

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

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

Petitioner,

v

PAVONIA LIFE INSURANCE COMPANY
OF MICHIGAN,

Respondent.

Case No. 19-504-CR

HON. WANDA M. STOKES

[IN REHABILITATION]

Christopher L. Kerr (P57131)
Assistant Attorney General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30736
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(517) 335-7632

**EX PARTE PETITION FOR APPROVAL OF WILLIS TOWERS WATSON'S
COMPENSATION AS VALUATION ACTUARIES**

Anita G. Fox, Director of the Michigan Department of Insurance and Financial Services ("DIFS"), as statutory and Court-appointed Rehabilitator of Pavonia Life Insurance Company of Michigan (the "Rehabilitator"), by and through her attorneys, Dana Nessel, Attorney General, and Christopher L. Kerr, Assistant Attorney General, petitions this Court pursuant to MCL 500.8114(1) to approve the compensation to be paid to Willis Towers Watson ("Willis Towers") in connection with its employment as valuation actuaries for Pavonia Life Insurance Company of

Michigan ("Pavonia"). In support of this *Ex Parte* Petition, the Rehabilitator states as follows:

1. On July 9, 2019, this Court entered a Stipulated Order placing Pavonia into Rehabilitation and appointing the DIFS Director as the Rehabilitator of Pavonia ("Rehabilitation Order"). The Rehabilitator further appointed James E. Gerber, Janice Sylvertooth, and Julianne Gulliver as Special Deputy Rehabilitators, whose compensation this Court approved.

2. MCL 500.8114(1) authorizes the Rehabilitator to employ such assistants as she considers necessary to carry out her functions as Rehabilitator.

3. MCL 500.8114(1) further authorizes the Rehabilitator to fix, with the Court's approval, the compensation of any such employed assistants.

4. Pursuant to MCL 500.8114(1), any person appointed by the Rehabilitator shall serve at her pleasure.

5. To assist with performing a valuation of Pavonia for a potential future transaction involving the company, the Rehabilitator has employed Willis Towers to serve as valuation actuaries. The Statement of Work entered into between Willis Towers and Special Deputy Rehabilitator James E. Gerber, on behalf of Pavonia, has been fully executed by the parties and is attached as Exhibit A. Pursuant to the Statement of Work, Willis Towers will assist the Rehabilitator with developing an actuarial appraisal of Pavonia. (Exhibit A, p 1.)

6. The Rehabilitator has fixed Willis Towers' compensation as valuation actuaries under the terms of the attached Statement of Work and requests the

Court to approve this compensation pursuant to MCL 500.8114(1). Specifically, Willis Towers will develop an actuarial appraisal of Pavonia for the estimated total amount of \$250,000 to \$275,000, which includes hourly time charges, the associated technical and administrative fees (7% of time charges), direct expenses, and any applicable sales taxes. (Exhibit A, p 3.) Willis Towers will further cap its fees at a maximum of \$275,000 for the Pavonia appraisal report development. (*Id.*)

7. Willis Towers is well-qualified to serve as valuation actuaries for Pavonia and to assist the Rehabilitator and Special Deputy Rehabilitators with performing these necessary services. Willis Towers is a leading global advisory company that is publicly traded on NASDAQ. According to its website (www.willistowerswatson.com), Willis Towers has roots dating back to 1828 and 45,000 employees serving more than 140 countries. Moreover, as reflected in the attached Statement of Work, Willis Towers is assigning no fewer than seven employees to the Pavonia valuation project, each of whom has extensive experience with performing this type of work. (Exhibit A, pp 8-9.)

8. Three different companies submitted proposals to serve as valuation actuaries for Pavonia. One of these companies proposed completing a draft of the Pavonia appraisal report in six weeks at an estimated cost of \$800,000 to \$1 million. A second company proposed completing the Pavonia appraisal report in six to eight weeks at an estimated cost of \$400,000 to \$500,000. Lastly, Willis Towers proposed completing the Pavonia appraisal report in four weeks at an estimated cost of \$250,000 to \$275,000, while capping its fees at a maximum of \$275,000. (Exhibit A,

pp 2-3.) After reviewing these proposals, Special Deputy Rehabilitator James E. Gerber opted to employ Willis Towers because it has the expertise required to serve as valuation actuaries for Pavonia and can complete the Pavonia appraisal report in the shortest amount of time and at the lowest cost.

9. Consistent with MCL 500.8114(1), Willis Towers will serve at the pleasure of the Rehabilitator, subject to the terms of the Statement of Work. The Statement of Work provides for termination by either party on 30 days' written notice to the other party. (Exhibit A, p 12.) In the event of termination, Willis Towers is entitled to be paid for any services rendered up to the effective date of termination, along with expenses incurred. (*Id.* at 12-13.)

