiliates in September 2018 on a non-exclusive basis. NC Department of Insurance (“**DOI**”) and DIFS were notified of the potential transaction in late November 2018. Ares met with representatives of the NC DOI and DIFS on December 18, 2018 to discuss a possible transaction. Ares and its advisors engaged in extensive due diligence of the targets and negotiations with the Seller for more than eight months, seeking a transaction that

would achieve regulators' desire for a change of control of all Eli insurers to remove them from the influence of Greg Lindberg, unwinding of the Affiliate Investment transactions at the NC Insurer Affiliates, and protection of policyholders. During that time, NC DOI and DIFS were kept apprised of the transaction status.

On May 7, 2019, Ares again met with NC DOI and DIFS to discuss the proposed transaction. Just two days after that meeting, on May 9, 2019 (as reported in the Amended Complaint), the NC Commissioner (as Supervisor), proposed a plan for rehabilitation and reformation of the affiliate transactions to Eli. That plan, which eventually resulted in the MOU, removed the NC Insurer Affiliates from Ares' consideration as acquisition targets. Ares continued to negotiate with Seller for the acquisition of Pavonia, and for ServiceCo which contains the resources needed to operate Pavonia as an active writer of insurance business. The NC Rehabilitator negotiated for inclusion of a post-acquisition administrative services agreement with ServiceCo to assure that ServiceCo (and the existing management) would continue to provide services to the NC Insurer Affiliates even after the closing of the Ares acquisition. On June 18, 2018, Ares and Pavonia representatives met with DIFS to discuss the resulting proposed transaction, including the contribution of ServiceCo to Pavonia and voluntary rehabilitation of Pavonia.

On June 28, 2019, one day after the entry of the NC Rehabilitation Order, Pavonia entered into voluntary supervision under DIFS. On July 9, 2019, the parties came to agreement, signed the SPA, and Pavonia entered into voluntary rehabilitation. Pavonia was required to enter into rehabilitation under the SPA – a term Ares bargained for Pavonia's protection. Ares and the SPA have facilitated Pavonia's rehabilitation. But for DIFS, the Rehabilitation Order entered on July 9, 2019 would not have included ServiceCo within its protection, and a proof of claim



procedure designed to insulate Pavonia and ServiceCo from Lindberg and any and all Unscheduled Liabilities that may arise would not have been implemented. The Rehabilitator will confirm that she so notified the NC Rehabilitator and Mr. Lindberg's prosecutors. There is no "mystery" here; the Rehabilitator's rehabilitation petition clearly states the intention to mitigate potential risks arising from the NC rehabilitation proceedings and the criminal charges against Mr. Lindberg. (Stipulated Petition at 8, July 9, 2019.) Accordingly, the Court need not be concerned about the theoretical possibility that "this thing runs off into the ditch pretty hard," or that "this management team . . . is going to be deeply involved in that [NC receivership] process," because Objector admits that "Pavonia was not involved in all of these affiliate transactions that are at the heart of what is going on in North Carolina. They didn't do any of it. They weren't involved in them at all." (Hrg. Tr. at 32, 59.)

Throughout this process, Ares consulted with the NC and MI regulators to better negotiate a transaction that protects policyholders, assures the financial security of Pavonia and ServiceCo, and removes them from control of Greg Lindberg. The long process, through which the transaction evolved to reflect new information and changed circumstances, has resulted in a transaction that achieves those goals. The Ares acquisition will allow Pavonia to begin writing new business while assuring the NC Insurer Affiliates the resources they need to operate under the control of the NC Rehabilitator.

#### **Ares Is Paying Fair Value For Pavonia And ServiceCo**

There was no sweetheart deal here. The purchase price Ares is paying was negotiated between independent parties at arms' length, following a broad third party auction process, and has been validated by third parties. *See, e.g.*, SPA sec. 7.14 (referencing opinion of independent investment bank of national reputation that the Consideration the Buyer will pay for the Pavonia

shares and assets is financially fair to the Seller). This transaction is the first step in Ares' growth of a market leading insurance platform.

### **The Court Should Remedy Objector's Acts and Omissions**

Objector attempts to couch its interest as that of a member of the general public and industry participant in an attempt to justify standing in these proceedings. It also insinuates that the issues are too complicated for the public, and even the regulators, to understand, and so has made its own "investigation." Objector has spun conspiracy theories, not hesitated to accuse anyone it could name, and buried the Court in three filings totaling 670 pages of paper that prove nothing. While the Director was conducting an investigation in the Form A proceeding in a methodical and logical manner based on volumes of confidential investigatory data, Objector repeatedly endeavored to disrupt both that process and these judicial proceedings. And while it has no stake in the present matter, Objector still seeks to meet with the Rehabilitator as to "mutually acceptable solutions," and to "hav[e] alternatives available to [the Court.]" (1.27.20, Second Suppl. at 2; Hrg. Tr. at 60.) The practical effect of Objector's request continues to be an unnecessary delay in implementation of the Plan, which remains fair and equitable to all parties concerned and fully protects all Pavonia policyholders, creditors and the public.

Objector's efforts to exponentially grow its business under the ruse of protecting policyholders is now fully exposed. Notwithstanding the terms of the Stock Purchase Agreement in place and the asset and policyholder protective features of the Plan, Objector has continued to disrupt and demand that the Rehabilitator force a sale by a Seller that has spurned all of Objector's advances. Objector's interference in this case has resulted in extraordinary additional expense that none of the parties contemplated. No one could have foreseen that this insubstantial startup would attempt to wrongly usurp regulatory authority and intrude upon these proceedings

with the conflicted purpose of expanding its own insurance operations. As a result, the Court should remedy Objector's wrongful acts and omissions for two reasons.

First, Objector has abused this judicial process. A valid abuse of process claim can arise in receivership proceedings. *Sherrod Pigeon & First Mortgage Funding, Inc v DiPonio*, 2004 Mich App Lexis 2452 \*1 (2004) (unpublished). In *Sherrod*, the Michigan Court of Appeals found that "[p]laintiffs have clearly alleged that defendant used the receivership proceedings, not for purposes for which such proceedings are designed, but to obtain a tactical advantage . . . in other litigation." *Id* at \*5. Because the defendant "alleged that defendant used the receivership to try to gain advantage in a situation external to that particular legal proceeding," the plaintiff sufficiently alleged an ulterior motive that could give rise to a claim of abuse of process. *Id.* at 6.

Objector is subverting this receivership to try to gain a commercial advantage through a separate potential transaction it has yet to even propose, in derogation of the good faith negotiation of an executed deal and ongoing confidential investigatory DIFS proceedings. Objector's goal is to grow its single state licensed business into one of national prominence. Such motive and obstruction are an affront to the Director's expert determination that the Plan fully protects policyholders and creditors, and the Director's evaluation of the Buyer which has demonstrated the financial and technical ability to ensure a successful business operation. Objector is misusing and interrupting these proceedings for its own ulterior motive and the Court should remedy these misdeeds.

Second, Objector has asserted frivolous arguments and obstructed these proceedings. MCL 600.2591 provides that "[u]pon motion of any party, if a court finds that a civil action or defense to a civil action was frivolous, the court that conducts the civil action shall award to the prevailing party the costs and fees incurred by that party in connection with the civil action."

MCL 600.2591(1). "The amount of costs and fees awarded under this section shall include all reasonable costs actually incurred by the prevailing party and any costs allowed by law or by court rule including court costs and reasonable attorney fees." MCL 600.2591(2).

MCL 600.2591 defines "frivolous" to mean that "at least one of the following conditions is met: (i) [t]he party's primary purpose in initiating the action or asserting the defense was to harass, embarrass, or injure the prevailing party; (ii) [t]he party had no reasonable basis to believe that the facts underlying that party's legal position were in fact true; and (iii) [t]he party's legal position was devoid of arguable legal merit." MCL 600.2591(3).

Sections (ii) and (iii) apply here. Objector has repeatedly rejected as incomplete, disparaged as "cooking," and wholly ignored the Director's investigation of the facts and circumstances of this matter during the Form A proceedings, which will result in a lawful determination as required by statute. Because Objector's doubt in the regulator's capability is based entirely on what Objector refuses to or cannot see and what it is not entitled to know, its position is entirely unsupported and unreasonable. Moreover, the Objector's insistence that it should be permitted to make an offer in respect of Payonia is at complete odds with the language of the Stock Purchase Agreement, which was communicated to Objector's counsel by each of Seller, Buyer and the Rehabilitator. Buyer has never had a reasonable basis to believe that its legal "authority" was at all apposite or that any facts upon which it purportedly relied were in fact true. Its insistence that the Rehabilitator reject the transaction in place that is under consideration in the Form A in favor of Objector's opportunity to conduct due diligence and potentially submit an offer that Seller does not want is devoid of legal merit.


## CONCLUSION

Objector continues to have no right or other interest upon which to object to the Plan. Objector's unfounded arguments reduce to base character assassination, hyperbole and innuendo. Objector's vain reach for some footing in the North Carolina proceedings that do not threaten Pavonia drowns in the sea of truth. The Director has not abused her discretion in proposing the Plan, and the Plan is fair and equitable to Pavonia, its policyholders, creditors and the public. For all of these reasons, as well as those set forth in Buyer's prior submissions and argument on January 16, 2020, the Objection should be overruled and Objector's participation terminated, the Plan should be approved without delay or modification, and Objector should be sanctioned for its baseless attempt to substitute itself for Buyer and for its frivolous delay.

Dated: February 4, 2020

Respectfully submitted,

**ASPIDA HOLDCO, LLC**

By:   
Lori McAllister  
Stephen W. Schwab  
Carl H. Poedtke III  
Its Attorneys

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*Attorneys for Interested Party ASPIDA  
HOLDCO, LLC*

# Tab A



R SNYDER  
VERNOR

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
LANSING

PATRICK M. MCPHARLIN  
DIRECTOR

December 14, 2017

Louis Belo  
Senior Vice President and Chief Compliance and Audit Officer  
Global Bankers Insurance Group, LLC  
2327 Englert Dr.  
Durham, NC 27713

RE: Southland National Holdings, Inc.'s acquisition of Pavonia Life Insurance Company  
of Michigan

Dear Mr. Belo:

The Department of Insurance and Financial Services (DIFS) has completed its review of the application of Southland National Holdings, Inc. (Southland) to acquire control of Pavonia Life Insurance Company of Michigan (Pavonia), and finds no reason for disapproval.

Please note that, while Southland indicated it had planned to change the investment policy of Pavonia, DIFS concluded that the proposed changes may not comply with the investment requirements of Michigan law. In response to DIFS' concerns in this regard, Southland affirmed that Pavonia will not invest in any middle market loans to non-insurance companies without the prior written approval of DIFS. The approval of Southland's application is thus conditioned on this representation by Southland.

Accordingly, I have approved the acquisition in the attached Order.

If you have any questions, please call Jennifer Schulze at (517) 284-8770.

Sincerely,

Patrick M. McPharlin  
Director

Enclosure



STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of the Department of Insurance and Financial Services

In the matter of the acquisition of control of  
Pavonia Life Insurance Company of Michigan  
by Southland National Holdings, Inc. \_\_\_\_\_ /

Order No. 2017-066-M

Issued and entered  
this 14<sup>th</sup> day of December, 2017  
by Patrick M. McPharlin  
Director

ORDER APPROVING ACQUISITION

On March 20, 2017, a Form A Statement was filed by GreenbergTraurig, P.A. on behalf of Southland National Holdings, Inc. ("SNH" or the "Applicant") seeking approval for the acquisition of control of Pavonia Life Insurance Company of Michigan ("Pavonia MI" or "Domestic Insurer"). Pavonia MI is a Michigan domestic life and health insurance company. The Applicant will acquire ownership and control of Pavonia MI pursuant to a Stock Purchase Agreement with Laguna Life Holdings SARL ("Laguna Life") dated February 17, 2017 and amended June 1, 2017. Under the terms of the Stock Purchase Agreement, SNH has agreed to purchase from Laguna Life all of the issued and outstanding stock of Pavonia Holdings (U.S.), Inc., a Delaware corporation and the parent company of Pavonia MI.

The consideration to be used to affect the proposed transaction is cash-on-hand at SNH. Subject to certain adjustments, the purchase price is approximately \$120 million minus the amount of any transaction expenses. Transaction expenses include (a) legal, accounting, tax, financial advisory, environmental consulting and other professional or transaction-related costs, fees and expenses incurred by the acquired companies; (b) payments, bonuses, deferred bonuses or severance which become due or are otherwise required to be made as a result of or in connection with the transaction; and (c) the employer portion of any applicable payroll or employment taxes.

Over the last three years, the Applicant's ultimate controlling parent, Greg Lindberg, has acquired three other insurance companies and, shortly after acquisition, made changes to the investment portfolios which included investments in middle market loans to non-insurance companies. However, the Applicant has affirmed that no significant changes will be made to Pavonia MI's investment portfolio unless those changes are first approved by DIFS.

The Applicant's operational plans for Pavonia MI includes replacing the Domestic Insurer's board of directors and management team. Additionally, the independent audit firm will be changed, and a variety of new law firms will provide legal services. There are no immediate plans to make any changes to the current administrative platforms of Pavonia MI. All employees (approximately 34) associated with Pavonia MI will become employees of Global Bankers Insurance Group. In addition to the acquisition of Pavonia MI, the Applicant's holding company is in the process of seeking approval to acquire two additional insurers.

The Applicant has indicated there are no plans to declare any dividends, to liquidate the Domestic Insurer, or sell the Domestic Insurer's assets.

After review of the Form A filing, the Director of the Department of Insurance and Financial Services (the "Director") makes the following Findings of Fact and Conclusions of Law as follows:

1. The proposed acquisition constitutes a change of control, and is subject to prior approval of the Director pursuant to the provisions of MCL 500.1311 to 1319. "Control" is defined in MCL 500.115.
2. The Form A Statement as supplemented, meets the filing requirements of MCL 500.1312 applicable to this proposed acquisition.
3. MCL 500.1315 requires the Director to approve any merger or other acquisition of control of a domestic insurer, unless the Director determines on the basis of information furnished to the Director that one or more of the conditions enumerated under MCL 500.1315(1) exists.
4. None of the conditions specified in Section 1315(1) exists.

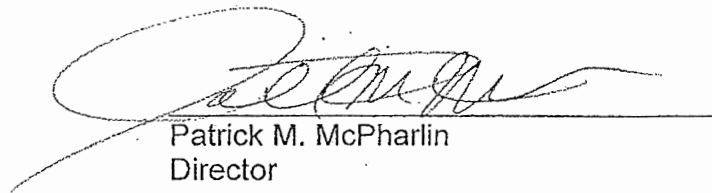
Therefore, based upon the representations made by SNH and the above Findings of Fact and Conclusions of Law, it is hereby ORDERED that:

The acquisition of control of Pavonia MI by SNH in accordance with the statement of acquisition is approved subject to the following conditions:

1. Pavonia MI may not materially change its investment strategy or policy without the prior written approval of the Director, and
2. Pavonia MI may not pay any dividends without prior written approval of the

Director.

Should Pavonia MI violate either of these conditions, its Michigan certificate of authority will be automatically suspended, and the Director will require Pavonia MI to immediately place on deposit with the Michigan Department of Treasury funds equal to one hundred twenty five percent (125%) of its Michigan outstanding liabilities.



Patrick M. McPharlin  
Director



# Tab B



LIFE AND ACCIDENT AND HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES — ASSOCIATION EDITION

# QUARTERLY STATEMENT

AS OF JUNE 30, 2019  
OF THE CONDITION AND AFFAIRS OF THE

## Pavonia Life Insurance Company of Michigan

NAIC Group Code	04827 (Current Period)	04827 (Prior Period)	NAIC Company Code	93777	Employer's ID Number	38-2341728
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health [ X ]		Fraternal Benefit Societies [ ]			
Incorporated/Organized	12/18/1980		Commenced Business	01/21/1981		
Statutory Home Office	28400 Northwestern Highway, 2nd Floor (Street and Number)		Southfield, MI, US 48034 (City or Town, State, Country and Zip Code)			
Main Administrative Office	180 Mount Airy Road (Street and Number)		Basking Ridge, NJ, US 07920 (City or Town, State, Country and Zip Code)		201-651-5167 (Area Code) (Telephone Number)	
Mail Address	180 Mount Airy Road (Street and Number or P.O. Box)		Basking Ridge, NJ, US 07920 (City or Town, State, Country and Zip Code)			
Primary Location of Books and Records	180 Mount Airy Road (Street and Number)		Basking Ridge, NJ, US 07920 (City or Town, State, Country and Zip Code)		800-365-3818 (Area Code) (Telephone Number)	
Internet Web Site Address	N/A					
Statutory Statement Contact	Janice Sylvertooth (Name)		313-300-4582 (Area Code) (Telephone Number) (Extension)			
	janice.sylvertooth@globalbankers.com (E-mail Address)		201-651-5099 (FAX Number)			

### OFFICERS

Name	Title	Name	Title
Louis O'Brian Belo	Chief Compliance Officer	Tamre Farid Edwards	Chief Legal Officer and Secretary
Michael William Farley	Chief Actuary	Lou Everett Hensley	Chief Executive Officer and President

### OTHER OFFICERS

Paul Wayne Brown Jr.	Chief Investment Officer	Joseph Steven Lurie	Senior Vice President
Brian Christopher Stewart	Chief Financial Officer and Treasurer	Kristan Van Der Meer	Vice President, Operations
Richard Alphonse Zebleckas	Vice President, Actuary		

### DIRECTORS OR TRUSTEES


State of.....New Jersey.....  
County of.....Somerset.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Janice Sylvertooth Special Deputy Rehabilitator	Not Applicable	Not Applicable
Subscribed and sworn to before me this _____ day of _____, 2019	a. Is this an original filing?	Yes [ X ] No [ ]
	b. If no:	
	1. State the amendment number	_____
	2. Date filed	_____
	3. Number of pages attached	_____

## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

## ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	969,032,122		969,032,122	948,008,233
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ ..... 15,195,515 ) cash equivalents (\$ ..... 15,946,456 ) and short-term investments (\$ ..... 12,922,817 ) .....	44,064,788		44,064,788	95,498,661
6. Contract loans (including \$ ..... premium notes) .....	14,102,326	10,709	14,091,617	14,599,494
7. Derivatives .....	0		0	0
8. Other invested assets .....	20,525,986		20,525,986	16,685,352
9. Receivables for securities .....	18,309		18,309	68,847
10. Securities lending reinvested collateral assets .....			0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	1,047,743,531	10,709	1,047,732,822	1,074,860,587
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
14. Investment income due and accrued .....	10,114,604		10,114,604	8,535,623
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	170,317		170,317	214,830
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....	8,172,384		8,172,384	9,813,168
15.3 Accrued retrospective premiums (\$ ..... ) and contracts subject to redetermination (\$ ..... ) .....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	323,671		323,671	624,371
16.2 Funds held by or deposited with reinsured companies .....	39,466		39,466	50,802
16.3 Other amounts receivable under reinsurance contracts .....	394,078		394,078	151,422
17. Amounts receivable relating to uninsured plans .....			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset .....	40,848,325	33,096,329	7,751,996	6,642,417
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software .....			0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....			0	15,924
24. Health care (\$ ..... ) and other amounts receivable .....			0	0
25. Aggregate write-ins for other-than-invested assets .....	405,879	0	405,879	554,154
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,108,212,255	33,107,038	1,075,105,217	1,101,463,298
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
28. Total (Lines 26 and 27) .....	1,108,212,255	33,107,038	1,075,105,217	1,101,463,298
DETAILS OF WRITE-INS				
1101. ....			0	0
1102. ....			0	0
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	0	0	0	0
2501. Premium Remittances in Transit .....	293,442		293,442	438,080
2502. Miscellaneous Receivable .....	112,437		112,437	116,074
2503. ....			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	405,879	0	405,879	554,154



## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ 859,665,815 less \$ included in Line 6.3 (including \$ Modco Reserve)	859,665,815	876,638,275
2. Aggregate reserve for accident and health contracts (including \$ Modco Reserve)	9,793,203	10,151,493
3. Liability for deposit-type contracts (including \$ Modco Reserve)		0
4. Contract claims:		
4.1 Life	27,302,635	28,091,717
4.2 Accident and health	724,589	1,309,493
5. Policyholders' dividends/refunds to members \$ and coupons \$ due and unpaid		0
6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year—estimated amounts:		
6.1 Policyholders' dividends and refunds to members apportioned for payment (including \$ Modco)		0
6.2 Policyholders' dividends and refunds to members not yet apportioned (including \$ Modco)		0
6.3 Coupons and similar benefits (including \$ Modco)		0
7. Amount provisionally held for deferred dividend policies not included in Line 6		0
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ discount; including \$ accident and health premiums	15,551	16,495
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		0
9.2 Provision for experience rating refunds, including the liability of \$ accident and health experience rating refunds of which \$ is for medical loss ratio rebate per the Public Health Service Act		0
9.3 Other amounts payable on reinsurance, including \$ 1,154,838 assumed and \$ 58,820 ceded	1,213,658	623,003
9.4 Interest Maintenance Reserve	94,479,040	99,650,075
10. Commissions to agents due or accrued-life and annuity contracts \$ accident and health \$ and deposit-type contract funds \$		0
11. Commissions and expense allowances payable on reinsurance assumed		0
12. General expenses due or accrued	876,405	872,255
13. Transfers to Separate Accounts due or accrued (net) (including \$ accrued for expense allowances recognized in reserves, net of reinsured allowances)		0
14. Taxes, licenses and fees due or accrued, excluding federal income taxes		0
15.1 Current federal and foreign income taxes, including \$ on realized capital gains (losses)	683,319	2,503,178
15.2 Net deferred tax liability		0
16. Unearned investment income		0
17. Amounts withheld or retained by reporting entity as agent or trustee		205,092
18. Amounts held for agents' account, including \$ agents' credit balances		0
19. Remittances and items not allocated	423,387	178,771
20. Net adjustment in assets and liabilities due to foreign exchange rates		0
21. Liability for benefits for employees and agents if not included above		0
22. Borrowed money \$ and interest thereon \$		0
23. Dividends to stockholders declared and unpaid		0
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	5,030,615	5,174,298
24.02 Reinsurance in unauthorized and certified (\$ ) companies		128,392
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$ ) reinsurers		0
24.04 Payable to parent, subsidiaries and affiliates	1,727,841	2,016,673
24.05 Drafts outstanding		0
24.06 Liability for amounts held under uninsured plans		0
24.07 Funds held under coinsurance		0
24.08 Derivatives	0	0
24.09 Payable for securities		0
24.10 Payable for securities lending		0
24.11 Capital notes \$ and interest thereon \$		0
25. Aggregate write-ins for liabilities	149,202	147,827
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	1,002,085,260	1,027,707,037
27. From Separate Accounts statement		0
28. Total liabilities (Lines 26 and 27)	1,002,085,260	1,027,707,037
29. Common capital stock	2,500,000	2,500,000
30. Preferred capital stock		0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes		0
33. Gross paid in and contributed surplus	84,285,643	84,780,085
34. Aggregate write-ins for special surplus funds	0	0
35. Unassigned funds (surplus)	(13,765,686)	(13,523,824)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 29 \$ )		0
36.2 shares preferred (value included in Line 30 \$ )		0
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$ in Separate Accounts Statement)	70,519,957	71,256,261
38. Totals of Lines 29, 30 and 37	73,019,957	73,756,261
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	1,075,105,217	1,101,463,298
DETAILS OF WRITE-INS		
2501. Unclaimed Property	149,202	147,827
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	149,202	147,827
3101.		0
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above)	0	0
3401.		0
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0

## SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year Year to Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	19,744,426	22,356,714	45,264,153
2. Considerations for supplementary contracts with life contingencies		.0	.0
3. Net investment income	21,362,797	16,410,155	32,614,570
4. Amortization of Interest Maintenance Reserve (IMR)	4,993,882	4,106,613	8,428,763
5. Separate Accounts net gain from operations excluding unrealized gains or losses		.0	.0
6. Commissions and expense allowances on reinsurance ceded	342,680	445,150	792,162
7. Reserve adjustments on reinsurance ceded		.0	.0
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts		.0	.0
8.2 Charges and fees for deposit-type contracts		.0	.0
8.3 Aggregate write-ins for miscellaneous income	402,824	242,795	861,206
9. Totals (Lines 1 to 8.3)	46,846,609	43,561,427	87,960,854
10. Death benefits	23,109,749	23,787,541	43,587,722
11. Matured endowments (excluding guaranteed annual pure endowments)		.0	.0
12. Annuity benefits	24,770,905	22,084,791	41,945,204
13. Disability benefits and benefits under accident and health contracts	113,526	539,400	1,355,771
14. Coupons, guaranteed annual pure endowments and similar benefits		.0	.0
15. Surrender benefits and withdrawals for life contracts	341,167	300,070	696,742
16. Group conversions		.0	.0
17. Interest and adjustments on contract or deposit-type contract funds		.0	.0
18. Payments on supplementary contracts with life contingencies		.0	.0
19. Increase in aggregate reserves for life and accident and health contracts	(17,346,261)	(6,624,025)	(98,348,516)
20. Totals (Lines 10 to 19)	30,989,086	40,087,777	(10,763,077)
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	1,105,662	1,352,131	2,565,981
22. Commissions and expense allowances on reinsurance assumed	3,096,970	3,110,848	6,491,863
23. General insurance expenses and fraternal expenses	13,227,505	7,409,874	14,580,573
24. Insurance taxes, licenses and fees, excluding federal income taxes	767,551	465,686	1,503,610
25. Increase in loading on deferred and uncollected premiums	584,139	748,933	412,331
26. Net transfers to or (from) Separate Accounts net of reinsurance		.0	.0
27. Aggregate write-ins for deductions	18,707	53,647	54,524
28. Totals (Lines 20 to 27)	49,789,620	53,228,896	14,845,805
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(2,943,011)	(9,667,469)	73,115,049
30. Dividends to policyholders and refunds to members		.0	.0
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	(2,943,011)	(9,667,469)	73,115,049
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	31,023	(959,565)	(136,461)
33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(2,974,034)	(8,707,904)	73,251,530
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (excluding taxes of \$ (47,091) transferred to the IMR)	86,030	4,018,917	21,394,982
35. Net income (Line 33 plus Line 34)	(2,888,004)	(4,688,987)	94,646,512
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	73,756,261	66,638,585	66,638,585
37. Net income (Line 35)	(2,888,004)	(4,688,987)	94,646,512
38. Change in net unrealized capital gains (losses) less capital gains tax of \$	(213,009)	(32,891)	1,607
39. Change in net unrealized foreign exchange capital gain (loss)	1,482,958	(2,101,309)	(3,640,675)
40. Change in net deferred income tax	1,695,768	(2,837,110)	(14,636,166)
41. Change in nonadmitted assets	(596,898)	2,837,110	17,994,927
42. Change in liability for reinsurance in unauthorized and certified companies	133,639	.0	(128,392)
43. Change in reserve on account of change in valuation basis, (increase) or decrease		.0	(87,624,208)
44. Change in asset valuation reserve	143,684	1,063,354	504,071
45. Change in treasury stock		.0	.0
46. Surplus (contributed to) withdrawn from Separate Accounts during period		.0	.0
47. Other changes in surplus in Separate Accounts Statement		.0	.0
48. Change in surplus notes		.0	.0
49. Cumulative effect of changes in accounting principles		.0	.0
50. Capital changes:			
50.1 Paid in	(494,442)	.0	.0
50.2 Transferred from surplus (Stock Dividend)		.0	.0
50.3 Transferred to surplus		.0	.0
51. Surplus adjustment:			
51.1 Paid in		.0	.0
51.2 Transferred to capital (Stock Dividend)		.0	.0
51.3 Transferred from capital		.0	.0
51.4 Change in surplus as a result of reinsurance		.0	.0
52. Dividends to stockholders		.0	.0
53. Aggregate write-ins for gains and losses in surplus	0	0	0
54. Net change in capital and surplus (Lines 37 through 53)	(736,304)	(5,759,833)	7,117,676
55. Capital and surplus as of statement date (Lines 36 + 54)	73,019,957	60,878,752	73,756,261
<b>DETAILS OF WRITE-INS</b>			
08.301. Modified Coinsurance Reserve Adjustment	176,041	(75,345)	120,910
08.302. Fees for Services	226,684	317,909	636,033
08.303. Miscellaneous Income	99	.0	103,815
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	.0	231	448
08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	402,824	242,795	861,206
2701. Regulatory Penalties	24,575	5,402	6,279
2702. Realized Foreign Exchange Loss	(5,868)	48,245	48,245
2703.		.0	.0
2798. Summary of remaining write-ins for Line 27 from overflow page	.0	.0	.0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	18,707	53,647	54,524
5301.		.0	.0
5302.		.0	.0
5303.		.0	.0
5398. Summary of remaining write-ins for Line 53 from overflow page	.0	.0	.0
5399. Totals (Lines 5301 through 5303 plus 5398) (Line 53 above)	0	0	0

## CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance	20,844,640	22,903,476	45,806,633
2. Net investment income	19,953,074	22,309,743	35,102,395
3. Miscellaneous income	514,184	525,017	1,595,386
4. Total (Lines 1 to 3)	41,311,898	45,738,236	82,504,414
5. Benefit and loss related payments	48,802,467	45,135,817	91,619,224
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	18,212,245	13,014,894	26,685,325
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	1,803,791	(4,059,833)	(3,965,340)
10. Total (Lines 5 through 9)	68,818,503	54,090,878	114,339,209
11. Net cash from operations (Line 4 minus Line 10)	(27,506,605)	(8,352,642)	(31,834,795)
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	127,871,815	625,632,364	777,475,088
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	700,857	962,117	1,808,763
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	862,464	(10,553)	(964,123)
12.7 Miscellaneous proceeds	50,538	23,085,892	2,986,251
12.8 Total investment proceeds (Lines 12.1 to 12.7)	129,485,674	649,669,821	781,305,978
13. Cost of investments acquired (long-term only):			
13.1 Bonds	148,712,876	209,096,980	765,409,311
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	4,677,358	104,995	13,334,733
13.6 Miscellaneous applications	1,440,604	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	154,830,839	209,201,975	778,744,044
14. Net increase (or decrease) in contract loans and premium notes	(507,877)	(808,862)	(1,438,146)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(24,837,287)	441,276,707	4,000,080
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	(494,442)	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	1,404,461	(1,792,976)	(1,569,812)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	910,019	(1,792,976)	(1,569,812)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(51,433,873)	431,131,090	(29,404,527)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	95,498,661	124,903,189	124,903,189
19.2 End of period (Line 18 plus Line 19.1)	44,064,788	556,034,278	95,498,661

## EXHIBIT 1

## DIRECT PREMIUMS AND DEPOSIT-TYPE CONTRACTS

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
1. Industrial life .....		0	0
2. Ordinary life insurance .....	8,755,923	10,137,741	19,297,246
3. Ordinary individual annuities .....		0	0
4. Credit life (group and individual) .....	2,889,551	3,548,014	6,675,129
5. Group life insurance .....	31,481	38,983	74,393
6. Group annuities .....		0	0
7. A & H - group .....	16,069	20,769	39,628
8. A & H - credit (group and individual) .....	1,038,630	1,672,052	3,057,205
9. A & H - other .....		0	0
10. Aggregate of all other lines of business .....	0	0	0
11. Subtotal (Lines 1 through 10) .....	12,731,654	15,417,559	29,143,601
12. Fraternal (Fraternal Benefit Societies Only) .....			
13. Subtotal (Lines 11 through 12) .....	12,731,654	15,417,559	29,143,601
14. Deposit-type contracts .....		0	0
15. Total (Lines 13 and 14) .....	12,731,654	15,417,559	29,143,601
DETAILS OF WRITE-INS			
1001. ....			
1002. ....			
1003. ....			
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0
1099. Total (Lines 1001 through 1003 plus 1098) (Line 10 above) .....	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### A. Accounting Practices

The financial statements of the Pavonia Life Insurance Company of Michigan ("the Company" or "PLICMI") are presented on the basis of accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services ("MIDIFS").

The MIDIFS recognizes only statutory accounting practices prescribed or permitted by the department for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Michigan Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual has been adopted as a component of prescribed or permitted practices by the State of Michigan. The MIDIFS did not adopt prescribed or permitted practices that would differ from those included in the new Statutory Accounting Practices (SAP) manual.

The Company has not requested the Department's approval of any permitted statutory accounting practices.

There were no permitted or prescribed adjustments to NAIC SAP for 2019 and 2018, see tabular disclosure below.

	SSAP #	F/S Page	F/S Line #	June 2019	December 2018
<b>NET INCOME</b>					
(1) Company state basis (Page 4, Line 35, Columns 1 & 2)	xxx	xxx	xxx	\$ (2,888,004)	\$ 94,646,512
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:				\$ -	\$ -
(3) State Permitted Practices that increase/(decrease) NAIC SAP:				\$ -	\$ -
(4) NAIC SAP (1-2-3=4)	xxx	xxx	xxx	<u>\$ (2,888,004)</u>	<u>\$ 94,646,512</u>
<b>SURPLUS</b>					
(5) Company state basis (Page 3, Line 38, Columns 1 & 2)	xxx	xxx	xxx	\$ 73,019,957	\$ 73,756,261
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:				\$ -	\$ -
(7) State Permitted Practices that increase/(decrease) NAIC SAP:				\$ -	\$ -
(8) NAIC SAP (5-6-7=8)	xxx	xxx	xxx	<u>\$ 73,019,957</u>	<u>\$ 73,756,261</u>

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles (SAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policies

The accompanying financial statements have been prepared in conformity with SSAP prescribed or permitted by the Michigan Insurance Department.

- Short term investments are at amortized cost except where prescribed by the Security Valuation Office (SVO) of the NAIC.
- Bonds not backed by other loans are at amortized cost except for those with an NAIC rating of 6, which are reported at the lower of amortized cost or fair value. Amortization of bond premium and accretion of bond discounts are calculated using the modified scientific method.
- Common stocks are at market value except where prescribed by the NAIC.
- The Company has no investment in preferred stocks.
- The Company has no mortgage loans.
- Loan-backed securities are stated at either amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative, which are valued using the prospective method.
- The Company carries Global Bankers, LLC "GBIG, LLC" a non- insurance company at its audited GAAP equity adjusted to a modified statutory basis in accordance with SSAP no. 97 8 (b) (ii).
- The Company has minor ownership interests in joint ventures. The Company carries these interests based on the underlying audited GAAP equity of the investee.
- The Company has no investments in derivative instruments.
- The Company does not hold any deficiency reserves on Individual and Group Accident and Health contracts.
- The Company has no accident and health contracts.
- The Company has not modified its capitalization policy from the prior period.
- The Company has no pharmaceutical rebate receivables.

#### D. Going Concern

Management has reviewed the data as shown in these financial statements as prepared for filing with state regulatory officials as of June 30, 2019. Data has been reviewed for reasonableness, accuracy and consistency and has been reconciled to its source systems. During the year ended June 30, 2019, the Company had net income of \$(2,888,004) and negative cash flow from operations of \$27,506,605. At June 30, 2019 the Company had cash and short-term investments of \$44,064,788 and accounts receivable of \$1,123,628. Current assets amounted to \$45,206,725 with current liabilities of \$4,256,842 resulting in a working capital surplus of \$40,949,883. The Company continues to appropriately match the investment portfolio maturities to those of its underlying policy liabilities. The Company has sufficient capital on hand to satisfy working capital requirements for the next twelve months. Management has no doubt as to the entity's ability to continue as a going concern.

### 2. Accounting Changes and Corrections of Errors

No changes.

### 3. Business Combinations and Goodwill

A. Statutory Purchase Method  
Not Applicable.

B. Statutory Merger  
Not Applicable.

C. Assumption Reinsurance  
Not Applicable.

## NOTES TO FINANCIAL STATEMENTS

- D. Impairment Loss  
Not Applicable.

4. **Discontinued Operations**  
No changes.

5. **Investments**

- A. The Company did not have investments in mortgage loans at June 30, 2019 and December 31, 2018.  
B. The Company did not have investments in restructured debt at June 30, 2019 and December 31, 2018.  
C. The Company did not have investments in reverse mortgages at June 30, 2019 and December 31, 2018.  
D. Loan Backed Securities

1. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from independent sources. The Company uses the prospective method to determine prepayment assumptions.  
2) The following table summarizes by quarter other-than-temporary impairments (OTTI) for loan-backed securities recorded during the year:

	Amortized Cost Basis Before Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized in Loss		Fair Value 1 - (2a + 2b)
		(2a) Interest	(2b) Non-interest	
<b>OTTI recognized 1st Quarter</b>				
a. Intent to sell	\$ -	\$ -	\$ -	\$ -
b. Inability or lack of intent to retain the investment in security for period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -	\$ -
c. Total 1st quarter	\$ -	\$ -	\$ -	\$ -
<b>OTTI recognized 2nd quarter</b>				
d. Intent to sell	\$ -	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in security for period of time sufficient to recover the amortized cost basis	\$ 383,058.00	\$ -	\$ 103,699.00	\$ 279,359.00
f. Total 2nd quarter	\$ 383,058.00	\$ -	\$ 103,699.00	\$ 279,359.00
<b>OTTI recognized 3rd quarter</b>				
g. Intent to sell	\$ -	\$ -	\$ -	\$ -
h. Inability or lack of intent to retain the investment in security for period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -	\$ -
i. Total 3rd quarter	\$ -	\$ -	\$ -	\$ -
<b>OTTI recognized 4th quarter</b>				
j. Intent to sell	\$ -	\$ -	\$ -	\$ -
k. Inability or lack of intent to retain the investment in security for period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -	\$ -
l. Total 4th quarter	\$ -	\$ -	\$ -	\$ -
m. Annual aggregate total	\$ 383,058.00	\$ -	\$ 103,699.00	\$ 279,359.00

- 3) The following table summarizes other-than-temporary impairments (OTTI) for loan-backed and structured securities held at the end of the year recorded based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of the securities:

1	2	3	4	5	6	7
CUSIP	Amortized Cost before OTTI Impairment	Present Value of Projected Cash Flows	OTTI Recognized	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
3133 T4 - 2S - 4	383,058	-	103,699	279,359	279,359	6/30/2019
<b>Total</b>	XXX	XXX	0	XXX	XXX	XXX

- 4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

(a) Aggregate amount of unrealized losses:

1. Less than twelve months	\$ (68,631)
2. Twelve months or longer	\$ (195,575)

(b) Aggregate fair value of securities with unrealized losses:

1. Less than twelve months	\$ 35,388,739
2. Twelve months or longer	\$ 4,542,574

- 5) The Company believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of OTTI. Market conditions include interest rate fluctuations, credit spreads, supply, and demand. This determination is made in conjunction with the impairment criteria prescribed by NAIC standards.

Fair values are calculated based on the market prices published by the NAIC Securities Valuation Office (SVO). If there is no current market price published by the SVO, fair values are calculated based on the market prices provided by S&P Capital IQ. If

## NOTES TO FINANCIAL STATEMENTS

there are no current market prices published by the SVO or provided by S&P Capital IQ, fair values are calculated based on the custodian pricing or internal pricing model.

- E. The Company had no repurchase, reverse repurchase, or dollar repurchase in effect at June 30, 2019 and December 31, 2018.
- F. The Company had no repurchase agreements transactions accounted for as secured borrowing at June 30, 2019 and December 31, 2018.
- G. The Company had no reverse repurchase agreements transactions accounted for as secured borrowing at June 30, 2019 and December 31, 2018.
- H. The Company had no repurchase agreements transactions accounted for as a sale at June 30, 2019 and December 31, 2018.
- G. The Company had no reverse repurchase agreements transactions accounted for as a sale at June 30, 2019 and December 31, 2018.
- J. The Company had no investment in real estate at June 30, 2019 and December 31, 2018.
- K. The Company had no investment in low-income housing tax credits (LIHTC) at June 30, 2019 and December 31, 2018.
- L. Restricted Assets

### 1) Restricted Assets (including pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted										
	Current Year					Current Year					
	1	2	3	4	5	6	7	8	9	10	11
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
b. Collateral held under security lending agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
c. Subject to repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
g. Placed under option contracts	-	-	-	-	-	-	-	-	-	0.00%	0.00%
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-	-	-	0.00%	0.00%
i. FHLB capital stock	7,111,432	-	-	-	7,111,432	7,101,606	9,826	-	7,111,432	0.64%	0.66%
j. On deposit with states	-	-	-	-	-	-	-	-	-	0.00%	0.00%
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-	-	-	0.00%	0.00%
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-	-	-	0.00%	0.00%
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-	-	-	0.00%	0.00%
n. Other restricted assets	-	-	-	-	-	-	-	-	-	0.00%	0.00%
<b>o. Total Restricted Assets</b>	<b>\$ 7,111,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,111,432</b>	<b>\$ 7,101,606</b>	<b>\$ 9,826</b>	<b>\$ -</b>	<b>\$ 7,111,432</b>	<b>0.64%</b>	<b>0.66%</b>

(a) Subset of column 1

(b) Subset of column 3

(c) Column 5 divided by Asset Page, Column 1, Line 28

(d) Column 9 divided by Asset Page, Column 3, Line 28

### 2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
	-	-	-	-	-	-	-	-	0.00%	0.00%
	-	-	-	-	-	-	-	-	0.00%	0.00%
Total ( c )	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%

(a) Subset of column 1

(b) Subset of column 3

(c) Total Line for Columns 1 through 7 should equal 5H(1), Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5H(1), Columns 9 through 11 respectively

## NOTES TO FINANCIAL STATEMENTS

- 3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance Derivatives, Are Reported in the Aggregate)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (decrease) (5 minus 6)		Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
	-	-	-	-	-	-	-	-	0.00%	0.00%
	-	-	-	-	-	-	-	-	0.00%	0.00%
Total (c)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%

(a) Subset of column 1

(b) Subset of column 3

(c) Total Line for Columns 1 through 7 should equal 5H(1). Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5H(1). Columns 9 through 11 respectively

- 4) Collateral Received and Reflected as Assets within the Reporting Entity's Financial Statements

	1	2	3	4
Collateral Assets	Book/Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)*	% of BACV to Total Admitted Assets**
a. Cash	\$ -	\$ -	%	%
b. Schedule D, Part 1	-	-	%	%
c. Schedule D, Part 2, Section 1	-	-	%	%
d. Schedule D, Part 2, Section 2	-	-	%	%
e. Schedule B	-	-	%	%
f. Schedule A	-	-	%	%
g. Schedule BA, Part 1	-	-	%	%
h. Schedule DL, Part 1	-	-	%	%
i. Other	-	-	%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$ -	\$ -	%	%

\* Column 1 divided by Assets Page, Line 26 (Column 1)

\*\* Column 1 divided by Assets Page, Line 26 (Column 3)

	1	2
	Amount	% of Liability to Total Liabilities *
k. Recognized Obligation to Return Collateral Asset	\$ -	%

\* Column 1 divided by Liability Page, Line 26 (Column 1)

- M. The Company did not have Working Capital Finance Investments at June 30, 2019 and December 31, 2018.
- N. The Company did not have derivative, repurchase and reverse repurchase and securities lending assets and liabilities that are offset and reported net in accordance with a valid right to offset per SSAP no. 64 – *Offsetting and Netting of Assets and Liabilities* at June 30, 2019 and December 31, 2018.
- O. The Company did not have any investment in Structured Notes at June 30, 2019 and December 31, 2018.
- P. Disclosure of self-designated 5\* securities

Investment	Number of 5* Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds - AC	-	-	-	-	-	-
(2) LB&SS - AC	-	-	-	-	-	-
(3) Preferred Stock - AC	-	-	-	-	-	-
(4) Preferred Stock - FV	-	-	-	-	-	-
(5) Total (1+2+3+4)	-	-	-	-	-	-

AC - Amortized Cost FV - Fair Value

- Q. The Company did not sell any securities short at June 30, 2019 and December 31, 2018.
- R. The Company did not have any prepayment penalty and/or acceleration fees at June 30, 2019 and December 31, 2018.