10. Pursuant to MCL 500.8114(1) and paragraph 15 of the Rehabilitation Order, and upon the Court's approval, Willis Towers' compensation shall be paid from the available funds and assets of Pavonia. Although it is not expected to occur, if Pavonia does not possess sufficient cash or liquid assets to pay Willis Towers' compensation, the Rehabilitator may advance (but is not required to advance) the necessary funds, and such amounts shall be repaid out of the first available money of Pavonia.

11. The Rehabilitator and Special Deputy Rehabilitator James E. Gerber have determined that Willis Towers' employment as valuation actuaries for Pavonia, together with the compensation to be paid Willis Towers in exchange for its services, are necessary and appropriate for the effective and efficient

administration of this rehabilitation proceeding and will assist in providing the maximum protection to creditors, policyholders, and the public.

12. Personally serving this *Ex Parte* Petition and any resulting Order on any individuals or entities that may have a general interest in Pavonia's rehabilitation would be impractical at this time because there is no risk, given Pavonia's solvent financial condition, that the Court's approval of Willis Towers' compensation and authorization to serve this *Ex Parte* Petition and any resulting Order by posting electronic copies on the DIFS website would negatively affect any of Pavonia's creditors, policyholders, or the public. Moreover, attempting to identify and personally notify every individual or entity having such a general interest would be time-intensive and costly to Pavonia's rehabilitation estate. For these reasons, the Rehabilitator requests that the Court authorize, approve, and/or ratify service of this *Ex Parte* Petition and any resulting Order by posting electronic copies on the DIFS website, www.michigan.gov/difs, under the section "Who We Regulate," the subsection "Receiverships," and the sub-subsection "Pavonia Life Insurance." Service in this manner is reasonably calculated to give potentially interested individuals and entities actual notice of these proceedings and is otherwise reasonable under the circumstances.

13. As further protection for this Court and any potentially interested individuals or entities, the proposed Order attached as Exhibit B expressly provides that Pavonia (through Special Deputy Rehabilitator James E. Gerber) will only instruct Willis Towers to commence the valuation services contained in the

Statement of Work, and thereby become responsible for compensating Willis Towers, after twenty-one (21) calendar days have elapsed following entry of this Court's approval Order, which is the applicable appeal period (the "Appeal Period"). Accordingly: (a) any potentially interested individual or entity will receive notice of this *Ex Parte* Petition and any resulting Order through the DIFS website posting; (b) any such individual or entity having standing can timely object to or appeal the Court's approval Order during the Appeal Period; and (c) Pavonia (through Special Deputy Rehabilitator James E. Gerber) will not instruct Willis Towers to commence the valuation services contained in the Statement of Work until the Appeal Period has expired, or if a valid objection or appeal has been timely filed, until such objection or appeal is fully and finally resolved. This procedure provides additional due process and ensures the ability of individuals or entities having standing to timely object to or appeal the Court's approval Order, although no such objection or appeal is anticipated.

WHEREFORE, for the reasons stated above, the Rehabilitator respectfully requests this Court to enter the *Ex Parte* Order in the form attached as Exhibit B, which: (a) approves the compensation to be paid to Willis Towers, as fixed by the Rehabilitator in the attached Statement of Work; and (b) authorizes, approves, and/or ratifies service of this *Ex Parte* Petition and the attached *Ex Parte* Order by posting electronic copies on the "Pavonia Life Insurance" section of the DIFS website.

Respectfully submitted,

Dana Nessel
Attorney General

A handwritten signature in black ink, appearing to read "Christopher Kerr", written over a large, stylized "D" or "C" mark.

Christopher L. Kerr (P57131)
Assistant Attorney General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30736
Lansing, MI 48909
(517) 335-7632

Dated: September 17, 2021

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WillisTowersWatson

September 8, 2021

James Gerber, CFE
Special Deputy Rehabilitator
Pavonia Life Insurance Company of Michigan
2327 Englert Drive, Durham NC 27713

Subject: Statement of Work

Dear James:

This Statement of Work confirms the terms of engagement of the Willis Towers Watson entity identified below or any of its affiliates ("Willis Towers Watson," "we" or "us") by the Pavonia Life Insurance Company of Michigan ("Pavonia" or "you"), by and through its duly appointed Special Deputy Rehabilitator James Gerber ("Deputy Rehabilitator") to assist the Deputy Rehabilitator in developing an actuarial appraisal of Pavonia.

Pursuant to the Thirtieth Judicial Circuit Court of Ingham County, Michigan's Stipulated Order dated July 9, 2019 ("Stipulated Order"), Pavonia was placed into Rehabilitation governed by Michigan law and the Deputy Rehabilitator was appointed to maintain all powers and responsibilities of a Rehabilitator granted under Michigan Compiled Laws § 500.8114. (Stipulated Order ¶¶ 1 and 26).

Pursuant to Michigan Compiled Laws § 500.8113(1) and the Stipulated Order, the legal title of all assets, accounts, and moneys of Pavonia are vested in the Deputy Rehabilitator. (Stipulated Order ¶ 4). The Deputy Rehabilitator may take necessary action to reform or revitalize Pavonia and may pursue all avenues of reorganization, consolidation, conversion, reinsurance, or otherwise to effectuate such duties. (Stipulated Order ¶ 11; Mich. Comp. Laws § 500.8114(1)). The Deputy Rehabilitator is authorized to employ "counsel, clerks, and assistants as considered necessary" to carry out such functions as Deputy Rehabilitator and fix the compensation of such "counsel, clerks, and assistants" with approval of the court, to be paid out of the funds or assets of Pavonia. (Mich. Comp. Laws § 500.8114(1)). The Deputy Rehabilitator may exercise the full and complete power of Pavonia's directors, officers, and managers pursuant to the Stipulated Order and Michigan Compiled Laws § 500.8114(2).

Accordingly, the Deputy Rehabilitator represents, through execution of this Agreement below, that the engagement of Willis Towers Watson through this Statement of Work is necessary to execute the duties of the Rehabilitator according to Michigan Compiled Laws § 500.8114(1). The Deputy Rehabilitator hereby represents that he has such power and authority under Michigan Compiled Laws and the Stipulated Order to execute this Statement of Work for and on behalf of Pavonia, binding Pavonia to all of its terms. Furthermore, the Deputy Rehabilitator represents that he will file an appropriate motion, petition, or application for court approval of the

Nick Komissarov FSA/FCIA, MAAA
Senior Director

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compensation of Willis Towers Watson pursuant to the Agreement, within ten (10) days of the date this Agreement is executed, will otherwise use reasonable best efforts to obtain court approval, and will keep Willis Towers Watson reasonably informed of such efforts.

Scope of Services

Willis Towers Watson will provide the consulting services described in Attachment 1 to this Statement of Work. Karen Grote and Nick Komissarov will serve as the engagement leaders of this project and will have responsibility for its overall success. Hillary Chen will serve as the project manager and the day-to-day contact for all aspects of the project. Jack Gibson will serve as the Subject Matter Expert on rehabilitation and mergers and acquisitions (M&A). Lori Helge will serve as the Subject Matter Expert on structured settlement annuities. Other Willis Towers Watson personnel may assist with the project as needed.

We estimate that the appraisal report development will be completed within 4 weeks following acceptance of this Statement of Work and our receipt of the necessary data. We will work closely with you on scheduling and use reasonable efforts to adhere to this schedule, but we cannot guarantee that this schedule will be met.

Terms and Conditions of Engagement

The services described in Attachment 1 and any other services that Willis Towers Watson provides to Pavonia will be provided subject to the Master Services Agreement in Attachment 2.

Other Services

We recognize that you may also ask us, from time to time, to provide other services.

For incidental additional services we would usually provide those services without the need for an additional signed statement of work but simply to let you have an indication of the scope of the further services that we propose to provide. The work undertaken in those cases will be undertaken under the terms of this Statement of Work.

In the case of more substantial projects or pieces of advice we reserve the right to issue further, separate, statements of work setting out in full the terms upon which we would be willing to undertake the project, or provide the advice, in question.

Fees and Expenses

Time and Expenses

We will charge on an hourly rate basis for the services in connection with the project. Our charges will consist of the following components:

- hourly time charges for personnel performing services at our hourly rates in effect at the time of performance;
- data processing and intellectual property charges, if applicable;
- a technical and administrative fee equal to 7% of our hourly time charges and any data processing and intellectual capital charges;

- reimbursement, at cost, of direct expenses reasonably incurred by us in connection with the performance of our services, such as any pre-approved travel, lodging or and other out-of-pocket expenses, and itemized extraordinary expenses such as large-volume color printing, large-volume courier shipments and the like, plus an administrative fee of 5% of any vendor charges other than travel, unless arrangements are made in advance for charges to be invoiced to and paid by you directly; and
- the amount of any tax or similar assessment based upon our charges.

If at any point in this assignment we conclude that actual charges will significantly exceed our estimate, we will discuss the situation with you.