## NOTES TO FINANCIAL STATEMENTS

### 6. Joint Ventures, Partnerships, and Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investments in joint ventures, partnerships and limited liability companies during the statement periods.

### 7. Investment Income

- A. All amounts of due and accrued investment income is included in Unassigned Surplus except for amounts that are over 90 days past due, which are non-admitted. All due and accrued investment income deemed uncollectible is written off in the period it is determined to be uncollectible.
- B. The total due and accrued investment income non-admitted was \$0 at June 30, 2019 and December 31, 2019.

### 8. Derivative Instruments

Not applicable.

### 9. Income Taxes

The current tax and deferred tax balances and related disclosures are calculated and presented pursuant to SSAP 101 *Income Taxes*.

- A. The components of the net deferred tax asset at June 30, 2019 and December 31, 2018, and the changes in those components are as follows:

#### (1) Current Year:

6/30/2019		
1	2	3
Ordinary	Capital	(Col 1+2) Total
(a) Gross Deferred Tax Assets	\$ 41,026,464	\$ 257,800 \$ 41,284,265
(b) Statutory Valuation Allowance Adjustments	-	(0) (0)
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	41,026,464	257,800 41,284,265
(d) Deferred Tax Assets Nonadmitted	(32,838,529)	(257,800) (33,096,329)
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	8,187,936	(0) 8,187,936
(f) Deferred Tax Liabilities	435,940	- 435,940
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 7,751,996	\$ (0) \$ 7,751,996

#### (1) Prior Year:

12/31/2018		
4	5	6
Ordinary	Capital	(Col 4+5) Total
(a) Gross Deferred Tax Assets	\$ 39,359,720	\$ 228,778 \$ 39,588,497
(b) Statutory Valuation Allowance Adjustments	-	- -
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	39,359,720	228,778 39,588,497
(d) Deferred Tax Assets Nonadmitted	(32,281,363)	(228,778) (32,510,140)
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	7,078,357	- 7,078,357
(f) Deferred Tax Liabilities	435,940	- 435,940
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 6,642,417	\$ - \$ 6,642,417

#### (1) Change:

Change		
7	8	9
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
(a) Gross Deferred Tax Assets	\$ 1,666,744	\$ 29,023 \$ 1,695,768
(b) Statutory Valuation Allowance Adjustments	-	(0) (0)
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	1,666,744	29,023 1,695,768
(d) Deferred Tax Assets Nonadmitted	(557,166)	(29,023) (586,189)
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	1,109,579	(0) 1,109,579
(f) Deferred Tax Liabilities	-	- -
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e-1f)	\$ 1,109,579	\$ (0) \$ 1,109,579

## NOTES TO FINANCIAL STATEMENTS

Admission Calculation Components per SSAP No. 101, *Income Taxes* – a replacement of SSAP No. 10R and SSAP No 10 is as follows:

6/30/2019			
1	2	3	
Ordinary	Capital	(Col 1+2)	Total
(2) Admission calculation components SSAP No. 101 Current Year:			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2 (a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below)			
(1a-1b)	7,751,996	-	7,751,996
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	N/A	N/A	7,751,997
2. Adjusted gross deferred tax assets allowed per limitation threshold	N/A	N/A	9,790,194
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	435,940	-	435,940
(d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	8,187,936	-	8,187,936
Deferred tax liabilities	435,940	-	435,940
Net admitted deferred tax asset/liability	\$ 7,751,996	\$ -	\$ 7,751,996

12/31/2018			
4	5	6	
Ordinary	Capital	(Col 4+5)	Total
(2) Admission calculation components SSAP No. 101 Prior Year:			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2 (a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below)			
(1a-1b)	6,642,417	-	6,642,417
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	N/A	N/A	6,642,417
2. Adjusted gross deferred tax assets allowed per limitation threshold	N/A	N/A	10,067,076
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	435,940	-	435,940
(d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	7,078,357	-	7,078,357
Deferred tax liabilities	435,940	-	435,940
Net admitted deferred tax asset/liability	\$ 6,642,417	\$ -	\$ 6,642,417

Change			
7	8	9	
(Col 1-4)	(Col 2-5)	(Col 7+8)	Total
Ordinary	Capital		
(2) Admission calculation components SSAP No. 101 Change:			
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2 (a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below)			
(1a-1b)	1,109,579	-	1,109,579
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	N/A	N/A	1,109,580
2. Adjusted gross deferred tax assets allowed per limitation threshold	N/A	N/A	(276,882)
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	-	-
(d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total (2(a) + 2(b) + 2(c))	1,109,579	-	1,109,579
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset/liability	\$ 1,109,579	\$ -	\$ 1,109,578

The ratio used to determine the amount of adjusted gross DTA's, expected to be realized and the amount of adjusted capital and surplus used to determine the percentage threshold limitation under SSAP No. 101 *Income Taxes* are as follows:

	2019	2018
(3) Ratio used for 9A (2) b1 and Adjusted Capital and Surplus for 9A (2) b2:		
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	774%	796%
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	\$ 65,267,961	\$ 67,113,844
(4) The Company has not considered tax-planning strategies in the measurement of deferred tax assets and liabilities		

B. The Company had no deferred tax liabilities that were not recognized.

## NOTES TO FINANCIAL STATEMENTS

C. Current income taxes incurred consist of the following major components:

	1	2	3
	6/30/2019	12/31/2018	(Col 1-2) Change
(1) Current Income Tax:			
(a) Federal	\$ -	\$ -	\$ -
(b) Foreign	-	2,461,008	(2,461,008)
(c) Subtotal	-	2,461,008	(2,461,008)
(d) Federal income tax on net capital gains/(losses)	-	(0)	0
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other, including prior period adjustments	31,023	(2,597,488)	2,628,511
(g) Federal and foreign income taxes incurred	\$ 31,023	\$ (136,480)	\$ 167,503

The Company has no income tax contingencies to report for the period ended June 30, 2019 and December 31, 2018.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows at June 30, 2019 and December 31, 2018:

	1	2	3
	6/30/2019	12/31/2018	(Col 1-2) Change
(2) Deferred Tax Assets:			
(a) Ordinary			
(1) Policy Reserves	\$ 10,595,367	\$ 10,739,640	\$ (144,274)
(2) Deficiency Reserves	12,017,029	12,584,978	(567,949)
(3) NOLs	4,689,290	2,209,208	2,480,082
(4) Deferred Acquisition Costs	987,662	1,088,777	(101,115)
(5) Exam Accrual	-	-	-
(6) Foreign Tax Credit	12,737,115	12,737,115	0
Gross ordinary deferred tax assets	\$ 41,026,464	\$ 39,359,719	\$ 1,666,745
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	(32,838,529)	(32,281,363)	(557,166)
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 8,187,936	\$ 7,078,356	\$ 1,109,579
(e) Capital:			
(1) Net capital loss carry-forward	\$ 257,800	\$ 228,778	\$ 29,023
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	(257,800)	(228,778)	(29,023)
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ -	\$ -	\$ -
(i) Admitted deferred tax assets (2d + 2h)	\$ 8,187,936	\$ 7,078,356	\$ 1,109,580

	1	2	3
	6/30/2019	12/31/2018	(Col 1-2) Change
(3) Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	\$ 435,940	\$ 435,940	\$ -
(2) Deferred and uncollected premiums	\$ -	\$ -	\$ -
(3) Other (including items <5% of total ordinary tax liabilities)	-	-	-
(99) Subtotal	\$ 435,940	\$ 435,940	\$ -
(b) Capital:			
(1) Investments	0	-	\$ -
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 435,940	\$ 435,940	\$ -
(4) Net deferred tax assets/liabilities (2i - 3c)	\$ 7,751,996	\$ 6,642,416	\$ 1,109,580

The change in net deferred income taxes between June 30, 2019 and December 31, 2018 is composed of the following (this analysis is exclusive of nonadmitted DTAs as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	6/30/2019	12/31/2018	Change
Total deferred tax assets	\$ 41,284,265	\$ 39,588,497	\$ 1,695,768
Total deferred tax liabilities	435,940	435,940	-
Net deferred tax assets/liabilities	40,848,325	39,152,557	1,695,768
Statutory valuation allowance	-	-	-
Net deferred tax assets after valuation allowance	40,848,325	39,152,557	1,695,768
Tax effect of unrealized gains/(losses)	-	-	-
Statutory valuation allowance on unrealized	-	-	-
Change in net deferred income tax (expense)/benefit	\$ 40,848,325	\$ 39,152,557	\$ 1,695,768

## NOTES TO FINANCIAL STATEMENTS

### D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to pre-tax income. The significant items causing this difference are as follows:

	1 Amount	2 Tax Effect	3 Effective Tax Rate
Income from operations before income taxes	\$ (2,943,009)	\$ (618,032)	21.0%
Net realized capital gains before income taxes	(138,204)	(29,023)	21.0%
Statutory pretax income	(3,081,213)	(647,055)	21.0%
Interest maintenance reserve	(4,993,882)	(1,048,715)	34.0%
Other, including prior period adjustments to white book financials	147,729	31,023	-1.0%
Total statutory income tax	\$ (7,927,367)	\$ (1,664,747)	54.0%
Federal income taxes incurred		\$ -	0.0%
Tax on capital gains		-	0.0%
Prior period adjustments		31,023	-1.0%
Change in net deferred income tax expense (benefit)		(1,695,768)	55.0%
Total statutory income tax		\$ (1,664,745)	54.0%

### E. Carryforwards, recoverable taxes and IRC 6603 deposits

- As of June 30, 2019, the Company has no net operating loss carryforwards.
- The Company has foreign tax credit carryforwards of \$12.7 million as of June 30, 2019.
- The following are income taxes incurred in the current and prior years that are expected to be available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Income Tax Amount
2016	-	-	-
2017	-	-	-
2018	-	-	-

- The Company has no deposits admitted under Section 6603 of the Internal Revenue Code.

### F.

- On December 1, 2018, the Company joined GBIG Holdings, Inc. as a subsidiary in a consolidated life insurance tax return. The consolidated tax group members include: GBIG Holdings, Inc. (GBIG), Bankers Life Insurance Company, Southland National Insurance Corporation, Colorado Bankers Life Insurance Company, Southland National Reinsurance Corporation, Sirius Capital Holdings Limited, and SN Malta Services Limited.
- The method of allocation between the companies is subject to written agreement, approved by the Corporation's Board of Directors, whereby allocation is made primarily on a separate return basis with a current credit for net operating losses or other items utilized in the consolidation return. Pursuant to this agreement, the Company has enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

- The Company has zero tax contingencies under SSAP No. 5R. *Liabilities, Contingencies and Impairments of Assets*

- Repatriation Transition Tax  
Not applicable

- Alternative Minimum Tax (AMT) Credit  
Not applicable

### 10. Information Concerning Parent, Subsidiaries and Affiliates

#### A - C. The Company had relationships with its parent and affiliates.

On December 29, 2017, GBIG (f.k.a Southland National Holdings, Inc.) purchased Pavonia Holdings, (US) Inc. along with the Company and its Canadian branch.

On December 1, 2018 the Company was part of a legal entity restructuring that resulted in the Company becoming a direct subsidiary of GBIG through the merger and dissolution of Pavonia Holdings, Inc.

The Company may periodically pay dividends to its parent from the Company's profits. The Company paid no dividends as of June 30, 2019 and December 31, 2018.

On June 27, 2019, GBIG contributed all the units of GBIG, LLC to Pavonia Life Insurance Company of Michigan. The contributed units is treated as a contribution to capital. The Company did not receive any capital contributions in 2018.

- The Company did not report any balances due from affiliates as of June 30, 2019. At December 31, 2018 the Company reported \$2,150 due from GBIG, LLC. The Company reported \$1,836,279 and \$2,016,523 due to GBIG, LLC at June 30, 2019 and December 31, 2018.
- The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.
- In Company utilizes the services of GBIG, LLC to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was \$13,744,962 and \$13,969,682 at June 30, 2019 and December 31, 2018, respectively.
- The Company is a wholly owned subsidiary of GBIG Holdings Inc. GBIG Holdings, Inc is a direct subsidiary of GBIG Capital, LLC, a limited liability company organized under the laws of North Carolina. The ultimate controlling person is Greg Lindberg. More detailed

## NOTES TO FINANCIAL STATEMENTS

information concerning the domicile of the above corporation and other affiliated corporations is reflected in the organization chart on Schedule Y Part 1 of this statement.

- H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments that exceeds 10% of admitted assets of the Company.
- J. The Company does not have an investment in an impaired SCA entity.
- K. The Company has no investment in a foreign subsidiary.
- L. The Company did not have an investment in a downstream noninsurance holding company.
- M. All SCA Investments

- 1. Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Non-Admitted Amount
a. SSAP No. 97 8a Entities	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8a Entities	0%	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities	100%	\$ (494,442.00)	\$ (494,442.00)	\$ -
Total SSAP No. 97 8b(ii) Entities	100%	\$ (494,442.00)	\$ (494,442.00)	\$ -
c. SSAP No. 97 8b(iii) Entities	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iii) Entities	0%	\$ -	\$ -	\$ -
d. SSAP No. 97 8b(iv) Entities	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iv) Entities	0%	\$ -	\$ -	\$ -
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	100%	(494,442.00)	(494,442.00)	-
f. Aggregate Total (a + c)	0%	\$ -	\$ -	\$ -

- 2. Investments captured within the scope of SSAP No. 48—*Joint Ventures, Partnerships and Limited Liability Companies* are excluded from filing the SCA with the NAIC. Global Bankers, LLC is a non-insurance company and in compliance with SSAP No. 48 – paragraph 6. The SCA is reported on Schedule BA – Part 1 as a Joint Venture, Partnership or Limited Liability Company Interest that have the Underlying Characteristics of Common Stocks – Affiliated.

- N. The Company did not have investments in Insurance SCAs for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures.

- O. SCA Loss Tracking

1 SCA Entity	2 Reporting Entity's Share of SCA Net Income (Loss)	3 Accumulated Share of SCA Net Income (Losses)	4 Reporting Entity's Share of SCA's Equity, Including Negative Equity	5 Guarantee d Obligation / Commitmen t for Financial Support (Yes /No)	6 SCA Reported Value
GBIG, LLC	-	-	\$ (494,442.00)	No	\$ (494,442.00)

The Company has an investment in Global Banker's LLC, a non-insurance entity valued at its US GAAP equity adjusted to a modified statutory basis in accordance with SSAP No. 97 8 (b)(ii). The US GAAP equity includes prepaid and fixed assets that are not admissible for statutory reporting. The adjustment to its modified statutory basis results in the investment being held in a negative equity position. There is no guaranteed obligation or a commitment for future financial support. The losses in the SCA have had no impact on other investments.

### 11. Debt

- A. The Company did not have any capital notes or other debt obligations issued and outstanding as of June 30, 2019 and December 31, 2018.
- B. FHLB (Federal Home Loan Bank) Agreements  
The Company did not have any FHLB agreements as of June 30, 2019 and December 31, 2018.

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

#### A-D. Defined Benefit Plan

The Company does not sponsor a defined benefit plan for which the Company is directly liable.

#### E. Defined Contribution plan

The Company does not sponsor a defined contribution plan for which the Company is directly liable.

#### F. Multiemployer Plans

The Company does not make contributions to multiemployer plans.

#### G. Consolidated/Holding Company Plans

The Company has no employees. The Company is managed by employees of GBIG, LLC. The employees participate in the GBIG, LLC's 401(k) Plan ("the Plan"), which exists for employees meeting certain eligibility requirements. Under the Plan, each participant's contribution is matched 100% up to a maximum of the first 5% of 401(k) eligible income that participants elect to contribute into the Plan.

#### H. Postemployment Benefits and Compensated Absences

The Company does not provide postemployment benefits.

## NOTES TO FINANCIAL STATEMENTS

- I. Impact of Medical Modernization Act on Postretirement Benefits  
The Company does not provide postretirement benefits.

### 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

1. The Company has 500,000 shares of common stock authorized and 250,000 shares issued and 250,000 shares outstanding. The par value per share is \$10.00.
2. The Company has no preferred stock outstanding.
3. The maximum amount of dividends which can be paid by insurance companies in the state of Michigan to shareholders and policyholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net income. The maximum dividend payment which can be made without prior approval is limited to 10% of prior year's statutory surplus or prior year's net income, excluding realized capital gains, whichever is greater. However, the state of Michigan requires that statutory surplus not fall below \$1,000,000. Under these provisions, at January 1, 2019, the maximum amount which can be paid by the Company without the Commissioner's approval is \$0 due to negative unassigned surplus.
4. The Company paid extraordinary cash dividends of \$0 and \$0 in 2019 and 2018 respectively, to its parent, out of gross paid in and contributed surplus.
5. Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
6. The unassigned surplus is held for the benefit of the Company stockholders.
7. There are no advances to surplus.
8. The Company has no stock held for special purposes.
9. The Company had no special surplus funds in the prior period.
10. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$8,721,225 for the period ending June 30, 2019.
11. The Company has no surplus debentures outstanding.
12. The Company has not restated its financial statements for the impact of a quasi-reorganization.
13. The Company has not undergone a quasi-reorganization in the prior ten years.

### 14. Contingencies

No changes.

### 15. Leases

No changes.

### 16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

No changes.

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables Reported as Sales  
The Company did not report transfers of receivables as sales at June 30, 2019 and December 31, 2018.
- B. Transfer and Servicing of Financial Assets  
The Company did not participate in the transfer or servicing of any financial assets at June 30, 2019 and December 31, 2018.
- C. Wash Sales  
In the course of managing the Company's investment portfolio, securities may be sold and reacquired within 30 days of the sale date in order to enhance the Company's yield on its investment portfolio. Such transactions are referred to as wash sales. The Company had no wash sales at June 30, 2019 and December 31, 2018.

### 18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No changes.

### 19. Direct Premium Written by Managing General Agents/Third Party Administrators

No changes.

### 20. Fair Value Measurements

Included in various investment-related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds, when carried at the lower of cost or fair value.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

## NOTES TO FINANCIAL STATEMENTS

## A. Assets and liabilities reported at fair value on the statement date

## 1) Fair Value Measurements at Reporting Date:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
<b>a. Assets at fair value</b>				
Perpetual Preferred stock				
Industrial and Msc	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries and Affiliated	-	-	-	-
Total Perpetual Preferred Stocks	\$ -	\$ -	\$ -	\$ -
Bonds				
U.S. Governemnts	\$ -	\$ -	\$ -	\$ -
Industrial and Msc	-	-	279,359	279,359
Hybrid Securities	-	-	-	-
Parent, Subsidiaries and Affiliated	-	-	-	-
Total Bonds	\$ -	\$ -	\$ 279,359	\$ 279,359
Common Stock				
Industrial and Msc	\$ -	\$ -	\$ -	\$ -
Parent, Subsidiaries and Affiliated	-	-	-	-
Total Common Stocks	\$ -	\$ -	\$ -	\$ -
Derivative assets				
Interest rate contracts	\$ -	\$ -	\$ -	\$ -
Foreign exchange contracts	-	-	-	-
Credit contracts	-	-	-	-
Commodity futures contracts	-	-	-	-
Commodity forward contracts	-	-	-	-
Total Derivatives	\$ -	\$ -	\$ -	\$ -
Separate account assets	\$ -	\$ -	\$ -	\$ -
Total assets at fair value	\$ -	\$ -	\$ 279,359	\$ 279,359
<b>b. Liabilities at fair value</b>				
Derivative liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

## 2) Fair Value Measurement in (Level 3) of the Fair Value Hierarchy:

Description	Beginning Balance at 01/01/2019	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlement	Ending Balance at 6/30/2019
<b>a. Assets:</b>										
Loan-backed and Structured Securities (NAIC 3-6)	\$ -	383,058	-	(103,699)	-	-	-	-	-	\$ 279,359
Residential Mortgage-Backed Securities	\$ -	-	-	-	-	-	-	-	-	-
Commercial Mortgage-Backed Securities	\$ -	-	-	-	-	-	-	-	-	-
Derivative	\$ -	-	-	-	-	-	-	-	-	-
Credit Contracts	\$ -	-	-	-	-	-	-	-	-	-
Other Fund Investments	\$ -	-	-	-	-	-	-	-	-	-
Hedge Fund High-Yield Debt Securities	\$ -	-	-	-	-	-	-	-	-	-
Private Equity	\$ -	-	-	-	-	-	-	-	-	-
Bonds	\$ -	-	-	-	-	-	-	-	-	-
Industrial and Msc	\$ -	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	\$ -	\$ 383,058	\$ -	\$ (103,699)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,359
<b>b. Liabilities:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

B. Other Fair Value Disclosures:  
Not Applicable

## C. As of June 30, 2019, the NAIC fair values of all the Company's investments are summarized by level below:

(1) Type of Financial Instrument	(2) Aggregate Fair Value	(3) Admitted Assets	(4) (Level 1)	(5) (Level 2)	(6) (Level 3)	(7) Not Practicable (Carrying Value)
Bonds	\$ 1,057,565,520	\$ 969,032,122	\$ 7,299,234	\$ 1,049,986,927	\$ 279,359	\$ -
Common stocks	-	-	-	-	-	-
Short-term investments	12,982,050	12,922,817	12,982,050	-	-	-
Cash equivalents	15,946,456	15,946,456	15,946,456	-	-	-
Cash	15,195,515	15,195,515	15,195,515	-	-	-
Contract loans	14,102,326	14,102,326	-	14,102,326	-	-
Other invested assets (Schedule BA)	22,811,579	20,525,986	-	-	22,811,579	-
<b>Totals</b>	<b>\$ 1,138,603,446</b>	<b>\$ 1,047,725,222</b>	<b>\$ 51,423,255</b>	<b>\$ 1,064,089,253</b>	<b>\$ 23,090,938</b>	<b>\$ -</b>

D. Reasons not practicable to estimate fair value  
Not Applicable

## 21. Other Items

## A. Unusual or Infrequent Items

The Company has not reported unusual items in the financial statements for June 30, 2019 and December 31, 2018.