Fees Estimate

Our good-faith estimate of hourly time charges for this project is \$250,000 to \$275,000, which includes the associated technical and administrative fees (7% of time charges), direct expenses and any applicable sales taxes. We will cap our fees at a maximum of \$275,000 for the appraisal report development.

Invoicing and Payment

We will bill you monthly for charges accrued in the performance of the services. Our invoice will itemize our charges, and at your request, we will submit reasonable documentation to verify any reimbursable direct expense that exceeds \$100. If you have any questions about any of our invoices, you must notify us within 30 days from the date of the invoice.

Additional Legal Terms

The following terms shall apply in addition to the Master Services. Words that are given defined meanings in the Master Services Agreement shall have the same meaning in these additional legal terms. In the event of any conflict between any of the terms set out herein and any terms set out in the Master Services Agreement, the provisions set out herein shall always prevail unless the contrary is expressly agreed in writing.

Intellectual Property Rights and Work Product

The following provision shall apply in addition to the "Proprietary Rights" clause in the Agreement: You may provide copies of the final report(s) prepared by us under this Statement of Work to prospective purchasers of the relevant assets and liabilities of the entity being divested who are institutional investors or insurance companies, provided that: (a) you notify Willis Towers Watson prior to such disclosure of the identity of each prospective purchaser and we consent in writing to such disclosure, which consent shall not be unreasonably withheld or delayed; (b) the entire report is provided; (c) you advise each party to whom a copy of such report is given that such party may at your expense contact Willis Towers Watson to discuss the report; and (d) such party agrees to sign a disclaimer and release letter in terms acceptable to Willis Towers Watson, thereby undertaking not to distribute the report to any other party and not to make any claim against Willis Towers Watson based on the report or data contained therein or otherwise assert any duty or liability by Willis Towers Watson to such party.

Third Party Indemnification

The following provision shall apply in addition to the "Indemnification" clause in the Agreement. You agree to indemnify, defend and hold harmless Willis Towers Watson and our affiliates and our and their employees, agents and directors (collectively the "Indemnified Parties") from and against all Damages arising from third party claims, lawsuits, subpoenas or other legal proceedings ("Claims") (including any third party to whom our work product has been disclosed with or without our consent) relating to Willis Towers Watson's performance of services under this Statement of Work, unless such damages, losses, liabilities or expenses are determined by a final judgment of a court to have resulted primarily from the willful misconduct of Willis Towers Watson.

Willis Towers Watson shall give Pavonia notice of any Claims subject to indemnification. Failure to give timely notice will not affect any rights to indemnification hereunder unless and only to the extent that Pavonia demonstrates actual damage caused by such failure.

Unless otherwise directed by Willis Towers Watson, Pavonia shall: (a) take control of the investigation and defense of the Claim; (b) employ and engage attorneys of its own choice to handle and defend the Claim at Pavonia's cost, risk and expense; and (c) subject to the next sentence compromise or settle the Claim. No compromise or settlement of the Claim may be made without the written consent of Willis Towers Watson, and Willis Towers Watson may withhold such consent if such compromise or settlement would (x) adversely affect Willis Towers Watson's business, (y) require less than a full and unconditional release with respect to the Claim, or (z) require Willis Towers Watson to admit any guilt or wrongdoing.

If Pavonia fails to assume the defense of a Claim within fifteen (15) days after receipt of notice thereof, we may: (i) take control of the defense and investigation of the Claim; (ii) employ and engage attorneys of our own choice to handle and defend the Claim at Pavonia's cost, risk and expense; and (iii) subject to the next sentence, compromise or settle the Claim. In the event we take control of the defense of a Claim, no compromise or settlement of a Claim may be made without the written consent of Pavonia, which consent will not be unreasonably withheld or delayed. Willis Towers Watson's exercise of this right does not relieve Pavonia of its obligation to indemnify, defend, and hold harmless Willis Towers Watson as set forth in this Section. You also

agree to reimburse us for any of the aforesaid expenses promptly upon demand as they are incurred by us in connection with the investigation of, preparation for or defense of any Claim.

Pavonia shall pay all expenses due Willis Towers Watson under this Section as they become due. If Pavonia does not pay the expenses when due, Willis Towers Watson may settle any Claim under this Section without Pavonia's consent and without waiving any of Willis Towers Watson's rights against Pavonia. Pavonia shall reimburse Willis Towers Watson for any costs or expenses, including reasonable attorneys' fees, incurred by Willis Towers Watson in enforcing its rights against Pavonia under this Section.

All parties will provide all other parties with reasonable access to all records, documents, and personnel reasonably necessary for the defense of Claims subject to indemnification and keep all other parties fully informed relating to any such Claim.

Your obligations under this provision will be binding upon your successors and assigns and will inure to the benefit of the Indemnified Parties and their successors, assigns and personal representatives.

Non-solicitation

During the Term of this Statement of Work, and for a period of twelve (12) months from the conclusion of the services covered by this Statement of Work, the employees of a party who directly deliver or receive the services and/or who work directly with the other party on this engagement ("Restricted Employees") shall not solicit or cause to be solicited to hire as an employee any Restricted Employee of the other party; provided that a party shall not be precluded from soliciting or hiring, or taking any other action with respect to, any Restricted Employee (i) whose employment was terminated by the other party (including, for the avoidance of doubt, after the completion of the services) prior to commencement of employment discussions between the hiring party and such Restricted Employee or (ii) who responds to a general or public solicitation not targeted at such Restricted Employee (including by a bona fide search firm or pursuant to an online advertisement on its website). For purposes of this provision, "directly deliver or receive the services" and "work directly" shall mean that covered employees were involved in direct communications with one another and/or with the other party; this provision shall not apply to employees who worked indirectly or on a behind-the-scenes basis with respect to the delivery or receipt of services.

If this Statement of Work and Attachment 1 accurately describe the terms of our engagement, please have an authorized representative of Pavonia countersign below and return a set of countersigned documents to me for our records.

Willis Towers Watson appreciates the opportunity to be of service to Pavonia. Should you have any questions now or during the course of our engagement, please contact me.

WillisTowersWatson 

September 3, 2021

Sincerely,

**Signed by and on behalf of:
WILLIS TOWERS WATSON US LLC**

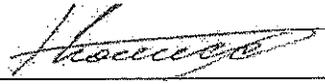


By: _____

Print Name: Karen Grote

Print Title: Senior Director

Date: September 8, 2021

By:  _____

Print Name: Nick Komissarov

Print Title: Senior Director

Date: September 8, 2021

**Accepted and agreed on behalf of:
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN**

By: Jim Gerber _____

Print Name: James Gerber

Print Title: Special Deputy Rehabilitator

Date: 9/8/2021

Attachment 1 (Scope of Services)

Attachment 2 (Master Services Agreement)

Attachment 1
Scope of Services

We will advise on certain components of an actuarial appraisal of the value of the Pavonia business as of a date that we will select together with you. The components of value to be considered are:

- the embedded value of the Pavonia blocks comprising:
 - the shareholders' net assets (including the value attributable to shareholders in respect of surplus assets in the long-term business funds); and
 - the value to shareholders of the in-force business;
- the cost of holding capital to meet the required minimum solvency margin.

Our assignment is to include the production of a report (the "Actuarial Appraisal Report") containing:

- a description of the business
- a summary of the components of value described above and the sensitivity of the values to changes in assumptions; and
- details of the methodology and assumptions used in the calculations.

Draft versions of any reports, opinions, conclusions or other information supplied by us must not be relied upon by any person for any purpose.

In carrying out our work and producing the Actuarial Appraisal Report, we will rely without independent verification upon the accuracy and completeness of the data and information provided to us, both in written and oral form. We will nevertheless review some of the information provided for reasonableness and consistency based on our knowledge of the life insurance and annuity industry.

If any data or information needed to determine appropriate assumptions or calculate the embedded value or the value of new business are not available or contain inconsistencies, we will develop estimates and approximations of those elements needed to develop the above components of value. Any such estimates and approximations will increase the uncertainty associated with our assessment of the value of the selected non-strategic blocks and we will expect this uncertainty to be reflected in the Actuarial Appraisal Report.

Assumptions will be made about future experience, including economic and investment experience, taxation, expenses, discontinuance rates, mortality, reinsurance and legislation. These assumptions will be made on the basis of reasonable estimates. However, actual future experience is likely to differ from these assumptions, due to random fluctuations, changes in the operating environment and other factors. Such variations in experience could have a significant effect on the results and conclusions of our work. No warranty is given by Willis Towers Watson that the assumptions made will be reflected in actual future experience.

We will provide additional advice as requested by you in connection with this project.

Timing

We estimate that it will take approximately 4 weeks to complete an actuarial appraisal for the Pavonia blocks once we receive all the required data for each product.

We will work closely with you on scheduling and use reasonable efforts to adhere to this schedule, but we cannot guarantee that this schedule will be met.