## B. Troubled Debt Restructuring for Debtors

The Company had no troubled debt restructuring at June 30, 2019 and December 31, 2018.

## C. Other Disclosures and Unusual Items

- 1) The Company has foreign currency transactions generated by insurance operations in its Canadian branch. The 2018 and 2017 Canadian activity is included in the financial statements in U.S. dollars as prescribed by SSAP No.23 *Foreign Currency Transactions and Translation*. Each financial statement line is translated to U.S. dollars by applying the following exchange rates: (i) for assets and liabilities, the exchange rate at the balance sheet date is used and (ii) for revenues, expenses, gains, losses and surplus adjustments, an appropriate monthly average exchange rate for the period is used to translate those elements. Gains or losses due to translating the Canadian operations to U.S. dollars are recorded as unrealized capital gains or losses as a component in surplus. Transactions involving settlement in cash, such as purchases, payment of expenses, sales, and receipt of income, are recorded at their U.S. dollar equivalent value based on the foreign currency exchange rate as of the transaction date. Any foreign

## NOTES TO FINANCIAL STATEMENTS

currency exchange gains or losses on purchases, payment of expenses, sales, maturities, or changes in income or expense accruals are recorded as a capital gain or loss realized on the purchase, sale, or maturity. Upon settlement, previously recorded unrealized capital gains and losses are reversed, and the foreign exchange gain or loss for the entire holding period is recorded as a realized capital gain or loss in net income.

- 2) The credit insurance products sold by the Company were sold in conjunction with loans made by its former parent, HSBC Finance Corporation. In November 2016, HSBC Finance Corp advised, in connection with the sale of the loan portfolios to which this credit insurance relates, that it planned to cancel all of the insurance policies that were cancellable. HSBC issued cancellation notices to respective insureds in accordance with the terms of the policies and the cancellations were effective February 1, 2017. HSBC sold or transferred the servicing of nearly all consumer loans and at the end of 2017 and forgave the debt on any remaining loans, effectively terminating the insurance liability. The Company continued to service the policies until their termination, including existing or future claims, and responded to any policyholder complaints in connection with the cancellation by HSBC. Specific Illinois regulations require the insurer to offer a decreasing term policy as replacement for the credit insurance for the same premium cost to the customer. The replacement decreasing term policy was approved by the Illinois DOI. Applications for decreasing term policies were mailed to customers and the insurance is in effect and the Company continues to administer those policies. The Company also offered conversion to individual decreasing term policies to consumers in Minnesota as required by Minnesota state regulation. Applications were mailed to the customers and the insurance is in effect and the Company continues to administer those policies. HSBC Bank retains its Canadian loan portfolio and the Company continues to service the Canadian policies.
- 3) The Company ceased the sale of its term life insurance product effective January 8, 2012.
- 4) Items in these statements may not add to the total shown due to rounding, except for Schedule D and DA, which are truncated.

**D. Business Interruption Insurance Recoveries**

The Company has no business interruption insurance recoveries at June 30, 2019 and December 31, 2018.

**E. State Transferable and Non-transferable Tax Credits**

The Company has no state transferable and non-transferable tax credits at June 30, 2019 and December 31, 2018.

**F. Subprime Mortgage Related Risk Exposure**

- 1) In general, subprime mortgages are not typically purchased for investment whether through exposure to subprime mortgage loans directly or through securities with underlying subprime exposure. On the occasions where subprime mortgage securities are contemplated, an average FICO score of 620 or less is considered the key factor in determining whether the security is subprime.

Once a security is determined to be subprime, it must be rated either AAA by S&P, Aaa by Moody's, or the equivalent of an AAA rating by another rating agency, must not have a premium or discount greater than 3% from par and must not have a weighted average life that changes by more than three years under an immediate 200 basis point increase or decrease in interest rates to be considered for sale.

Additional criteria of the underlying collateral reviewed prior to purchase of a security include loan to value ratios, loan size, type of collateral, loan purpose, occupancy, amortized term and geographic concentration.

- 2-4) Based on the above criteria the Company did not have any subprime mortgage related risk exposures at June 30, 2019 and December 31, 2018.

**G. Retained Assets**

The Company does not use retained asset accounts for beneficiaries. The Company does not retain proceeds from the settlement of life insurance for the benefit of beneficiaries.

**H. Insurance-Linked Securities (ILS) Contracts**

The Company has no Insurance-Linked Securities Contracts.

### 22. Events Subsequent

**Type I – Recognized Subsequent Events:**

Subsequent events have been considered through August 1, 2019 for the statutory statement issued on August 15, 2019.

In September 2018, the Company became aware the U.S Attorney's Office for the Western District of North Carolina (USAO) was conducting an investigation into certain campaign contributions to the North Carolina Commissioner of Insurance and other officials by the Ultimate Controlling Person of the Company and certain of its affiliates in connection with the investigation. The Company, such affiliates and the Ultimate Controlling Person are cooperating with the USAO's investigation and providing requested documents and information. In April 2019, the Company became aware the USAO indicted the Company's ultimate Controlling Person, Greg Lindberg, along with three other individuals, including John Gray, who was serving as a Board member of the domestic insurance companies affiliated with the Company.

On April 6, 2019, GBIG announced publicly that it had commenced a sale process for its domestic life insurance companies, including the Company.

On June 27, 2019 GBIG Holdings, Inc contributed all of the units of GBIG, LLC to Pavonia Life Insurance Company of Michigan. The contributed Units will be treated as a contribution to capital.

On July 10, 2019 Ares Management Corporation (NYSE: ARES) (Ares) announced an expansion of its existing insurance platform., Ares Insurance Solutions, through the launch of Aspida Financial (Aspida), an indirect subsidiary of Ares, Aspida has entered into an agreement to acquire Pavonia Life Insurance Company of Michigan and its insurance operations. Following closing, the Company will operate under the Aspida brand. Aspida's acquisition of Pavonia Life Insurance Company of Michigan is expected to close before the end of 2019, subject to regulatory approval and other closing conditions.

On July 10, 2019, the Company was placed into rehabilitation by the Circuit Court for the 30<sup>th</sup> Judicial Circuit, Ingham County, State of Michigan. Anita G. Fox, Director of the Michigan Department of Insurance and Financial Services has been appointed as rehabilitator.

**Type II – Non-recognized Subsequent Events:**

Subsequent events have been considered through August 1, 2019 for the statutory statement issued on August 15, 2019.

The Company is not subject to the annual fee imposed under section 9010 of the Affordable Care Act due to the Company's health insurance premium falling below the \$25 million threshold at which the fee applies. The Company's health insurance is credit accident and health insurance which provides a monthly benefit no greater than the monthly payment due on the loan covered. The Company does not write health insurance.



## NOTES TO FINANCIAL STATEMENTS

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (YES/NO)?	NO	
B. ACA fee assessment payable for the upcoming year	\$ -	\$ -
C. ACA fee assessment paid	\$ -	\$ -
D. Premium written subject to ACA 9010 assessment	\$ -	\$ -
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 30)	\$ 78,930,559	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 30 minus 22B above)	\$ 78,930,559	
G. Authorized Control Level (Five-Year Historical Line 31)	\$ 8,434,635	
H. Would reporting the ACA assessment as of December 31, 2015, have triggered an RBC action level (YES/NO)?	NO	

## 23. Reinsurance

## A. Ceded Reinsurance Report

## Section 1 – General Interrogatories

- Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?  
Yes ( ) No (X) If yes, give full details.
- Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor, or any other person not primarily engaged in the insurance business?  
Yes ( ) No (X) If yes, give full details.

## Section 2 – Ceded Reinsurance Report – Part A

- Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?  
Yes ( ) No (X) If yes, give full details.
- Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the insurer of amounts which, in aggregate and allowing for offset of mutual credits from other agreements with the same reinsurer, exceed the total direct premium collected under the reinsurance policies?  
Yes ( ) No (X) If yes, give full details.

## Section 3 – Ceded Reinsurance Report – Part B

- What is the estimated amount of the aggregate reduction in surplus, for agreements not reflected in Section 2 above, of the termination of all reinsurance agreements, by either party, as of the date of this statement? When necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies of contracts which were in-force or which had existing reserves established by the Company as of the effective date of this agreement?  
Yes ( ) No (X) If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken from such new agreements or amendments?

## B. Uncollectible Reinsurance

The Company had no uncollectible reinsurance at June 30, 2019 and December 31, 2018.

## C. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance contracts at June 30, 2019 and December 31, 2018.

## D. Certified Reinsurer Downgraded or Status Subject to Revocation

The Company has no reinsurance agreements with certified reinsurers at June 30, 2019 and December 31, 2018.

## E. Reinsurance of Variable Annuity Contracts with an Affiliated Captive Reinsurer

The Company did not have any reinsurance of variable annuity contracts with an affiliated captive reinsurer.

## F. The Company did not have any reinsurance with an affiliated captive reinsurer.

## G. The Company did not utilize captives to assume reserves.

## 24. Retrospectively Rated Contracts &amp; Contracts Subject to Redetermination

- The Company had no retrospectively rated contracts or contracts subject to redetermination at June 30, 2019 and December 31, 2018. The Company's health insurance is credit accident and health insurance which provides a monthly benefit no greater than the monthly payment due on the loan covered. The Company does not write health insurance.
- The Company had no accrued retrospective premium at June 30, 2019 and December 31, 2018.
- The Company had no premium written subject to the retrospective rating at June 30, 2019 and December 31, 2018.
- The Company had no paid or payable medical loss ratio rebates required pursuant to the Public Health Service Act at June 30, 2019 and December 31, 2018.
- The Company is not subject to the risk sharing provisions of the Affordable Care Act due to the Company's health insurance premium falling below the \$25 million threshold at which the provisions apply. The Company does not write health insurance.

## 25. Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2018 were \$3,342,007. As of June 30, 2019, \$694,728 has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. LetReserves remaining for prior years are now \$2,572,935 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on the Credit A&H line of insurance. Therefore, there has been a \$74,343 favorable prior-year development since December 31, 2018 to June 30, 2019. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

## NOTES TO FINANCIAL STATEMENTS

26. **Intercompany Pooling Arrangements**  
No changes.

27. **Structured Settlements**  
No changes.

28. **Health Care Receivables**  
No changes.

29. **Participating Policies**  
No changes.

30. **Premium Deficiency Reserves**  
No changes.

31. **Reserves for Life Contracts and Deposit-Type Contracts**  
No changes.

32. **Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**  
No changes.

33. **Premium and Annuity Consideration Deferred and Uncollected**

Deferred and uncollected life insurance premium and annuity consideration as of June 30, 2019 were as follows:

Type	Gross	Net of Loading
Industrial	-	-
Ordinary new business	-	-
Ordinary renewal business	8,770,989	8,342,701
Credit Life	-	-
Group Life	-	-
Group Annuity	-	-
Totals	8,770,989	8,342,701

34. **Separate Accounts**  
No changes.

35. **Loss/Claim Adjustment Expenses**  
No changes.

## GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes ☐ No ☒
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes ☐ No ☐
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes ☐ No ☒
- 2.2 If yes, date of change: .....
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes ☒ No ☐  
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes ☒ No ☐
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.  
Through and internal reorganization, GBIC Holdings, Inc. contributed GBIG, LLC to the Company. North Star is now directly owned by GBIG Holdings, Inc. ....
- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? ..... Yes ☐ No ☒
- 3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.....
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes ☐ No ☒  
If yes, complete and file the merger history data file with the NAIC for the annual filing corresponding to this period.
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes ☐ No ☐ NA ☒  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2018
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/2013
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....12/31/2015
- 6.4 By what department or departments?  
Michigan Department of Insurance and Financial Services.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes ☒ No ☐ NA ☐
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes ☒ No ☐ NA ☐
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes ☐ No ☒
- 7.2 If yes, give full information: .....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes ☐ No ☒
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. ....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes ☒ No ☐
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
Standard Advisory Services Limited	Mallia	NO	NO	NO	YES

## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes ☒ No ☐
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

.....

9.2 Has the code of ethics for senior managers been amended? ..... Yes ☐ No ☒

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes ☐ No ☒

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

## FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes ☐ No ☒

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$ .....

## INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes ☐ No ☒

11.2 If yes, give full and complete information relating thereto:

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....

13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes ☐ No ☒

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....	\$ .....0	\$ .....0
14.22 Preferred Stock .....	\$ .....0	\$ .....0
14.23 Common Stock .....	\$ .....0	\$ .....0
14.24 Short-Term Investments .....	\$ .....0	\$ .....0
14.25 Mortgage Loans on Real Estate .....	\$ .....0	\$ .....0
14.26 All Other .....	\$ .....0	\$ .....0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	\$ .....0	\$ .....0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$ .....0	\$ .....0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes ☐ No ☒

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes ☐ No ☐

If no, attach a description with this statement.

16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 ..... \$ .....0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 ..... \$ .....0

16.3 Total payable for securities lending reported on the liability page ..... \$ .....0

## GENERAL INTERROGATORIES

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes ☒ No ☐

- 17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Comerica Bank	P.O. Box 75000, Detroit, MI 48275-3462
The Bank of New York Mellon	One Wall Street, New York, NY 10286
CIBC Mellon (Canada)	320 Bay Street, Toronto, Ontario
CIBC Mellon (Trust)	320 Bay Street, Toronto, Ontario

- 17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

Yes ☐ No ☒

- 17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such: ["...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation
Goldman Sachs Asset Management	U
Paul Brown (employee)	A

- 17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets?

Yes ☒ No ☐

- 17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes ☒ No ☐

- 17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107738	Goldman Sachs Asset Management, L.P.	CF5M580A35CFPUX70H17	SEC	DS
C74349	Paul Brown			NO

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed?

Yes ☒ No ☐

- 18.2 If no, list exceptions:

19. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:

- Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
- Issuer or obligor is current on all contracted interest and principal payments.
- The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities?

Yes ☐ No ☒

20. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- The security was purchased prior to January 1, 2018.
- The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities?

Yes ☐ No ☒

## GENERAL INTERROGATORIES

## PART 2 - LIFE AND ACCIDENT AND HEALTH COMPANIES/FRATERNAL BENEFIT SOCIETIES

## Life and Accident Health Companies/Fraternal Benefit Societies:

1.	Report the statement value of mortgage loans at the end of this reporting period for the following categories:	1 Amount
1.1	Long-Term Mortgages in Good Standing	
1.11	Farm Mortgages .....	\$ .....
1.12	Residential Mortgages .....	\$ .....
1.13	Commercial Mortgages .....	\$ .....
1.14	Total Mortgages in Good Standing .....	\$ ..... 0
1.2	Long-Term Mortgages in Good Standing with Restructured Terms	
1.21	Total Mortgages in Good Standing with Restructured Terms .....	\$ .....
1.3	Long-Term Mortgage Loans upon which Interest is Overdue more than Three Months	
1.31	Farm Mortgages .....	\$ .....
1.32	Residential Mortgages .....	\$ .....
1.33	Commercial Mortgages .....	\$ .....
1.34	Total Mortgages with Interest Overdue more than Three Months .....	\$ ..... 0
1.4	Long-Term Mortgage Loans in Process of Foreclosure	
1.41	Farm Mortgages .....	\$ .....
1.42	Residential Mortgages .....	\$ .....
1.43	Commercial Mortgages .....	\$ .....
1.44	Total Mortgages in Process of Foreclosure .....	\$ ..... 0
1.5	Total Mortgage Loans (Lines 1.14 + 1.21 + 1.34 + 1.44) (Page 2, Column 3, Lines 3.1 + 3.2) .....	\$ ..... 0
1.6	Long-Term Mortgages Foreclosed, Properties Transferred to Real Estate in Current Quarter	
1.61	Farm Mortgages .....	\$ .....
1.62	Residential Mortgages .....	\$ .....
1.63	Commercial Mortgages .....	\$ .....
1.64	Total Mortgages Foreclosed and Transferred to Real Estate .....	\$ ..... 0
2.	Operating Percentages:	
2.1	A&H loss percent .....	%
2.2	A&H cost containment percent .....	%
2.3	A&H expense percent excluding cost containment expenses .....	%
3.1	Do you act as a custodian for health savings accounts? .....	Yes [ ] No [X]
3.2	If yes, please provide the amount of custodial funds held as of the reporting date .....	\$ .....
3.3	Do you act as an administrator for health savings accounts? .....	Yes [ ] No [X]
3.4	If yes, please provide the balance of the funds administered as of the reporting date .....	\$ .....
4.	Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? .....	Yes [X] No [ ]
4.1	If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? .....	Yes [ ] No [ ]

## Fraternal Benefit Societies Only:

5.1	In all cases where the reporting entity has assumed accident and health risks from another company, provisions should be made in this statement on account of such reinsurances for reserve equal to that which the original company would have been required to establish had it retained the risks. Has this been done? .....	Yes [ ] No [ ] NA [ ]
5.2	If no, explain: .....	
6.1	Does the reporting entity have outstanding assessments in the form of liens against policy benefits that have increased surplus? .....	Yes [ ] No [ ]
6.2	If yes, what is the date(s) of the original lien and the total outstanding balance of liens that remain in surplus? .....	

Date	Outstanding Lien Amount
.....	\$ .....
.....	\$ .....
.....	\$ .....

STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

## SCHEDULE S – CEDED REINSURANCE

Showing All New Reinsurance Treaties – Current Year to Date

[illegible]

**SCHEDULE T – PREMIUMS AND ANNUITY CONSIDERATIONS**

Current Year To Date - Allocated by States and Territories

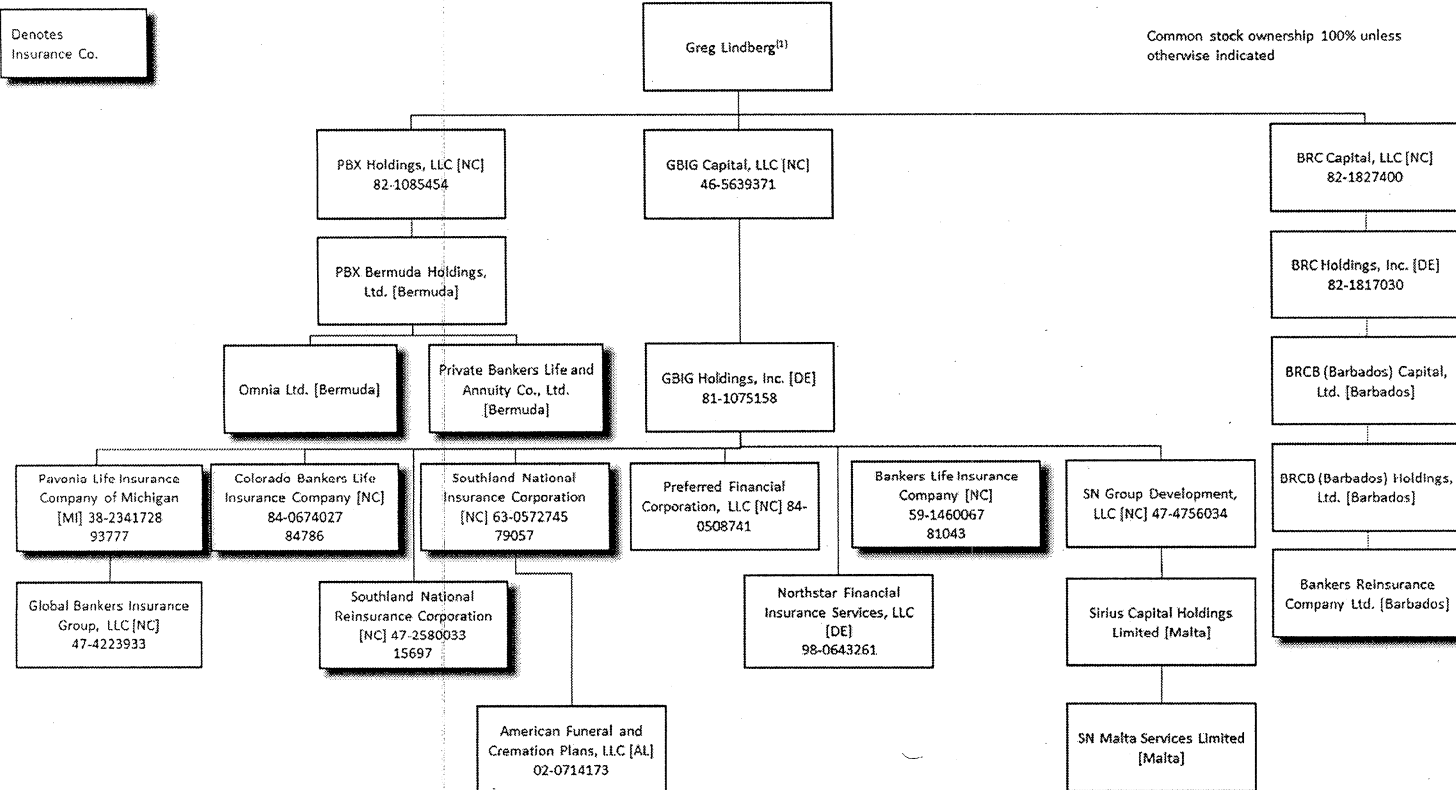
		Direct Business Only						
		1	Life Contracts		4	5	6	7
		Active Status (a)	Life Insurance Premiums	3 Annuity Considerations	Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	Other Considerations	Total Columns 2 Through 5	Deposit - Type Contracts
States, Etc.								
1.	Alabama	AL	155,584		14,020		169,604	
2.	Alaska	AK	13,429				13,429	
3.	Arizona	AZ	193,790		9,720		203,510	
4.	Arkansas	AR	83,486				83,486	
5.	California	CA	1,023,240		29,401		1,052,641	
6.	Colorado	CO	164,132		17,640		181,772	
7.	Connecticut	CT	182,587		10,370		192,957	
8.	Delaware	DE	46,302		2,725		49,027	
9.	District of Columbia	DC	26,222				26,222	
10.	Florida	FL	726,155		42,311		768,466	
11.	Georgia	GA	378,542		13,004		391,546	
12.	Hawaii	HI	29,079				29,079	
13.	Idaho	ID	37,440		4,981		42,421	
14.	Illinois	IL	474,015		50,284		524,299	
15.	Indiana	IN	177,625		19,592		197,217	
16.	Iowa	IA	59,139		13,226		72,365	
17.	Kansas	KS	91,421		18,572		109,993	
18.	Kentucky	KY	96,714		692		97,406	
19.	Louisiana	LA	182,492		9,826		192,318	
20.	Maine	ME	45,256		729		45,985	
21.	Maryland	MD	263,052		7,768		270,820	
22.	Massachusetts	MA	246,605		20,357		266,962	
23.	Michigan	MI	245,807		17,767		263,574	
24.	Minnesota	MN	105,870		9,857		115,727	
25.	Mississippi	MS	75,860		504		76,364	
26.	Missouri	MO	172,546		10,669		183,215	
27.	Montana	MT	22,655		1,244		23,899	
28.	Nebraska	NE	44,665		4,707		49,372	
29.	Nevada	NV	99,196		3,384		102,580	
30.	New Hampshire	NH	56,086				56,086	
31.	New Jersey	NJ	539,401		5,038		544,439	
32.	New Mexico	NM	69,732		8,937		78,669	
33.	New York	NY	18,094				18,094	
34.	North Carolina	NC	390,415		121,579		511,994	
35.	North Dakota	ND	16,150				16,150	
36.	Ohio	OH	308,012		16,745		324,757	
37.	Oklahoma	OK	140,399		14,517		154,916	
38.	Oregon	OR	88,990		3,662		92,652	
39.	Pennsylvania	PA	389,751				389,751	
40.	Rhode Island	RI	28,004		3,116		31,120	
41.	South Carolina	SC	164,209		11,176		175,385	
42.	South Dakota	SD	23,495		2,227		25,722	
43.	Tennessee	TN	204,955		26,278		231,233	
44.	Texas	TX	904,805		28,574		933,379	
45.	Utah	UT	58,307		3,208		61,515	
46.	Vermont	VT	17,996				17,996	
47.	Virginia	VA	295,379		13,764		309,143	
48.	Washington	WA	252,570		16,430		269,000	
49.	West Virginia	WV	68,756		4,050		72,806	
50.	Wisconsin	WI	131,547		11,717		143,264	
51.	Wyoming	WY	29,311		4,170		33,481	
52.	American Samoa	AS	N				0	
53.	Guam	GU	N				0	
54.	Puerto Rico	PR	N				0	
55.	US Virgin Islands	VI	N				0	
56.	Northern Mariana Islands	MP	N				0	
57.	Canada	CAN	1,996,555		426,160		2,422,715	
58.	Aggregate Other Alien	OT	0	0	0	0	0	0
59.	Subtotal	XXX	11,655,825	0	1,054,698	0	12,710,523	0
90.	Reporting entity contributions for employee benefits plans	XXX					0	
91.	Dividends or refunds applied to purchase paid-up additions and annuities	XXX					0	
92.	Dividends or refunds applied to shorten endowment or premium paying period	XXX					0	
93.	Premium or annuity considerations waived under disability or other contract provisions	XXX	21,129				21,129	
94.	Aggregate other amounts not allocable by State	XXX	0	0	0	0	0	0
95.	Totals (Direct Business)	XXX	11,676,954	0	1,054,698	0	12,731,652	0
96.	Plus Reinsurance Assumed	XXX	8,860,228		133,189		8,993,417	
97.	Totals (All Business)	XXX	20,537,182	0	1,187,887	0	21,725,069	0
98.	Less Reinsurance Ceded	XXX	836,905		42,723		879,628	
99.	Totals (All Business) less Reinsurance Ceded	XXX	19,700,277	0	1,145,164	0	20,845,441	0
DETAILS OF WRITE-INS								
58001.		XXX					0	
58002.		XXX					0	
58003.		XXX					0	
58998.	Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
58999.	Total (Lines 58001 through 58003 + 58998) (Line 58 above)	XXX	0	0	0	0	0	0
9401.		XXX					0	
9402.		XXX					0	
9403.		XXX					0	
9498.	Summary of remaining write-ins for Line 94 from overflow page	XXX	0	0	0	0	0	0
9499.	Total (Lines 9401 through 9403 + 9498) (Line 94 above)	XXX	0	0	0	0	0	0

(a) Active Status Counts:

L – Licensed Or Chartered – Licensed Insurance carrier or domiciled RRG ..... 51 R – Registered – Non-domiciled RRGs ..... 0  
 E – Eligible – Reporting entities eligible or approved to write surplus lines in the state ..... 0 Q – Qualified – Qualified or accredited reinsurer ..... 0  
 N – None of the above – Not allowed to write business in the state ..... 6

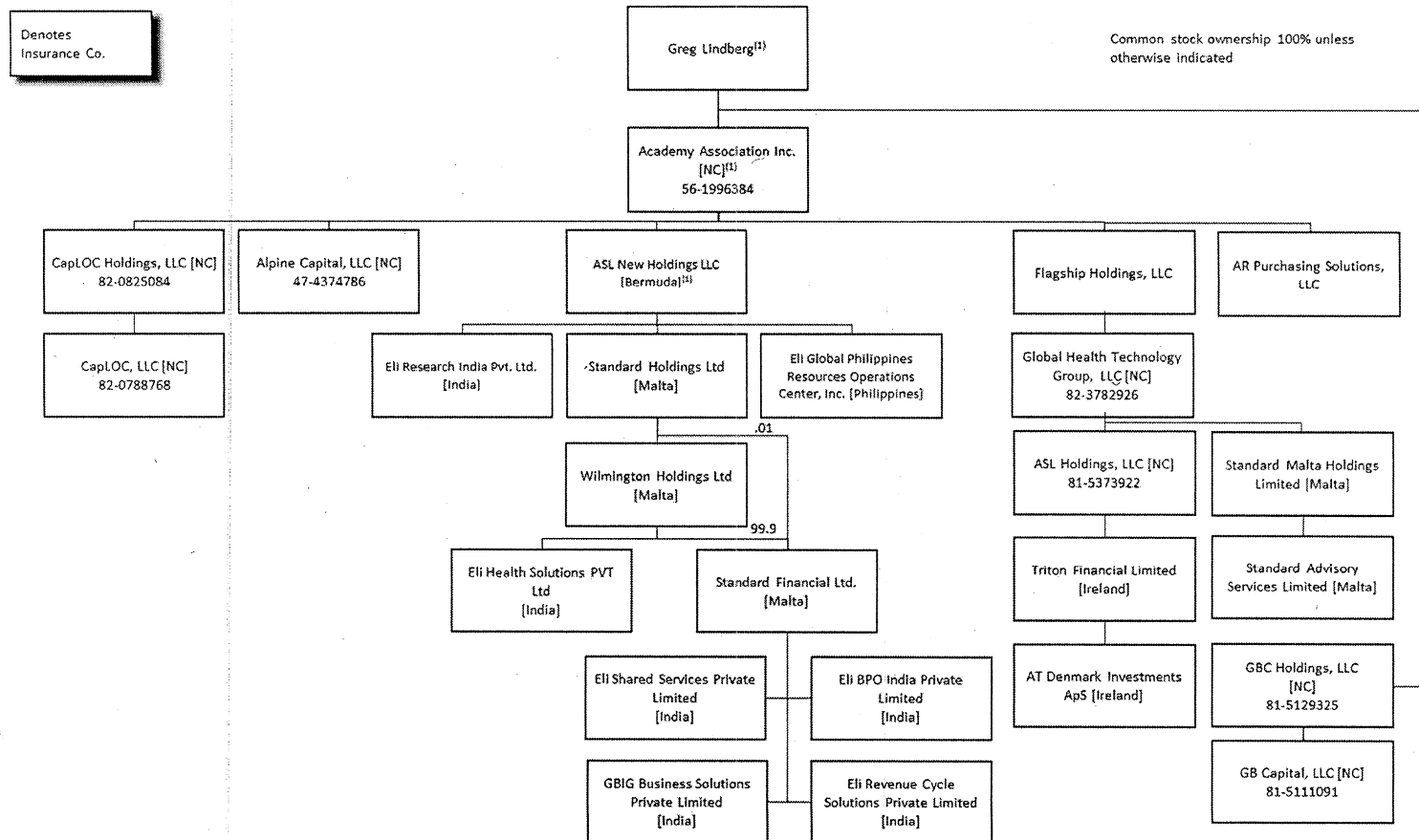


Statement as of June 30, 2019 of the Pavonia Life Insurance Company of Michigan  
**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 – ORGANIZATIONAL CHART**



<sup>(1)</sup>Only companies under Greg Lindberg, Academy Association Inc., and Alliance Services Limited that have a business relationship with the US Insurance companies are shown.

Statement as of June 30, 2019 of the Pavonia Life Insurance Company of Michigan  
**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 – ORGANIZATIONAL CHART**



## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

## SCHEDULE Y

### PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	Is an SCA Filing Required? (Y/N)	*
00000			02-0714173				American Funeral and Cremation Plans, LLC	AL	NIA	Southland National Insurance Corporation	Ownership		Greg E. Lindberg	Y	
04827	GBIG Holdings, Inc	84786	84-0674027				Colorado Bankers Life Insurance Company	NC	IA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			84-0508741				Preferred Financial Corporation, LLC	NC	NIA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			46-5639371				Sirius Capital Holdings Limited	MLT	NIA	SN Group Development, LLC	Ownership		Greg E. Lindberg	N	
00000			47-4756034				GBIG Capital, LLC	NC	UIP	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000							SN Group Development, LLC	NC	NIA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000							SN Malta Services Limited	MLT	NIA	Sirius Capital Holdings Limited	Ownership		Greg E. Lindberg	N	
00000			81-1075158				GBIG Holdings, Inc	DE	UDP	GBIG Capital, LLC	Ownership		Greg E. Lindberg	N	
04827	GBIG Holdings, Inc	79057	63-0572745				Southland National Insurance Corporation	NC	IA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			47-2580033				Southland National Reinsurance Corporation	NC	IA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			47-4223933				Global Bankers Insurance Group, LLC	NC	NIA	Pavonia Life Insurance Company of Michigan	Ownership		Greg E. Lindberg	N	
00000			98-0643261				Northstar Financial Insurance Services, LLC	DE	NIA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
04827	GBIG Holdings, Inc	81043	59-1460067				Bankers Life Insurance Company of Michigan	NC	IA	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			38-2341728				PBX Holdings, LLC	MI	RE	GBIG Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000			82-1085454				PBX Bermuda Holdings, Ltd	BMU	NIA	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000							Omnia Ltd	BMU	IA	PBX Holdings, LLC	Ownership		Greg E. Lindberg	N	
00000							Private Bankers Life and Annuity Co., Ltd	BMU	IA	PBX Bermuda Holdings, Ltd	Ownership		Greg E. Lindberg	N	
00000			82-1827400				BRC Capital, LLC	NC	NIA	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000			82-1817030				BRC Holdings, Inc	DE	NIA	BRC Capital, LLC	Ownership		Greg E. Lindberg	N	
00000							BRCB (Barbados) Capital, Ltd	BRB	NIA	BRC Holdings, Inc	Ownership		Greg E. Lindberg	N	
00000							BRCB (Barbados) Holdings Ltd	BRB	NIA	BRCB (Barbados) Capital, Ltd	Ownership		Greg E. Lindberg	N	
00000							Bankers Reinsurance Company Ltd	BRB	NIA	BRCB (Barbados) Holdings Ltd	Ownership		Greg E. Lindberg	N	
00000			56-1996384				Academy Association Inc	NC	NIA	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000			82-0825084				CapLOC Holdings, LLC	NC	NIA	Academy Association Inc	Ownership		Greg E. Lindberg	N	
00000			82-0788768				CapLOC, LLC	NC	NIA	CapLOC Holdings, LLC	Ownership		Greg E. Lindberg	N	
00000			47-4374786				Alpine Capital, LLC	NC	NIA	Academy Association Inc	Ownership		Greg E. Lindberg	N	
00000							ASL New Holdings LLC	BMU	NIA	Academy Association Inc	Ownership		Greg E. Lindberg	N	
00000							AR Purchasing Solutions, LLC	NC	NIA	Academy Association Inc	Ownership		Greg E. Lindberg	N	
00000							Standard Holdings Limited	MLT	NIA	ASL New Holdings LLC	Ownership		Greg E. Lindberg	N	
00000							Wilmington Holdings Limited	MLT	NIA	Standard Holdings Limited	Ownership		Greg E. Lindberg	N	
00000							Standard Financial Ltd	MLT	NIA	Wilmington Holdings Limited (99.9%), Standard Holdings Limited (.01%)	Ownership		Greg E. Lindberg	N	
00000							GBIG Business Solutions Private Ltd	IND	NIA	Standard Financial Ltd	Ownership		Greg E. Lindberg	N	

## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

# SCHEDULE Y

## PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	Is an SCA Filing Required? (Y/N)	*
00000							Eli Research India Pvt. Ltd.	IND	NIA	ASL New Holdings LLC	Ownership		Greg E. Lindberg	N	
00000							Eli Global Philippines Resources Operations Center, Inc.	PHL	NIA	ASL New Holdings LLC	Ownership		Greg E. Lindberg	N	
00000			82-3782926				Global Health Technology Group, LLC	NC	NIA	Flagship Holdings, LLC	Ownership		Greg E. Lindberg	N	
00000			81-5373922				ASL Holdings, LLC	NC	NIA	Global Health Technology Group, LLC	Ownership		Greg E. Lindberg	N	
00000							Triton Financial Limited	IRL	NIA	ASL Holdings, LLC	Ownership		Greg E. Lindberg	N	
00000							AT Denmark Investments ApS	IRL	NIA	Triton Financial Limited	Ownership		Greg E. Lindberg	N	
00000							Flagship Holdings, LLC	NC	NIA	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000							Standard Malta Holdings Limited	MLT	NIA	Global Health Technology Group, LLC	Ownership		Greg E. Lindberg	N	
00000							Standard Advisory Services Limited	MLT	NIA	Standard Malta Holdings Limited	Ownership		Greg E. Lindberg	N	
00000			81-5129325				GBC Holdings, LLC	NC	NIA	Greg E. Lindberg	Ownership		Greg E. Lindberg	N	
00000			81-5111091				GB Capital, LLC	NC	NIA	GBC Holdings, LLC	Ownership		Greg E. Lindberg	N	
00000							Eli Health Solutions PVT, Ltd	IND	NIA	Wilmington Holdings Limited	Ownership		Greg E. Lindberg	N	
00000							Eli Shared Services Private Limited	IND	NIA	Standard Financial Ltd	Ownership		Greg E. Lindberg	N	
00000							Eli BPO India Private Limited	IND	NIA	Standard Financial Ltd	Ownership		Greg E. Lindberg	N	
00000							Eli Revenue Cycle Solutions Private Limited	IND	NIA	Standard Financial Ltd	Ownership		Greg E. Lindberg	N	

Asterisk	Explanation

**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES**

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
3. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?	NO
4. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC?	NO
5. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC?	NO
6. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC?	NO
7. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC?	NO
8. Will the Life PBR Statement of Exemption be filed with the state of domicile by July 1st and electronically with the NAIC with the second quarterly filing per the Valuation Manual (by August 15)? (2nd Quarter Only) The response for 1st and 3rd quarters should be N/A. A NO response resulting with a bar code is only appropriate in the 2nd quarter.	NO

Explanation:

Bar Code:





OVERFLOW PAGE FOR WRITE-INS

LQ004 Additional Aggregate Lines for Page 04 Line 8.3.  
\*SUMOPS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
08.304 Interest on Premiums		231	448
08.305		0	0
08.397 Summary of remaining write-ins for Line 8.3 from Page 04	0	231	448

**SCHEDULE A – VERIFICATION**

Real Estate		
	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other-than-temporary impairment recognized		0
8. Deduct current year's depreciation		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4+5+6+7+8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

**SCHEDULE B – VERIFICATION**

Mortgage Loans		
	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		0
10. Deduct current year's other-than-temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6+7+8+9+10)	0	0
12. Total valuation allowance		0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

**SCHEDULE BA – VERIFICATION**

Other Long-Term Invested Assets		
	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	16,685,352	5,048,763
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	4,611,715	13,160,910
2.2 Additional investment made after acquisition	65,643	173,823
3. Capitalized deferred interest and other		0
4. Accrual of discount	2,739	0
5. Unrealized valuation increase (decrease)	(212,986)	(81,810)
6. Total gain (loss) on disposals	86,040	192,763
7. Deduct amounts received on disposals	700,857	1,808,763
8. Deduct amortization of premium and depreciation	11,660	334
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other-than-temporary impairment recognized		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6+7+8+9+10)	20,525,986	16,685,352
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	20,525,986	16,685,352

**SCHEDULE D – VERIFICATION**

Bonds and Stocks		
	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	948,008,233	859,967,093
2. Cost of bonds and stocks acquired	148,712,877	765,409,311
3. Accrual of discount	536,249	1,910,217
4. Unrealized valuation increase (decrease)		83,356
5. Total gain (loss) on disposals	(10,989)	101,621,789
6. Deduct consideration for bonds and stocks disposed of	127,871,815	777,475,088
7. Deduct amortization of premium	696,586	1,516,913
8. Total foreign exchange change in book/adjusted carrying value	457,852	(1,991,532)
9. Deduct current year's other-than-temporary impairment recognized	103,699	0
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6+7+8+9+10)	969,032,122	948,008,233
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	969,032,122	948,008,233



## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

**SCHEDULE D - PART 1B**Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. NAIC 1 (a).....	874,482,235	1,645,908	32,654,709	(7,512,936)	874,482,235	835,960,498	.0	846,482,152
2. NAIC 2 (a).....	131,190,079	3,192,569	1,365,577	8,106,771	131,190,079	141,123,842	.0	165,435,878
3. NAIC 3 (a).....	4,878,701		7,461	(641)	4,878,701	4,870,599	.0	7,251,020
4. NAIC 4 (a).....	.0				.0	.0	.0	.0
5. NAIC 5 (a).....	.0				.0	.0	.0	.0
6. NAIC 6 (a).....	.0				.0	.0	.0	.0
7. Total Bonds	1,010,551,015	4,838,477	34,027,747	593,194	1,010,551,015	981,954,939	0	1,019,169,050
<b>PREFERRED STOCK</b>								
8. NAIC 1.....	.0				.0	.0	.0	.0
9. NAIC 2.....	.0				.0	.0	.0	.0
10. NAIC 3.....	.0				.0	.0	.0	.0
11. NAIC 4.....	.0				.0	.0	.0	.0
12. NAIC 5.....	.0				.0	.0	.0	.0
13. NAIC 6.....	.0				.0	.0	.0	.0
14. Total Preferred Stock.....	.0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	1,010,551,015	4,838,477	34,027,747	593,194	1,010,551,015	981,954,939	0	1,019,169,050

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$

12,922,817 ; NAIC 2 \$ ;