Week Number →	1	2	3	4
Phase 1: Data Processing				
Phase 2: Model Review / Build				
Phase 3: Model Runs				
Phase 4: Appraisal Report				

Staffing

The Willis Towers Watson project team will include the following individuals:

- **Karen Grote**, a Senior Director from our Philadelphia office, will serve as Engagement Leader for the project. Karen is the North American pension risk transfer (PRT) offering Leader at Willis Towers Watson and specializes in pension risk transfer, merger and acquisition work both on the buy and sell side, financial modeling, asset/liability analysis, assumption reviews and model validations of fixed indexed annuities, fixed annuities, variable annuities, immediate annuities and group annuities.
- **Nick Komissarov**, a Senior Director from our Chicago office, will serve as Engagement Leader for the project. Nick is the North American Life Insurance M&A Leader at Willis Towers Watson and specializes in merger and acquisition work both on the buy and sell side, financial modeling, U.S. Statutory regulations, asset/liability analysis and embedded value.
- **Hillary Chen**, a Senior Consultant based in our Chicago office, will serve as the Project Manager for the project. Hillary's recent experience includes pricing multiple M&A deals, including a large ~\$20 billion buy-side deal with complex structuring and capital optimization aspects.
- **Jack Gibson**, a Managing Director from our Chicago office, will serve as Subject Matter Expert for the project. Jack is widely known and recognized as one of the industry's top M&A experts. During his career, he has led well over 100 M&A assignments, representing both buyers and sellers and relating to a broad array of product lines and in many cases relating to cross-border activity involving companies throughout the world. His M&A projects have included actuarial appraisals, strategy assessment, preliminary target evaluation, actuarial due diligence, purchase GAAP calculations, and merger integration support.

- **Lori Helge**, a Director from our Chicago office, will serve as the Subject Matter Expert for the project. Lori's areas of expertise include insolvencies, financial modeling, actuarial appraisals and the role of the appointed actuary, with an emphasis on payout annuities and structured settlements. In addition, she has significant experience setting mortality assumptions for payout annuities and both standard and substandard structured settlements.
- **Sherry Jiang**, a Senior Consultant based in our Atlanta office, will serve as the Lead Modeler. Sherry's recent experience includes providing modeling support in GGY AXIS for sell-side M&A deals and deal modeling support in buy-side M&A deals.
- **Linh Pham**, a Consultant based in our Atlanta office, will serve as the Modeling Support. Linh's recent experience includes pricing IUL products in GGY AXIS and providing valuation support for variable annuities products.

We will also involve other resources as appropriate.

We will charge you for our services on an hourly rate basis. Current hourly rates are below. Our rates are typically adjusted annually on April 1st. These rates are effective as of April 1st, 2021.

Current Hourly Billing Rates	
Name (or Category)	Rate
Karen Grote, Engagement Leader	\$800
Nick Komissarov, Engagement Leader	\$800
Jack Gibson, Subject Matter Expert: Rehabilitation and M&A	\$825
Lori Helge, Subject Matter Expert: Structured Settlement Annuities	\$625
Hillary Chen, Project Manager	\$475
Sherry Jiang, Lead Modeler	\$475
Linh Pham, Modeling Support	\$400
Consultants	\$400 - \$475
Analysts	\$270 - \$355

Attachment 2

Willis Towers Watson and Pavonia Life Insurance Company of Michigan

Master Services Agreement

1. **Parties and Application.** This Master Services Agreement (the "**MSA**") covers all services, advice, Work Product (as defined below) (collectively, the "**Services**") provided by the Willis Towers Watson entity identified below ("**Willis Towers Watson**", "**we**", "**our**" or "**us**") to the entity identified below or any of its affiliates (collectively, the "**Client**", "**you**" or "**your**"). In this MSA, you and we will each be referred to as a "**Party**" and collectively as the "**Parties**".

The scope of services for each project will be agreed upon by you and us in a statement of work (the "**Statement of Work**") and shall, unless provided otherwise in the particular Statement of Work, incorporate the terms and conditions of this MSA. Affiliates of Willis Towers Watson also may enter Statement(s) of Work with you under this MSA.

2. **Fees and Expenses.** Expenses are charged in addition. We may also charge a technical and administrative fee of 7% of the consulting fees and an administrative fee of 5% of any vendor charges other than travel, unless arrangements are made in advance for charges to be invoiced to and paid by you directly.

Unless otherwise agreed, we will submit invoices for the Services provided and expenses incurred on a monthly basis. Invoices shall be paid within 30 days of receipt. In the event that invoices are not paid within that time, we shall be entitled to charge a late payment fee of the lesser of 1.0% per month or the maximum allowed by law.

Any fees or rates quoted or estimated shall be exclusive of income tax or of any sales, ad valorem, value added tax or any similar tax unless such tax is required to be included pursuant to a statutory requirement. If required, WTW will add the relevant tax to the invoice, separately stated, and remit such tax to the appropriate authority.

3. **Our Responsibilities.** We shall provide the Services in a professional manner with reasonable skill and care and in accordance with all laws and regulations applicable to us. We will assign to the project team, members of our staff with adequate education, training and experience to perform the tasks assigned to them. We will use reasonable endeavors to meet any agreed timetable.

The work product we produce in the course of providing the Services (the "**Work Product**") will not infringe any intellectual property right of any third party. Unless otherwise expressly agreed in writing, we do not accept any fiduciary or trust responsibilities or related liability in connection with the performance of the Services. We do not provide legal, accounting or tax advice.

4. **Your Responsibilities.** You will provide us, in a timely manner, with all documentation, information, access to your personnel, access to your premises (if applicable) and cooperation reasonably required to provide the Services. Any delay or failure to provide such documentation, information, access to your personnel or cooperation may result in: (a) a revision to any agreed timetable; and (b) if we are required to perform any additional work as a result, additional fees being charged. We will rely on the documentation and information provided by you or your representatives and we do not take responsibility for verifying the accuracy or completeness of it. You may rely only upon our final Work Product and not on any drafts or oral statements made by us in the course of performing the Services.

You represent that you are in compliance, and will continue to comply, with all laws, rules, regulations or government authority guidance applicable to you. If Willis Towers Watson determines that the services Willis Towers Watson performs for you relate to operations or activities prohibited by or inconsistent with any applicable law, rule, regulation or government authority guidance, it reserves the right to immediately terminate this Agreement in its entirety and/or decline to provide certain services.

5. **Intellectual Property Rights and Work Product.** You shall retain ownership of all original data and materials provided to us by you or your representatives, and the intellectual property rights in that data and materials. You will have the right to use, reproduce and adapt the copies of the Work Product for internal purposes within your organization. We shall retain the intellectual property rights in the Work Product, and the skills, know-how and methodologies used or acquired by us during the course of providing any of the Services.

The Services, including the Work Product, are provided solely for the intended purpose, and may not be referenced or distributed to any other party without our prior written consent. You may distribute the Work Product to your affiliates, provided that you ensure that each such affiliate complies with the terms and conditions of this MSA and any applicable Statement of Work, as if it were a party to them, and you remain responsible for such compliance.

You shall not refer to us or include any of the Work Product in any shareholder communication or in any offering materials (or fairness opinion provided by your professional advisers) prepared in connection with the public offering or private placement of any security, unless otherwise agreed in writing.

6. **Confidentiality and Data Privacy.** Each Party (the "Recipient") shall protect all confidential information which the other Party (the "Discloser") provides to it (whether orally, in writing or in any other form) ("**Confidential Information**") using the same standards as the Recipient applies to its own comparable confidential information, but in no event less than reasonable measures. Confidential Information shall not include information that is: (a) already known to the Recipient at the time of disclosure; (b) in the public domain or publicly available; (c) provided to it by a third party who is under no such obligation of confidentiality; (d) independently developed by it; or (e) is required to be disclosed by court order, regulatory authority or other legal process, provided that prior to disclosing any Confidential Information, the Recipient shall, if permitted by law, notify, and cooperate with the Discloser, at Discloser's expense, to lawfully limit and/or obtain appropriate protective orders with respect to such portion(s) of the Confidential Information which is the subject of any such required disclosure. Each Party may disclose Confidential Information to its legal advisers to protect its own legitimate interests or to comply with any legal or regulatory requirements.

In the course of providing the Services, the Parties acknowledge that you may provide us with information about an identifiable individual or information which relates to a natural person and allows that person to be identified, including your customer or employee information ("**Personal Data**"). It is further acknowledged that we are a global business and that we may transmit your information, including Personal Data within our global network of offices to our affiliates and providers of IT outsourcing who will be subject to appropriate data protection standards. You represent that Willis Towers Watson is authorized to receive and process any such Personal Data and that you have obtained any necessary consents from third parties, including the individual to whom such Personal Data relates, that may be required for us to use the Personal Data for the purpose of providing the Services. Irrespective of where we receive or hold Personal Data on your behalf, we will take appropriate technical, physical and organizational/administrative measures to protect it against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. Each Party shall comply with the provisions and obligations imposed on it by applicable data privacy legislation and regulations.

You agree that we may maintain, process and transfer your Confidential Information and Personal Data in order to perform the Services, and for other reasonable ancillary purposes, unless you instruct otherwise. We may retain such information and data as may be required by applicable law, regulation, or our record retention and business continuity policies and procedures.