NAIC 3 \$ ; NAIC 4 \$ ; NAIC 5 \$ ; NAIC 6 \$

**SCHEDULE DA - PART 1**

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	12,922,817	XXX	12,714,918		

**SCHEDULE DA - VERIFICATION**

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	35,581,460	0
2. Cost of short-term investments acquired.....		248,363,129
3. Accrual of discount.....	178,399	1,030,960
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals.....	(108,696)	(37,039)
6. Deduct consideration received on disposals.....	23,466,315	213,059,169
7. Deduct amortization of premium.....		21,304
8. Total foreign exchange change in book/adjusted carrying value.....	737,969	(695,117)
9. Deduct current year's other-than-temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	12,922,817	35,581,460
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11).....	12,922,817	35,581,460

Schedule DB - Part A - Verification

**NONE**

Schedule DB - Part B - Verification

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part C - Section 2

**NONE**

Schedule DB - Verification

**NONE**

**SCHEDULE E – PART 2 – VERIFICATION**

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	54,461,202	105,747,038
2. Cost of cash equivalents acquired .....	122,545,214	6,638,958,299
3. Accrual of discount .....	49,426	4,726,655
4. Unrealized valuation increase (decrease) .....	(22)	62
5. Total gain (loss) on disposals .....	(861)	2,045
6. Deduct consideration received on disposals .....	161,342,577	6,694,738,823
7. Deduct amortization of premium .....		0
8. Total foreign exchange change in book/adjusted carrying value .....	234,074	(234,074)
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	15,946,456	54,461,202
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11) .....	15,946,456	54,461,202

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 2

**NONE**

Schedule B - Part 3

**NONE**

## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

## SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13
CUSIP Identification	Name or Description	City	State	Name of Vendor or General Partner	NAIC Designation and Administrative Symbol/Market Indicator	Date Originally Acquired	Type and Strategy	Actual Cost at Time of Acquisition	Additional Investment Made After Acquisition	Amount of Encumbrances	Commitment for Additional Investment	Percentage of Ownership
000000-00-0	Global Bankers Insurance Group, LLC	Durham	NC	Global Bankers Holdings, Inc.		06/27/2019		(494,442)				100.000
16999999	Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Common Stocks - Affiliated							(494,442)	0	0	0	xxx
000000-00-0	Joint Venture, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Unaffiliated											
000000-00-0	PIMCO Bravo Fund II, L.P.	Oaks	CA	SET Global Services, Inc.		10/01/2015	13	17,675		625,000	0.074	
21999999	Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Unaffiliated							0	17,675	0	625,000	xxx
525526-A0-1	NEW YORK LIFE INSURANCE CO.	NY		NEW YORK LIFE INSURANCE CO.	IFE	04/01/2019		2,481,950				
23999999	Surplus Debentures, etc. - Unaffiliated							2,481,950	0	0	0	xxx
44999999	Subtotals - Unaffiliated							2,481,950	17,675	0	625,000	xxx
45999999	Subtotals - Affiliated							(494,442)	0	0	0	xxx
46999999	Totals							1,987,508	17,675	0	625,000	xxx

## SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

Showing Other Long-Term Invested Assets Disposed, Transferred or Repaid During the Current Quarter																			
1	2	3 Location		5	6	7	8	Change in Book/Adjusted Carrying Value						15	16	17	18	19	20
CUSIP Identification	Name or Description	City	State	Name of Purchaser or Nature of Disposal	Date Originally Acquired	Disposal Date	Book/ Adjusted Carrying Value Less Encumbrances Prior Year	9 Unrealized Valuation Increase (Decrease)	10 Current Year's (Depreciation) or (Amortization)/ Accretion	11 Current Year's Other Than Temporary Impairment Recognized	12 Capitalized Deferred Interest and Other	13 Total Change in B./A.C.V. (9+10+11+12)	14 Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Unaffiliated																			
000000-00-0	PIMCO Bravo Fund II, L.P.	Oaks	CA	SET Global Services, Inc.	10/01/2015		3,524,776					0		188,831	188,831		2,196	2,196	17,675
21999999 - Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Unaffiliated							3,524,776		0	0	0	0	0	188,831	188,831		2,196	2,196	17,675
Joint, Partnership or Limited Liability Company Interests that have the Underlying Characteristics - Other - Affiliated																			
000000-00-0												0						0	
44999999 - Subtotals - Unaffiliated							3,524,776	0	0	0	0	0	0	188,831	188,831	0	2,196	2,196	17,675
45999999 - Subtotals - Affiliated							0	0	0	0	0	0	0	0	0	0	0	0	0
46999999 Totals							3,524,776	0	0	0	0	0	0	188,831	188,831	0	2,196	2,196	17,675

**STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan**

### SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

[illegible]

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

## STATEMENT AS OF JUNE 30, 2019 OF THE Pavonia Life Insurance Company of Michigan

## SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value				15	16	17	18	19	20	21	22
CUSIP Identification	Description	Foreign Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12+13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation and Administrative Symbol/Market Indicator <sup>(a)</sup>	
Bonds - U.S. Governments																					
0599999	Bonds - U.S. Governments		05/28/2019	RBC CAPITAL MARKETS	XXX	945,061	950,000	940,314	947,301		1,391		1,391		948,692		(3,631)	(3,631)	5,892	10/15/2019	1
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
312840-AE-2	FT 614593 - RMBS		06/01/2019	Paydown	XXX	10,121	10,121	10,763	10,612		(491)		(491)		10,121		D	D	335	05/01/2027	1
31322C-R9-8	FR 67712 - RMBS		06/01/2019	Paydown	XXX	122,844	122,844	125,263	125,264		(2,420)		(2,420)		122,844		D	D	2,421	06/01/2048	1
31358F-LA-5	FR 90136 S - CMO/RMBS		06/25/2019	Paydown	XXX	1,662	1,662	2,029	1,483		179		179		1,662		D	D	168	11/25/2020	1
31392J-W9-6	FR 03216 OG - CMO/RMBS		06/01/2019	Paydown	XXX	2,594	2,594	2,599	2,594		(1)		(1)		2,594		D	D	52	01/25/2033	1
314919-KM-0	FN 04680 - RMBS		05/01/2019	Paydown	XXX	507,507	507,507	515,952	515,951		(8,444)		(8,444)		507,507		D	D	8,530	10/01/2048	1
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					



Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**

Schedule DB - Part D - Section 2

**NONE**

Schedule DL - Part 1

**NONE**

Schedule DL - Part 2

**NONE**

**SCHEDULE E - PART 1 - CASH**E12

## SCHEDULE E - PART 2 - CASH EQUIVALENTS

E13

# Tab C

## STATE OF NORTH CAROLINA

File No.

Wake County

In The General Court Of Justice  
☐ District ☒ Superior Court Division

## Name Of Plaintiff

Mike Causey, Commissioner of Insurance of North Carolina

## Address

c/o North Carolina Department of Justice, Insurance Section

## City, State, Zip

P.O. Box 629, Raleigh, NC 27602

## VERSUS

## Name Of Defendant(s)

Southland National Insurance Corporation, Southland National  
Reinsurance Corporation, Bankers Life Insurance Company, and  
Colorado Bankers Life Insurance Company

Date Original Summons Issued

Date(s) Subsequent Summons(es) Issued

## CIVIL SUMMONS

☐ ALIAS AND PLURIES SUMMONS (ASSESS FEE)

G.S. 1A-1, Rules 3 and 4

## To Each Of The Defendant(s) Named Below:

## Name And Address Of Defendant 1

Southland National Insurance Corporation  
c/o Tamre Edwards, Corporate Secretary  
2327 Englert Drive  
Durham, North Carolina 27713

## Name And Address Of Defendant 2

**IMPORTANT!** You have been sued! These papers are legal documents, DO NOT throw these papers out!  
You have to respond within 30 days. You may want to talk with a lawyer about your case as soon as  
possible, and, if needed, speak with someone who reads English and can translate these papers!**¡IMPORTANTE!** ¡Se ha entablado un proceso civil en su contra! Estos papeles son documentos legales.  
¡NO TIRE estos papeles!Tiene que contestar a más tardar en 30 días. ¡Puede querer consultar con un abogado lo antes posible  
acerca de su caso y, de ser necesario, hablar con alguien que lea inglés y que pueda traducir estos  
documentos!

## A Civil Action Has Been Commenced Against You!

You are notified to appear and answer the complaint of the plaintiff as follows:

1. Serve a copy of your written answer to the complaint upon the plaintiff or plaintiff's attorney within thirty (30) days after you have been served. You may serve your answer by delivering a copy to the plaintiff or by mailing it to the plaintiff's last known address, and
2. File the original of the written answer with the Clerk of Superior Court of the county named above.

If you fail to answer the complaint, the plaintiff will apply to the Court for the relief demanded in the complaint.

## Name And Address Of Plaintiff's Attorney (if none, Address Of Plaintiff)

M. Denise Stanford and Heather H. Freeman  
N. C. Department of Justice  
P.O. Box 629  
Raleigh, N.C. 27602 (Tele.) 919-716-6610

Date Issued

10-27-19

Time

☐ AM ☒ PM

Signature

☒ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court☐ ENDORSEMENT (ASSESS FEE)This Summons was originally issued on the date indicated  
above and returned not served. At the request of the plaintiff,  
the time within which this Summons must be served is  
extended sixty (60) days.

Date Of Endorsement

Time

☐ AM ☐ PM

Signature

☐ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court**NOTE TO PARTIES:** Many counties have **MANDATORY ARBITRATION** programs in which most cases where the amount in controversy is \$25,000 or less are heard by an arbitrator before a trial. The parties will be notified if this case is assigned for mandatory arbitration, and, if so, what procedure is to be followed.

(Over)

## STATE OF NORTH CAROLINA

File No.

Wake County

In The General Court Of Justice  
☐ District ☒ Superior Court Division

Name Of Plaintiff

Mike Causey, Commissioner of Insurance of North Carolina

Address

c/o North Carolina Department of Justice, Insurance Section

City, State, Zip

P.O. Box 629, Raleigh, NC 27602

VERSUS

Name Of Defendant(s)

Southland National Insurance Corporation, Southland National  
Reinsurance Corporation, Bankers Life Insurance Company, and  
Colorado Bankers Life Insurance Company

## CIVIL SUMMONS

☐ ALIAS AND PLURIES SUMMONS (ASSESS FEE)

G.S. 1A-1, Rules 3 and 4

Date Original Summons Issued

Date(s) Subsequent Summons(es) Issued

## To Each Of The Defendant(s) Named Below:

Name And Address Of Defendant 1

Southland National Reinsurance Corporation  
c/o Tamre Edwards, Corporate Secretary  
2327 Englert Drive  
Durham, North Carolina 27713

Name And Address Of Defendant 2

**IMPORTANT! You have been sued! These papers are legal documents, DO NOT throw these papers out!**  
**You have to respond within 30 days. You may want to talk with a lawyer about your case as soon as possible, and, if needed, speak with someone who reads English and can translate these papers!****¡IMPORTANTE! ¡Se ha entablado un proceso civil en su contra! Estos papeles son documentos legales. ¡NO TIRE estos papeles!****Tiene que contestar a más tardar en 30 días. ¡Puede querer consultar con un abogado lo antes posible acerca de su caso y, de ser necesario, hablar con alguien que lea inglés y que pueda traducir estos documentos!**

## A Civil Action Has Been Commenced Against You!

You are notified to appear and answer the complaint of the plaintiff as follows:

1. Serve a copy of your written answer to the complaint upon the plaintiff or plaintiff's attorney within thirty (30) days after you have been served. You may serve your answer by delivering a copy to the plaintiff or by mailing it to the plaintiff's last known address, and
2. File the original of the written answer with the Clerk of Superior Court of the county named above.

If you fail to answer the complaint, the plaintiff will apply to the Court for the relief demanded in the complaint.

Name And Address Of Plaintiff's Attorney (if none, Address Of Plaintiff)

M. Denise Stanford and Heather H. Freeman  
N. C. Department of Justice  
P.O. Box 629  
Raleigh, N.C. 27602 (Tele.) 919-716-6610

Date Issued

10-27-19

Time

☐ AM ☒ PM

Signature

☒ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court☐ ENDORSEMENT (ASSESS FEE)

This Summons was originally issued on the date indicated above and returned not served. At the request of the plaintiff, the time within which this Summons must be served is extended sixty (60) days.

Date Of Endorsement

Time

☐ AM ☐ PM

Signature

☐ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court**NOTE TO PARTIES:** Many counties have **MANDATORY ARBITRATION** programs in which most cases where the amount in controversy is \$25,000 or less are heard by an arbitrator before a trial. The parties will be notified if this case is assigned for mandatory arbitration, and, if so, what procedure is to be followed.

(Over)

## STATE OF NORTH CAROLINA

File No.

Wake County

In The General Court Of Justice  
☐ District ☒ Superior Court Division

## Name Of Plaintiff

Mike Causey, Commissioner of Insurance of North Carolina

## Address

c/o North Carolina Department of Justice, Insurance Section

## City, State, Zip

P.O. Box 629, Raleigh, NC 27602

## VERSUS

## CIVIL SUMMONS

☐ ALIAS AND PLURIES SUMMONS (ASSESS FEE)

G.S. 1A-1, Rules 3 and 4

## Name Of Defendant(s)

Southland National Insurance Corporation, Southland National  
Reinsurance Corporation, Bankers Life Insurance Company, and  
Colorado Bankers Life Insurance Company

Date Original Summons Issued

Date(s) Subsequent Summons(es) Issued

## To Each Of The Defendant(s) Named Below:

## Name And Address Of Defendant 1

Bankers Life Insurance Company  
c/o Tamre Edwards, Corporate Secretary  
2327 Englert Drive  
Durham, North Carolina 27713

## Name And Address Of Defendant 2

**IMPORTANT!** You have been sued! These papers are legal documents, DO NOT throw these papers out!  
You have to respond within 30 days. You may want to talk with a lawyer about your case as soon as  
possible, and, if needed, speak with someone who reads English and can translate these papers!**¡IMPORTANTE!** ¡Se ha entablado un proceso civil en su contra! Estos papeles son documentos legales.  
¡NO TIRE estos papeles!Tiene que contestar a más tardar en 30 días. ¡Puede querer consultar con un abogado lo antes posible  
acerca de su caso y, de ser necesario, hablar con alguien que lea inglés y que pueda traducir estos  
documentos!

## A Civil Action Has Been Commenced Against You!

You are notified to appear and answer the complaint of the plaintiff as follows:

1. Serve a copy of your written answer to the complaint upon the plaintiff or plaintiff's attorney within thirty (30) days after you have been served. You may serve your answer by delivering a copy to the plaintiff or by mailing it to the plaintiff's last known address, and
2. File the original of the written answer with the Clerk of Superior Court of the county named above.

If you fail to answer the complaint, the plaintiff will apply to the Court for the relief demanded in the complaint.

## Name And Address Of Plaintiff's Attorney (if none, Address Of Plaintiff)

M. Denise Stanford and Heather H. Freeman  
N. C. Department of Justice  
P.O. Box 629  
Raleigh, N.C. 27602 (Tele.) 919-716-6610

Date Issued

10-27-19

Time

☐ AM ☒ PM

Signature

☒ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court☐ ENDORSEMENT (ASSESS FEE)This Summons was originally issued on the date indicated  
above and returned not served. At the request of the plaintiff,  
the time within which this Summons must be served is  
extended sixty (60) days.

Date Of Endorsement

Time

☐ AM ☐ PM

Signature

☐ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court**NOTE TO PARTIES:** Many counties have **MANDATORY ARBITRATION** programs in which most cases where the amount in controversy is \$25,000 or less are heard by an arbitrator before a trial. The parties will be notified if this case is assigned for mandatory arbitration, and, if so, what procedure is to be followed.

(Over)

## STATE OF NORTH CAROLINA

File No.

Wake County

In The General Court Of Justice  
☐ District ☒ Superior Court Division

## Name Of Plaintiff

Mike Causey, Commissioner of Insurance of North Carolina

## Address

c/o North Carolina Department of Justice, Insurance Section

## City, State, Zip

P.O. Box 629, Raleigh, NC 27602

VERSUS

## CIVIL SUMMONS

☐ ALIAS AND PLURIES SUMMONS (ASSESS FEE)

G.S. 1A-1, Rules 3 and 4

## Name Of Defendant(s)

Southland National Insurance Corporation, Southland National  
Reinsurance Corporation, Bankers Life Insurance Company, and  
Colorado Bankers Life Insurance Company

Date Original Summons Issued

Date(s) Subsequent Summons(es) Issued

## To Each Of The Defendant(s) Named Below:

## Name And Address Of Defendant 1

Colorado Bankers Life Insurance Company  
c/o Tamre Edwards, Corporate Secretary  
2327 Englert Drive  
Durham, North Carolina 27713

## Name And Address Of Defendant 2



**IMPORTANT!** You have been sued! These papers are legal documents, DO NOT throw these papers out! You have to respond within 30 days. You may want to talk with a lawyer about your case as soon as possible, and, if needed, speak with someone who reads English and can translate these papers!

**¡IMPORTANTE!** ¡Se ha entablado un proceso civil en su contra! Estos papeles son documentos legales. ¡NO TIRE estos papeles!

Tiene que contestar a más tardar en 30 días. ¡Puede querer consultar con un abogado lo antes posible acerca de su caso y, de ser necesario, hablar con alguien que lea inglés y que pueda traducir estos documentos!

## A Civil Action Has Been Commenced Against You!

You are notified to appear and answer the complaint of the plaintiff as follows:

1. Serve a copy of your written answer to the complaint upon the plaintiff or plaintiff's attorney within thirty (30) days after you have been served. You may serve your answer by delivering a copy to the plaintiff or by mailing it to the plaintiff's last known address, and
2. File the original of the written answer with the Clerk of Superior Court of the county named above.

If you fail to answer the complaint, the plaintiff will apply to the Court for the relief demanded in the complaint.

## Name And Address Of Plaintiff's Attorney (if none, Address Of Plaintiff)

M. Denise Stanford and Heather H. Freeman  
N. C. Department of Justice  
P.O. Box 629  
Raleigh, N.C. 27602 (Tele.) 919-716-6610

Date Issued

6-27-19

Time

☐ AM ☒ PM

Signature

☒ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court☐ ENDORSEMENT (ASSESS FEE)

This Summons was originally issued on the date indicated above and returned not served. At the request of the plaintiff, the time within which this Summons must be served is extended sixty (60) days.

Date Of Endorsement

Time

☐ AM ☐ PM

Signature

☐ Deputy CSC☐ Assistant CSC☐ Clerk Of Superior Court

**NOTE TO PARTIES:** Many counties have **MANDATORY ARBITRATION** programs in which most cases where the amount in controversy is \$25,000 or less are heard by an arbitrator before a trial. The parties will be notified if this case is assigned for mandatory arbitration, and, if so, what procedure is to be followed.

(Over)



STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION

COUNTY OF WAKE

FILE NO.

MIKE CAUSEY,  
COMMISSIONER OF INSURANCE  
OF NORTH CAROLINA,

Petitioner,

v.

SOUTHLAND NATIONAL  
INSURANCE CORPORATION,  
SOUTHLAND NATIONAL  
REINSURANCE CORPORATION,  
BANKERS LIFE INSURANCE  
COMPANY, COLORADO BANKERS  
LIFE INSURANCE COMPANY,  
North Carolina Domiciled  
Insurance Companies,

Respondents.

VERIFIED PETITION FOR AN ORDER  
OF REHABILITATION, AN ORDER  
APPOINTING RECEIVER, AND  
INJUNCTIVE RELIEFFILED  
2019 JUN 27 P 1:17  
WAKE COUNTY, N.C.

NOW COMES Petitioner Mike Causey, the Commissioner of Insurance of the State of North Carolina (hereinafter "Commissioner" or "NCDOI"), and with the consent and cooperation of the Board of Directors and controlling shareholder of the Companies, hereby petitions for an Order of Rehabilitation for Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), (collectively the "Companies" and hereinafter "Respondents"), an Order appointing him as Receiver of Respondents, and the entry of injunctive relief.

In support thereof, Petitioner shows unto the Court that:

1. Petitioner is the Commissioner of Insurance of the State of North Carolina and initiates this action in his official capacity pursuant to N.C. Gen. Stat. §§ 58-30-15, 58-30-20, 58-30-22, 58-30-25, 58-30-71, 58-30-75, 58-30-80, 58-30-85 and Article 38 of Chapter 1 of the North Carolina General Statutes.
2. SNIC is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
3. SNRC is licensed as a North Carolina captive insurance company subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes. SNRC is engaged in the business of reinsurance.
4. BLIC is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
5. CBL is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
6. Respondents' principal place of business is located at 2327 Englert Drive, Durham, Durham County, North Carolina.
7. Greg E. Lindberg is the controlling shareholder of Respondents.
8. SNIC had outstanding annuity contracts as of March 31, 2019 in the amount of \$37,000,000.

9. BLIC had outstanding annuity contracts as of March 31, 2019 in the amount of \$811,000,000.

10. CBL had outstanding annuity contracts as of March 31, 2019 in the amount of \$1,802,000,000.

11. SNRC is the reinsurer for the Respondents.

12. Petitioner developed reasonable concerns regarding whether Respondents' transactions among affiliates, subsidiaries, or controlling persons provided sufficient liquidity to assure Respondents' abilities to meet outstanding obligations.

13. Pursuant to N.C. Gen. Stat. § 58-30-62(c) and N.C. Gen. Stat. § 58-10-475, the Commissioner may subject an insurer to administrative supervision if, among other things, the insurer has consented to administrative supervision.

14. On October 18, 2018, a Consent Order for Administrative Supervision was entered into between Petitioner and Respondents, in which Respondents consented to administrative supervision, pursuant to the provisions of N.C. Gen. Stat. § 58-30-60 *et seq.*

15. Respondents consented to administrative supervision for a period of 120 days from the date of execution of the Consent Order, October 18, 2018, with the agreement that the supervision could be extended in 120-day increments in the discretion of the Commissioner.

16. On February 5, 2019, the Commissioner entered an Amended Consent Order for Administrative Supervision extending the term of the administrative supervision of the Companies by an additional 120 days, or until June 15, 2019.

17. On April 4, 2019, a Second Amended Consent Order for Administrative Supervision ("Second Amended Consent Order") was entered into by the parties pursuant to which

the Commissioner's supervision of Respondents pursuant to the provisions of N.C. Gen. Stat. § 58-30-62 continued until the Commissioner releases the Companies from supervision, or a petition for rehabilitation is granted pursuant to N.C. Gen. Stat. § 58-30-75.

18. During the course of the administrative supervision, Petitioner has determined that, based upon the current investment structure, Respondents' transactions among affiliates, subsidiaries, or controlling persons raised concerns that there is insufficient liquidity to assure Respondents' abilities to meet outstanding obligations.

19. The parties agree that appointment of a rehabilitator is necessary to protect the Respondents' policyholders. Pursuant to N.C. Gen. Stat. § 58-30-75(12), the Commissioner may petition the Superior Court of Wake County for an order authorizing the Commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in this State if the board of directors or the holders of a majority of the shares entitled to vote, or a majority of those individuals entitled to the control of those persons specified in N.C. Gen. Stat. § 58-3-5, request or consent to rehabilitation under Chapter 58, Article 30 of the N.C. General Statutes.

20. The Boards of Directors of the Companies and the Controlling Shareholder for the Respondents consent to rehabilitation pursuant to Article 30 of Chapter 58 of the North Carolina General Statutes, per the attached Consents.

21. The Petitioner is entitled to appointment as rehabilitator of the Respondents under the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

22. Upon the entry of an Order of Rehabilitation, the Commissioner requests entry of an injunction, pursuant to N.C. Gen. Stat. § 58-30-20, and Article 37 of Chapter 1 of the North Carolina General Statutes, which order would prohibit the disposition, waste or impairment of the

property of Respondents, the unauthorized transaction of further business on behalf of Respondents, require the transfer to Petitioner as Receiver of all property of Respondents, and prevent interference with the Petitioner or this proceeding, the commencement or prosecution of any actions against Petitioner or Respondents, and the obtaining of preferences, judgments, attachments or other liens, or the initiation of any levy against Respondents, or any general assets of Respondents.

23. Pursuant to N.C. Gen. Stat. § 58-30-95(b), either party may petition the Court for an order terminating the Rehabilitation if such termination is in the best interests of policyholders of such Respondent company at that time and termination of Rehabilitation is otherwise in accordance with Article 30 of Chapter 58 of the North Carolina General Statutes.

24. The official bond of the Commissioner of Insurance of the State of North Carolina will serve for the faithful performance of his duties and obligations as Receiver.

WHEREFORE, Petitioner prays the Court as follows:

1. To enter an Order of Rehabilitation appointing Mike Causey, Commissioner of Insurance of the State of North Carolina and his successors in office, as Rehabilitator of Respondents;

2. To order that the Rehabilitator be vested with the title to all assets of Respondents and that the filing or recording of this Order with the Clerk of the Superior Court and the Register of Deeds of the county in which the Respondents' principal office or place of business is located; or, in the case of real estate, with the Register of Deeds of the county where the property is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Register of Deeds, would have imparted;

3. To authorize, empower and direct Petitioner to take possession and control of all property, stocks, bonds, securities, bank accounts, savings accounts, monies, accounts receivable, books, papers, records, data bases, printouts and computations, whether stored by microfilm, electronic, optical, magnetic or other means, whether stored in tapes, disks, or other media, and all other assets of any and all kinds and nature whatsoever belonging to Respondents, wherever located, and to conduct Respondents' business and administer Respondents' assets and affairs under the general supervision of this Court;

4. To vest the Rehabilitator with such power, authority, and duties as are provided by Article 30 of Chapter 58 of the North Carolina General Statutes;

5. To order that pursuant to N.C. Gen. Stat. § 58-30-85, the Rehabilitator be authorized to appoint a Special Deputy to act for the Rehabilitator in connection with the delinquency proceedings against Respondents and that said Special Deputy be authorized to employ at the prevailing customary rates such counsel, clerks or assistants as the Rehabilitator or said Special Deputy shall deem to be necessary, or to utilize State employees for said purposes if he has determined that the use of State employees to conduct certain aspects of the rehabilitation is the most cost effective method of administering the delinquency proceeding and that this action benefits the estate and its creditors; and to further authorize said Rehabilitator or Special Deputy to obtain such bonds, errors and omissions type insurance, or excess liability insurance in addition to any such insurance that may be already provided for employees of the NCDOL, as a reasonably prudent person charged with the duties would deem to be appropriate; and that all expenses of taking possession of Respondents and of conducting the delinquency proceedings against

Respondents shall be paid out of the funds of Respondents pursuant to N.C. Gen. Stat. § 58-30-85;

6. To order that pursuant to N.C. Gen. Stat. § 58-30-85, the Rehabilitator may contract with an independent third-party paid from the assets of Respondents in order to assist in carrying out the duties of rehabilitation. The independent third-party shall act on behalf of the Commissioner and shall have the full authority of the Commissioner.

7. To order that the Rehabilitator is authorized, empowered and directed to incur such expenses for communication and traveling expenses for himself, his agents or attorneys as may be necessary in the proper administration of his duties as Rehabilitator and also to incur such other expenses as the Rehabilitator may deem advisable or necessary in order to properly conduct and perform his duties as Rehabilitator;

8. To authorize Petitioner, as Rehabilitator, to accept new business and renewals on behalf of Respondents, in the discretion of the Rehabilitator.

9. To authorize Petitioner, as Rehabilitator, to notify state or federal regulators of this action;

10. To appoint Petitioner as the Receiver of Respondents pursuant to Article 38 of Chapter 1 of the North Carolina General Statutes;

11. To grant injunctive relief pursuant to N.C. Gen. Stat. § 58-30-20 to prohibit any person from interfering in any manner with the property or assets of Respondents or with said Rehabilitator in the performance of his duties, and further enjoin and restrain any person from instituting or prosecuting any suit or other action against the Rehabilitator or the Respondents' property except by the permission of this Court first had and obtained; to stay all persons, firms

and corporations with notice of the Court's Order from the obtaining of preferences, judgments, attachments, garnishments, or liens against Respondents or its assets, or the levying of execution or foreclosure against Respondents or their assets, until further order of the Court; to enjoin and restrain Respondents, their trustees, officers, directors, agents, employees, or third party administrators, and all other persons from the disposition, waste or impairment of any of Respondents' property, assets, or records; to enjoin the transaction of further business unless supervised and approved by the Rehabilitator or his agents or deputies, until further order of the Court; to order all such persons to transfer to the Rehabilitator any and all property of Respondents wheresoever situated, and enjoin and restrain Respondents, their trustees, officers, agents, servants, employees, third party administrators, directors or attorneys from doing or permitting to be done anything which may allow or suffer the obtainment of preferences, judgments, attachments or other liens, or the initiation of a levy against Respondents, without permission of this Court;

12. To set accounting and bond requirements for the Rehabilitator; and
13. To grant such other and further relief as the Court may deem just and proper.



This the 27 day of June, 2019.

JOSHUA H. STEIN  
ATTORNEY GENERAL

By: Daniel S. Johnson

Daniel S. Johnson  
North Carolina State Bar No. 9289  
Special Deputy Attorney General  
Insurance Section  
N.C. Department of Justice  
P.O. Box 629  
Raleigh, NC 27602-0629  
Telephone: (919) 716-6610  
[djohnson@ncdoj.gov](mailto:djohnson@ncdoj.gov)

By: M. Denise Stanford

M. Denise Stanford  
North Carolina State Bar No. 17601  
Special Deputy Attorney General  
Insurance Section  
N. C. Department of Justice  
P.O. Box 629  
Raleigh, N.C. 27602-0629  
Telephone: (919) 716-6610  
[dstanford@ncdoj.gov](mailto:dstanford@ncdoj.gov)

By: Heather H. Freeman

Heather H. Freeman  
North Carolina State Bar No. 28272  
Assistant Attorney General  
Insurance Section  
N.C. Department of Justice  
P.O. Box 629  
Raleigh, NC 27602-0629  
Telephone: (919) 716-6610  
[hfreeman@ncdoj.gov](mailto:hfreeman@ncdoj.gov)

NORTH CAROLINA

WAKE COUNTY

VERIFICATION

Jackie Obusek, being first duly sworn, deposes and says that she is a Senior Deputy Commissioner of Insurance for the North Carolina Department of Insurance; that she has read the foregoing Petition for an Order of Rehabilitation, an Order Appointing Receiver, and Injunctive Relief; and that the contents of same are true and correct of her own knowledge, except as to those matters and things therein set forth upon information and belief, and as to those, here verily believes it to be true.

This the 27<sup>th</sup> day of June, 2019.

N.C. Department of Insurance

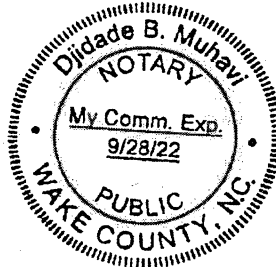
By: JR Obusek

Jackie Obusek  
Senior Deputy Commissioner

Sworn to and subscribed before me  
this the 27 day of June, 2019.

Djida B. Muhavi

Notary Public



My Commission Expires: 9/28/22

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing Verified Petition for an Order of Rehabilitation, an Order Appointing Receiver, and Injunctive Relief by placing a copy of the same in the United States mail, by certified mail, return receipt requested, addressed as follows:

Tamre Edwards  
Corporate Secretary  
Global Bankers Insurance Group  
2327 Englert Drive  
Durham, NC 27713

*Corporate Secretary for Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company*

Christopher J. Blake  
Joseph W. Eason  
Nelson Mullins Riley & Scarborough, LLP  
Glenlake One, Suite 200  
4140 Parklake Avenue  
Raleigh, NC 27612

*Attorneys for GBIG Holding, Inc.*

Zachary H. Smith  
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Mark A. Finkelstein  
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Fox Rothschild LLP  
434 Fayetteville St., Suite 2800  
Raleigh, NC 27601-2943

Gregory M. Petrick  
Cadwalader, Wickersham & Taft LLP  
200 Liberty Street  
New York, NY 10281

*Attorneys for Greg E. Lindberg*

This the 27 day of June, 2019.

JOSHUA H. STEIN  
ATTORNEY GENERAL

By: 

Heather H. Freeman  
North Carolina State Bar No. 28272  
Assistant Attorney General  
Insurance Section  
N.C. Department of Justice  
P.O. Box 629  
Raleigh, NC 27602-0629  
Telephone: (919) 716-6610  
[hfreeman@ncdoj.gov](mailto:hfreeman@ncdoj.gov)

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF WAKE )  
 )

CERTIFICATE OF  
CORPORATE ACTIONS BY WRITTEN  
CONSENT AND  
CONSENT TO REHABILITATION

The undersigned certify that the following is a true copy of an Actions By Written Consent Of The Board of Directors of Southland National Insurance Corporation ("SNIC" or the "Company"), a North Carolina corporation and a licensed North Carolina insurer subject to regulation by the Commissioner of Insurance of the State of North Carolina pursuant to Chapter 58 of the North Carolina General Statutes, and duly adopted in accordance with the Bylaws of SNIC and recorded in the Minutes of SNIC, and not subsequently rescinded or modified:

**ACTIONS BY WRITTEN CONSENT OF  
THE BOARD OF DIRECTORS OF  
SOUTHLAND NATIONAL INSURANCE CORPORATION  
IN LIEU OF MEETING**

**June 26, 2019**

Pursuant to Section 55-8-21 of the General Statutes of North Carolina, the undersigned, constituting all the acting members of the Board of Directors (the "Board") of Southland National Insurance Company, a North Carolina insurance company ("SNIC" or the "Company"), hereby take the following actions and adopt the following resolutions:

## AUTHORIZATIONS

**WHEREAS**, SNIC, Bankers Life Insurance Company (“BLIC”), and Colorado Bankers Life Insurance Company (“CBL”), are each a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner of Insurance of the State of North Carolina (the “Commissioner”) pursuant to Chapter 58 of the North Carolina General Statutes, and Southland National Reinsurance Corporation (“SNRC”) is a licensed North Carolina captive insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes and engaged in the business of reinsurance (each a “North Carolina Insurance Company” and collectively, the “North Carolina Insurance Companies”); and,

**WHEREAS**, pursuant to N.C. Gen. Stat. § 58-30-75(12), the Commissioner may petition the Superior Court of Wake County for an order authorizing the Commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in North Carolina if the board of directors, or the holders of a majority of the shares entitled to vote, of such insurer, or a majority of those individuals entitled to the control of those persons specified in N.C. Gen. Stat. § 58-30-5, request or consent to rehabilitation under Chapter 58, Article 30 of the N.C. General Statutes; and,

**WHEREAS**, it is in the best interest of the Company to grant consent to the commencement of a proceeding to rehabilitate the Company and the other North Carolina Insurance Companies in accordance with Chapter 58, Article 30 of the N.C. General Statutes (the "Rehabilitation Proceeding"); and

WHEREAS, it is in the best interest of the Company to authorize and direct the Corporate Secretary of SNIC to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and to receive such process and the associated copy of a *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* to be filed on behalf of the Commissioner to commence the Rehabilitation Proceeding; and

WHEREAS, it is in the best interest of SNIC to authorize and direct the Corporate Secretary to thereafter receive on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding.

**NOW, THEREFORE, LET IT BE:**

RESOLVED, that the duly elected and installed Board of Directors of SNIC hereby consent to the entry an Order of Rehabilitation and Preliminary Injunction pertaining to the Company and the other North Carolina Insurance Companies commencing the Rehabilitation Proceeding and granting that other relief as requested in that certain *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as provided to SNIC on behalf of the Commissioner on June 21, 2019, or in substantially the same form as provided to SNIC on behalf of the Commissioner on June 21, 2019, and herewith also authorize the Chief Executive Officer to determine, in his sole discretion, and to confirm by his signature that the final form of such verified petition and associated relief as is therein requested is in substantially the same form as said draft of June 21, 2019; and

RESOLVED, that each of the Chief Executive Officer and the Corporate Secretary of SNIC is hereby authorized and directed to personally execute this Certificate of Corporate Resolution and Consent to Rehabilitation on behalf of the Company and to thereafter deliver same to the Commissioner or his agents or attorneys for use to formally commence the Rehabilitation Proceeding; and

RESOLVED, that the Corporate Secretary of SNIC is hereby authorized and directed to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and the associated *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as is actually filed on behalf of the Commissioner with said Court to commence the Rehabilitation Proceeding; and

RESOLVED, that the Corporate Secretary of SNIC is hereby authorized and directed to thereafter accept and receive delivery on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding and served on SNIC using First Class Mail, of the United States Postal Service; and further

RESOLVED, that each of the Chief Executive Officer and the Corporate Secretary of the Company (each such person, an "Authorized Officer") be, and hereby, is authorized and directed to take all such further actions and to execute and deliver, in the name and on behalf of the Company, all such further documents and instruments as deemed necessary, desirable, advisable, or appropriate to effectuate or carry out the purposes of all of the foregoing resolutions and the events contemplated thereby; and that the taking of each such action, and the execution and delivery of each such document or instrument shall be conclusive evidence of its necessity or advisability.

The undersigned have hereunto subscribed their names this 27 day of June, 2019.

Southland National Insurance Corporation

By: 

Lou Hensley

Chief Executive Officer

Southland National Insurance Corporation

By: 

Tamre Edwards

Corporate Secretary

Southland National Insurance Corporation

STATE OF NORTH CAROLINA )	CERTIFICATE OF
)	CORPORATE ACTIONS BY WRITTEN
COUNTY OF WAKE )	CONSENT AND
)	CONSENT TO REHABILITATION

I certify that the following is a true copy of an Actions By Written Consent Of The Board of Directors of Southland National Reinsurance Corporation ("SNRC" or the "Company"), a North Carolina corporation and a licensed North Carolina captive insurance company engaged in the business of reinsurance and subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes, and duly adopted in accordance with the Bylaws of SNRC and recorded in the Minutes of SNRC, and not subsequently rescinded or modified:

**ACTIONS BY WRITTEN CONSENT OF  
THE BOARD OF DIRECTORS OF  
SOUTHLAND NATIONAL REINSURANCE CORPORATION  
IN LIEU OF MEETING**

June 26, 2019

Pursuant to Section 55-8-21 of the General Statutes of North Carolina, the undersigned, constituting all the acting members of the Board of Directors (the "Board") of Southland National Reinsurance Corporation, a North Carolina corporation and a licensed North Carolina captive insurance company engaged in the business of reinsurance and subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes ("SNRC" or the "Company"), hereby take the following actions and adopt the following resolutions:

**AUTHORIZATIONS**

**WHEREAS**, Southland National Insurance Corporation ("SNIC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), are each a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner of Insurance of the State of North Carolina (the "Commissioner") pursuant to Chapter 58 of the North Carolina General Statutes, and SNRC is a licensed North Carolina captive insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes and engaged in the business of reinsurance (each a "North Carolina Insurance Company" and collectively, the "North Carolina Insurance Companies"); and,

**WHEREAS**, pursuant to N.C. Gen. Stat. § 58-30-75(12), the Commissioner may petition the Superior Court of Wake County for an order authorizing the Commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in North Carolina if the board of directors, or the holders of a majority of the shares entitled to vote, of such insurer, or a majority of those individuals entitled to the control of those persons specified in N.C. Gen. Stat. § 58-30-5, request or consent to rehabilitation under Chapter 58, Article 30 of the N.C. General Statutes; and,

**WHEREAS**, it is in the best interest of the Company to grant consent to the commencement of a proceeding to rehabilitate the Company and the other North Carolina Insurance Companies in



accordance with Chapter 58, Article 30 of the N.C. General Statutes (the "Rehabilitation Proceeding"); and

**WHEREAS**, it is in the best interest of the Company to authorize and direct the Corporate Secretary of SNRC to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and to receive such process and the associated copy of a *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* to be filed on behalf of the Commissioner to commence the Rehabilitation Proceeding; and

**WHEREAS**, it is in the best interest of SNRC to authorize and direct the Corporate Secretary to thereafter receive on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding.

**NOW, THEREFORE, LET IT BE:**

RESOLVED, that the duly elected and installed Board of Directors of SNRC hereby consent to the entry an Order of Rehabilitation and Preliminary Injunction pertaining to the Company and the other North Carolina Insurance Companies commencing the Rehabilitation Proceeding and granting that other relief as requested in that certain *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as provided to SNRC on behalf of the Commissioner on June 21, 2019, or in substantially the same form as provided to SNRC on behalf of the Commissioner on June 21, 2019, and herewith also authorize and direct the Chief Executive Officer to determine, in his sole discretion, and to confirm by his signature that the final form of such verified petition and associated relief as is therein requested is in substantially the same form as said draft of June 21, 2019; and

RESOLVED, that each of the Chief Executive Officer and the Corporate Secretary of SNRC is hereby authorized and directed to personally execute a Certificate of Corporate Resolution and Consent to Rehabilitation on behalf of the Company and to thereafter deliver same to the Commissioner or his agents or attorneys for use to formally commence the Rehabilitation Proceeding; and

RESOLVED, that the Corporate Secretary of SNRC is hereby authorized and directed to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and the associated *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as is actually filed on behalf of the Commissioner with said Court to commence the Rehabilitation Proceeding; and

RESOLVED, that the Corporate Secretary of SNRC is hereby authorized and directed to thereafter accept and receive delivery on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding and served on SNRC using First Class Mail, of the United States Postal Service; and further,

RESOLVED, that each of the Chief Executive Officer and the Corporate Secretary of the Company (each such person, an "Authorized Officer") be, and hereby, is authorized and directed to take all such further actions and to execute and deliver, in the name and on behalf of the Company, all such further documents and instruments as deemed necessary, desirable, advisable, or appropriate to

effectuate or carry out the purposes of all of the foregoing resolutions and the events contemplated thereby; and that the taking of each such action, and the execution and delivery of each such document or instrument shall be conclusive evidence of its necessity or advisability.

The undersigned have hereunto subscribed their names this 27 day of June, 2019.

Southland National Reinsurance Corporation

By: 

Lou Hensley

Chief Executive Officer

Southland National Reinsurance Corporation

By: 

Tamre Edwards

Corporate Secretary

Southland National Reinsurance Corporation

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF WAKE )  
 )

The undersigned certify that the following is a true copy of an Actions By Written Consent Of The Board of Directors of Bankers Life Insurance Company (“BLIC” or the “Company”), a North Carolina corporation and a licensed North Carolina insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes, and duly adopted in accordance with the Bylaws of BLIC and recorded in the Minutes of BLIC, and not subsequently rescinded or modified:

**ACTIONS BY WRITTEN CONSENT OF  
THE BOARD OF DIRECTORS OF  
BANKERS LIFE INSURANCE COMPANY  
IN LIEU OF MEETING**

**June 26, 2019**

Pursuant to Section 55-8-21 of the General Statutes of North Carolina, the undersigned, constituting all the acting members of the Board of Directors (the “Board”) of Bankers Life Insurance Company, a North Carolina insurance company subject to regulation by the Commissioner of Insurance of the State of North Carolina pursuant to Chapter 58 of the North Carolina General Statutes (“BLIC” or the “Company”), hereby take the following actions and adopt the following resolutions:

## AUTHORIZATIONS

**WHEREAS**, BLIC, Southland National Insurance Corporation (“SNIC”), and Colorado Bankers Life Insurance Company (“CBL”), are each a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner of Insurance of the State of North Carolina (the “Commissioner”) pursuant to Chapter 58 of the North Carolina General Statutes, and Southland National Reinsurance Corporation (“SNRC”) is a licensed North Carolina captive insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes and engaged in the business of reinsurance (each a “North Carolina Insurance Company” and collectively, the “North Carolina Insurance Companies”); and,

**WHEREAS**, pursuant to N.C. Gen. Stat. § 58-30-75(12), the Commissioner may petition the Superior Court of Wake County for an order authorizing the Commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in North Carolina if the board of directors, or the holders of a majority of the shares entitled to vote, of such insurer, or a majority of those individuals entitled to the control of those persons specified in N.C. Gen. Stat. § 58-30-5, request or consent to rehabilitation under Chapter 58, Article 30 of the N.C. General Statutes; and,

**WHEREAS**, it is in the best interest of the Company to grant consent to the commencement of a proceeding to rehabilitate the Company and the other North Carolina Insurance Companies in

accordance with Chapter 58, Article 30 of the N.C. General Statutes (the "Rehabilitation Proceeding"); and

**WHEREAS**, it is in the best interest of the Company to authorize and direct the Corporate Secretary of BLIC to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and to receive such process and the associated copy of a *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* to be filed on behalf of the Commissioner to commence the Rehabilitation Proceeding; and

**WHEREAS**, it is in the best interest of BLIC to authorize and direct the Corporate Secretary to thereafter receive on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding.

**NOW, THEREFORE, LET IT BE:**

**RESOLVED**, that the duly elected and installed Board of Directors of BLIC do hereby consent to the entry an Order of Rehabilitation and Preliminary Injunction pertaining to the Company and the other North Carolina Insurance Companies commencing the Rehabilitation Proceeding and granting that other relief as requested in that certain *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as provided to BLIC on behalf of the Commissioner on June 21, 2019, or in substantially the same form as provided to BLIC on behalf of the Commissioner on June 21, 2019, and herewith also authorize and direct the Chief Executive Officer to determine, in his sole discretion, and to confirm by his signature that the final form of such verified petition and associated relief as is therein requested is in substantially the same form as said draft of June 21, 2019; and

**RESOLVED**, that each of the Chief Executive Officer and the Corporate Secretary of BLIC is hereby authorized and directed to personally execute a Certificate of Corporate Resolution and Consent to Rehabilitation on behalf of the Company and to thereafter deliver same to the Commissioner or his agents or attorneys for use to formally commence the Rehabilitation Proceeding; and

**RESOLVED**, that the Corporate Secretary of BLIC is hereby authorized and directed to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and the associated *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as is actually filed on behalf of the Commissioner with said Court to commence the Rehabilitation Proceeding; and

**RESOLVED**, that the Corporate Secretary of BLIC is hereby authorized and directed to thereafter accept and receive delivery on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding and served on BLIC using First Class Mail, of the United States Postal Service; and further,


**RESOLVED**, that each of the Chief Executive Officer and the Corporate Secretary of the Company (each such person, an "Authorized Officer") be, and hereby, is authorized and directed to take all such further actions and to execute and deliver, in the name and on behalf of the Company, all such further documents and instruments as deemed necessary, desirable, advisable, or appropriate to effectuate or carry out the purposes of all of the foregoing resolutions and the events contemplated


thereby; and that the taking of each such action, and the execution and delivery of each such document or instrument shall be conclusive evidence of its necessity or advisability.

IN WITNESS WHEREOF, the undersigned have executed this Action by Written Consent of the Board of Directors of BLIC in lieu of a meeting as of the date set forth above, which may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. This action shall be filed with the minutes of proceedings of the Board of Directors and shall be effective as of the date first above written. Any copy, facsimile, or other reliable reproduction of this action may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile, or other reproduction be a complete reproduction of the entire original writing.

The undersigned have hereunto subscribed their names this 27 day of June, 2019.

Bankers Life Insurance Company

By:   
\_\_\_\_\_  
Lou Hensley  
Chief Executive Officer  
Bankers Life Insurance Company

By:   
\_\_\_\_\_  
Tamre Edwards  
Corporate Secretary  
Bankers Life Insurance Company

STATE OF NORTH CAROLINA )  
COUNTY OF WAKE )

The undersigned certify that the following is a true copy of an Actions By Written Consent Of The Board of Directors of Colorado Bankers Life Insurance Company ("CBL" or the "Company"), a North Carolina corporation and a licensed North Carolina insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes, and duly adopted in accordance with the Bylaws of CBL and recorded in the Minutes of CBL, and not subsequently rescinded or modified:

**ACTIONS BY WRITTEN CONSENT OF  
THE BOARD OF DIRECTORS OF  
COLORADO BANKERS LIFE INSURANCE COMPANY  
IN LIEU OF MEETING**

**June 26, 2019**

Pursuant to Section 55-8-21 of the General Statutes of North Carolina, the undersigned, constituting all the acting members of the Board of Directors (the "Board") of Colorado Bankers Life Insurance Company, a North Carolina insurance company subject to regulation by the Commissioner of Insurance of the State of North Carolina pursuant to Chapter 58 of the North Carolina General Statutes ("CBL" or the "Company"), hereby take the following actions and adopt the following resolutions:

## AUTHORIZATIONS

**WHEREAS**, CBL, Southland National Insurance Corporation (“SNIC”), Bankers Life Insurance Company (“BLIC”) are each a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner of Insurance of the State of North Carolina (the “Commissioner”) pursuant to Chapter 58 of the North Carolina General Statutes, and Southland National Reinsurance Corporation (“SNRC”) is a licensed North Carolina captive insurance company subject to regulation by the Commissioner pursuant to Chapter 58 of the North Carolina General Statutes and engaged in the business of reinsurance (each a “North Carolina Insurance Company” and collectively, the “North Carolina Insurance Companies”); and,

**WHEREAS**, pursuant to N.C. Gen. Stat. § 58-30-75(12), the Commissioner may petition the Superior Court of Wake County for an order authorizing the Commissioner to rehabilitate a domestic insurer or an alien insurer domiciled in North Carolina if the board of directors, or the holders of a majority of the shares entitled to vote, of such insurer, or a majority of those individuals entitled to the control of those persons specified in N.C. Gen. Stat. § 58-30-5, request or consent to rehabilitation under Chapter 58, Article 30 of the N.C. General Statutes; and,

**WHEREAS**, it is in the best interest of the Company to grant consent to the commencement of a proceeding to rehabilitate the Company and the other North Carolina Insurance Companies in accordance with Chapter 58, Article 30 of the N.C. General Statutes (the “Rehabilitation Proceeding”); and

**WHEREAS**, it is in the best interest of the Company to authorize and direct the Corporate Secretary of CBL to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and to receive such process and the associated copy of a *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* to be filed on behalf of the Commissioner to commence the Rehabilitation Proceeding; and

**WHEREAS**, it is in the best interest of CBL to authorize and direct the Corporate Secretary to thereafter receive on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding.

**NOW, THEREFORE, LET IT BE:**

**RESOLVED**, that the duly elected and installed Board of Directors of CBL hereby consent to the entry an Order of Rehabilitation and Preliminary Injunction pertaining to the Company and the other North Carolina Insurance Companies commencing the Rehabilitation Proceeding and granting that other relief as requested in that certain *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as provided to CBL on behalf of the Commissioner on June 21, 2019, or in substantially the same form as provided to CBL on behalf of the Commissioner on June 21, 2019, and herewith also authorize and direct the Chief Executive Officer to determine, in his sole discretion, and to confirm by his signature that the final form of such verified petition and associated relief as is therein requested is in substantially the same form as said draft of June 21, 2019; and

**RESOLVED**, that each of the Chief Executive Officer and the Corporate Secretary of CBL is hereby authorized and directed to personally execute a Certificate of Corporate Resolution and Consent to Rehabilitation on behalf of the Company and to thereafter deliver same to the Commissioner or his agents or attorneys for use to formally commence the Rehabilitation Proceeding; and

**RESOLVED**, that the Corporate Secretary of CBL is hereby authorized and directed to formally accept service of the summons issued by the Superior Court of Wake County North Carolina pursuant to N.C. Gen. Stat. § 1A-1, Rule 4, and the associated *VERIFIED PETITION FOR AN ORDER OF REHABILITATION, AN ORDER APPOINTING RECEIVER, AND INJUNCTIVE RELIEF* as is actually filed on behalf of the Commissioner with said Court to commence the Rehabilitation Proceeding; and

**RESOLVED**, that the Corporate Secretary of CBL is hereby authorized and directed to thereafter accept and receive delivery on behalf of the Board of Directors on an on-going basis all subsequent notices and other filings made in the Rehabilitation Proceeding and served on CBL using First Class Mail, of the United States Postal Service; and further

**RESOLVED**, that each of the Chief Executive Officer and the Corporate Secretary of the Company (each such person, an "Authorized Officer") be, and hereby, is authorized and directed to take all such further actions and to execute and deliver, in the name and on behalf of the Company, all such further documents and instruments as deemed necessary, desirable, advisable, or appropriate to effectuate or carry out the purposes of all of the foregoing resolutions and the events contemplated thereby; and that the taking of each such action, and the execution and delivery of each such document or instrument shall be conclusive evidence of its necessity or advisability.

IN WITNESS WHEREOF, the undersigned have executed this Action by Written Consent of the Board of Directors of Colorado Bankers Life Insurance Company in lieu of a meeting as of the date set forth above, which may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. This action shall be filed with the minutes of proceedings of the Board of Directors and shall be effective as of the date first above written. Any copy, facsimile, or other reliable reproduction of this action may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile, or other reproduction be a complete reproduction of the entire original writing.

The undersigned have hereunto subscribed their names this 27 day of June, 2019.

Colorado Bankers Life Insurance Company

By: 

Lou Hensley

Chief Executive Officer

Colorado Bankers Life Insurance Company

By: 

Tamre Edwards

Corporate Secretary

Colorado Bankers Life Insurance Company



STATE OR NORTH CAROLINA

COUNTY OF WAKE

)  
) CONSENT OF GREG LINDBERG,  
) CONTROLLING SHAREHOLDER  
)  
)

GREG LINDBERG, pursuant to N.C. Gen. Stat. § 58-30-75(12), and as Controlling Shareholder for the companies, consents to the entry of the Order of Rehabilitation; Order Appointing Receiver; and Order Granting Injunctive Relief.

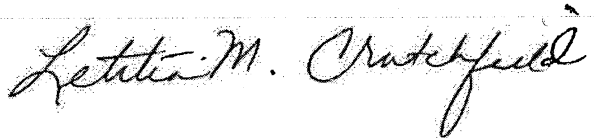
Controlling Shareholder

By:

  
Greg Lindberg

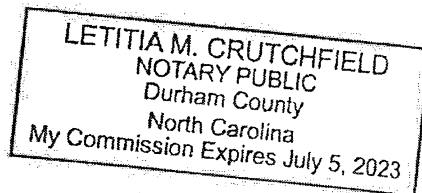
Sworn to and subscribed before me  
this 27<sup>th</sup> day of June, 2019.

Letitia M. Crutchfield  
Notary Public



My Commission Expires: July 5, 2023

(Official Seal)



# Tab D

IN THE GENERAL COURT OF JUSTICE

**FILED SUPERIOR COURT DIVISION**  
**FILE NO.**

FILE NO.

2019 JUN 27 P 1:45

19 CV 008664

DATE COMPLETED \_\_\_\_\_  
BY \_\_\_\_\_

**Petitioner,**

V.

**SOUTHLAND NATIONAL  
INSURANCE CORPORATION,  
SOUTHLAND NATIONAL  
REINSURANCE CORPORATION,  
BANKERS LIFE INSURANCE  
COMPANY, COLORADO BANKERS  
LIFE INSURANCE COMPANY,  
North Carolina Domiciled  
Insurance Companies,**

**ORDER OF REHABILITATION,  
ORDER APPOINTING  
RECEIVER, AND ORDER  
GRANTING INJUNCTIVE RELIEF**

### Respondents.

THIS CAUSE came to be heard and was heard on June 27, 2019, before the undersigned Judge presiding over the Superior Court of Wake County, North Carolina, upon the Verified Petition filed by Petitioner Mike Causey, Commissioner of Insurance of the State of North Carolina ("Petitioner"), seeking the entry of an Order of Rehabilitation against Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), (collectively the "Companies" and hereinafter "Respondents"), appointment of a Receiver and injunctive relief. Based upon the verified Petition presented, the arguments and representations of counsel, and other representations of the parties, the Court makes the following:

### FINDINGS OF FACT

1. The Petitioner is the Commissioner of Insurance of the state of North Carolina.
2. SNIC is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
3. SNRC is licensed as a North Carolina captive insurance company subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes. SNRC is engaged in the business of reinsurance.
4. BLIC is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
5. CBL is a licensed North Carolina domestic life and accident and health insurer subject to regulation by the Commissioner, pursuant to Chapter 58 of the North Carolina General Statutes.
6. Respondents' principal place of business is located at 2327 Englert Drive, Durham, Durham County, North Carolina.
7. Greg E. Lindberg is the controlling shareholder of Respondents ("Controlling Shareholder").
8. Based upon the facts set forth in the Petition, grounds for the appointment of a Rehabilitator have been shown under N.C. Gen. Stat. § 58-30-75.
9. Respondents consent to being placed into rehabilitation, the appointment of Petitioner as receiver, and the entry of injunctive relief. The Consent of Respondents' Board of

Directors and the Controlling Shareholder for the Respondents is attached to the verified Petition.

### CONCLUSIONS OF LAW

1. The Petitioner is the Commissioner of Insurance of the State of North Carolina, and the Petitioner has initiated this action in his official capacity on behalf of the State of North Carolina pursuant to N.C. Gen. Stat. §§ 58-30-15, 58-30-20, 58-30-22, 58-30-25, 58-30-71, 58-30-75, 58-30-80, 58-30-85 and Article 38 of Chapter 1 of the North Carolina General Statutes by filing a Petition and summons with the Clerk of Superior Court of Wake County.

2. Respondents are now subject to the provisions of the Article 30 of Chapter 58 of the North Carolina General Statutes.

3. Grounds for the entry of an Order of Rehabilitation and injunctive relief have been demonstrated by the Petitioner.

4. The Petitioner is entitled to appointment as Rehabilitator under the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

NOW, THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED as follows:

1. Mike Causey, Commissioner of Insurance of the State of North Carolina, is HEREBY APPOINTED as Rehabilitator of Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), pursuant to the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes.

2. Pursuant to Article 30 of Chapter 58 of the North Carolina General Statutes, title to all assets of the Respondents are hereby vested in the Rehabilitator; and the filing or recording of this Order with the Clerk of the Superior Court and the Register of Deeds of the County in which

the Respondents' principal office or place of business is located; or, in the case of real estate, with the Register of Deeds of the county where the real property is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Register of Deeds, would have imparted.

3. The Rehabilitator is hereby authorized, empowered and directed to take into his possession and control all property, stocks, bonds, securities, bank accounts, savings accounts, monies, accounts receivable, books, papers, records, data bases, printouts and computations, whether stored by microfilm, electronic, optical, magnetic or other means, whether stored in tapes, disks, or other media, and all other assets of any and all kinds and nature whatsoever belonging to the Respondents, wherever located, and to conduct Respondents' business and administer Respondents' assets and affairs under the general supervision of this Court.

4. The Rehabilitator is hereby vested with all other powers, authority, and duties provided by Article 30 of Chapter 58 of the North Carolina General Statutes.

5. Pursuant to N.C. Gen. Stat. § 58-30-85, the Rehabilitator is hereby authorized to appoint a Special Deputy Rehabilitator to act for the Rehabilitator in connection with this delinquency proceeding against the Respondents and that said Special Deputy Rehabilitator is authorized to employ at the prevailing customary rates such counsel, clerks or assistants as the Rehabilitator or said Special Deputy Rehabilitator shall deem to be necessary, or to utilize State employees for said purposes if he has determined that the use of State employees to conduct certain aspects of the rehabilitation is the most cost effective method of administering this delinquency proceeding and that this action benefits the estate and its creditors; and the said Rehabilitator or Special Deputy Rehabilitator are further authorized to obtain such bonds, errors and omissions type insurance, or excess liability insurance in addition to any such insurance that

may be already provided for employees of the North Carolina Department of Insurance, as a reasonably prudent person charged with the Rehabilitator's duties would deem to be appropriate; and that all expenses of taking possession of Respondents and of conducting the delinquency proceedings against Respondents, shall be paid out of the funds of the Respondents pursuant to N.C. Gen. Stat. § 58-30-85.

6. Pursuant to N.C. Gen. Stat. § 58-30-85, the Rehabilitator is hereby authorized to contract with an independent third-party paid from the assets of Respondents in order to assist in carrying out the duties of rehabilitation. It is expressly ordered that the Rehabilitator is hereby authorized to contract with the same consultant hired by the Commissioner of Insurance for the purposes of the administrative supervision of Respondents. The independent third-party shall act on behalf of the Commissioner and shall have the full authority of the Commissioner.

7. The Rehabilitator is authorized, empowered and directed to incur such expenses for communication and traveling expenses for himself, his agents or attorneys as may be necessary in the proper administration of his duties as Rehabilitator and also to incur such other expenses as the Rehabilitator may deem advisable or necessary in order to properly conduct and perform his duties as Rehabilitator.

8. The Rehabilitator is authorized to accept renewals on behalf of the Respondents, in the discretion of the Rehabilitator.

9. The Rehabilitator is authorized to notify state or federal regulators of this action.

#### APPOINTMENT OF RECEIVER

10. Mike Causey, Commissioner of Insurance of the State of North Carolina, is HEREBY APPOINTED as Receiver of the Respondents, pursuant to the provisions of Article 38 of Chapter 1 of the North Carolina General Statutes. Said Receiver is hereby vested with such

other powers, authority, and duties as are provided by Article 38 of Chapter 1 of the North Carolina General Statutes.

#### INJUNCTION AGAINST INTERFERENCE WITH REHABILITATION

11. Injunctive relief pursuant to N.C. Gen. Stat. § 58-30-20 is HEREBY GRANTED prohibiting any person from interfering in any manner with the property or assets of Respondents or with said Rehabilitator in the performance of his duties, and further enjoining and restraining any person from instituting or prosecuting any suit or other action against the Rehabilitator or the Respondents' property except by the prior permission of this Court first had and obtained; a stay is hereby granted prohibiting all persons, firms and corporations with notice of this Court's Order from obtaining preferences, judgments, attachments, garnishments, or liens against Respondents or their assets, or the levying of execution or foreclosure against Respondents or their assets, until further order of the Court; Respondents, their trustees, officers, directors, agents, employees, or third party administrators, and all other persons are enjoined or restrained from the disposition, waste or impairment of any of Respondents' property, assets, or records; the transaction of further business of Respondents is enjoined unless supervised and approved by the Rehabilitator or his agents or deputies, until further order of the Court; all such persons are ordered to transfer to the Rehabilitator any and all property of Respondents wheresoever situated, and Respondents, their trustees, officers, agents, servants, employees, third party administrators, directors or attorneys are enjoined and restrained from doing or permitting to be done anything which may allow or suffer the obtainment of preferences, judgments, attachments or other liens, or the initiation of levying against Respondents, without permission of this Court.

#### ACCOUNTING AND REPORTING



12. Until further order of this Court, Pursuant to N.C. Gen. Stat. § 58-30-80(b), the Rehabilitator shall make quarterly reports to the undersigned Judge of Wake County Superior Court; the Rehabilitator shall include in said report a statement of receipts and disbursements to date and a balance sheet; that this report shall be filed in duplicate; one copy shall be filed with the Clerk of Superior Court and one copy shall be submitted to the Judge presiding over the rehabilitation.

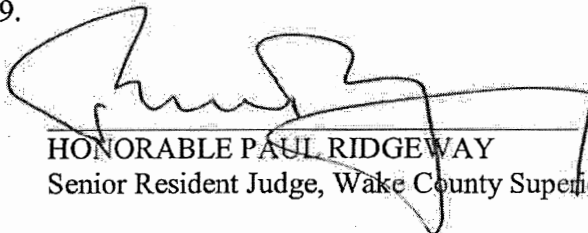
COMMISSIONER'S BOND

13. The official bond of the Petitioner, the Commissioner of Insurance of the State of North Carolina, shall be sufficient to serve for the faithful performance of his duties and obligations herein imposed.

14. This Order shall be effective as of the date it is filed.

15. This cause is retained for further orders.

This 27 day of June, 2019.



HONORABLE PAUL RIDGEWAY  
Senior Resident Judge, Wake County Superior Court

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this date I served the foregoing ORDER on Respondents by mailing copies thereof by first class U.S. Mail, addressed as follows:

Tamre Edwards  
Corporate Secretary  
Global Bankers Insurance Group  
2327 Englert Drive  
Durham, NC 27713

*Corporate Secretary for Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company*

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This the 27 day of June, 2019.

A handwritten signature in dark ink, appearing to read "Heather H. Freeman", is written over a horizontal line.

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