In addition, you hereby grant us permission to use data we receive from you or your representatives in the course of the Services for use in industry benchmarking studies, trend analyses and research. We may use the results of these studies, analyses and research for various purposes, including articles and studies for distribution to our other clients and prospects. Any such articles or studies will not disclose your participation or mention the inclusion of your information to any other party. Any findings from these studies that may show individual participant results will be on a blinded basis, and not attribute any finding to a specific participant.

7. Limitation of Liability.

(a) If the Services do not conform to the requirements agreed between the Parties, you shall notify us promptly and we shall re-perform any non-conforming Services at no additional charge or, at our option, refund the portion of the fees paid with respect to such non-conforming Services. The re-performance of the Services or refund of the applicable fees is intended to provide an adequate remedy for any failure on our part to adhere to the requirements agreed between the Parties for the performance of Services. Whether or not such re-performance or refund would provide an adequate remedy for any loss or damage suffered by you or any third party, the aggregate liability taken together of Willis Towers Watson, our affiliates and our and their respective employees, directors, officers, agents and subcontractors ("**Related Persons**") arising from or in any way connected with the Services, whether in contract, tort (including, without limitation, negligence), or for breach of statutory duty or otherwise, shall not exceed in aggregate the greater of (i) \$250,000 or (ii) the total amount of the fees paid to us for the services provided pursuant to that Statement of Work during any 12-month period beginning with the commencement of that Statement of Work, unless otherwise agreed in writing. Notwithstanding the above, the foregoing shall not limit the liability of Willis Towers Watson or the Related Persons in the case of: (i) death or personal injury resulting from our or our Related Person's negligence; (ii) willful misconduct; (iii) fraud; or (iv) other liability to the extent that the same may not be excluded or limited as a matter of law.

(b) In no event shall we or any of our Related Persons or affiliates be liable for any incidental, special, punitive, or consequential damages of any kind (including, without limitation, loss of income, loss of profits, or other pecuniary loss), except to the extent such liability may not be excluded as a matter of law.

(c) Where we are jointly liable to you with another party, we shall to the extent permitted by law only be liable for those losses that correspond directly with our share of responsibility for the losses in question.

- 8. Third Parties.** For the avoidance of doubt, section 7 confers rights on the Related Persons which may be enforced by any of them. Otherwise, no person who is not a party to this MSA or any Statement of Work shall have the right to enforce any of these terms. We accept no responsibility for any consequences arising from any third party relying on the Work Product. If we agree to provide the Work Product to a third party, you are responsible for ensuring that the third party is made aware of the fact that they are not entitled to rely upon it. You agree to reimburse us for all costs (including reasonable legal fees) that we incur in responding to any requests or demands from third parties, pursuant to legal process or otherwise, for data or information related to the Services.

- 9. Termination.** Except as may otherwise be agreed in an applicable Statement of Work or other written agreement, either Party may terminate this MSA or any Statement of Work on 30 days' written notice to the other Party. We shall be entitled to be paid for Services rendered up to the effective date of any such

termination, and for expenses incurred. Any provision of this MSA or any Statement of Work that would be reasonably intended to apply after termination will do so, including paragraphs 5, 6, 7, 8, 11, 12, 13 and 14.

10. **Force Majeure.** Neither Party shall be liable for any delay or non-performance of its obligations arising under any Statement of Work caused by an event beyond its control (a "Force Majeure Event") provided that the Party affected gives prompt notice in writing to the other Party of such Force Majeure Event and uses all reasonable endeavors to continue to perform its obligations. Either Party may terminate any Statement of Work by written notice to the other with immediate effect if such Force Majeure Event continues for more than 3 months.
11. **Miscellaneous.** In respect of each project, this MSA, together with the applicable Statement of Work, sets out the complete and exclusive statement of agreement and understanding between the Parties, which supersedes and excludes all prior or contemporaneous proposals, understandings, agreements or representations, whether oral or written, with respect to the subject matter of the Statement of Work in question. Any modifications of or amendments to this MSA or a Statement of Work or a change to the Services must be in writing and agreed by the Parties. Should any provisions of this MSA or any provisions of a Statement of Work be declared void, illegal or otherwise unenforceable, the remainder shall survive unaffected.

Neither Party may assign or delegate any of its rights or obligations to any third party without the prior written consent of the other Party. Notwithstanding the foregoing, either Party may assign or delegate any of its rights and obligations to an affiliate. We reserve the right to employ subcontractors to assist in providing Services and to pass to them any information and materials they need to perform their work. Where we use affiliates or subcontractors to provide the Services, we will remain ultimately responsible for the provision of the Services.

Neither Party shall have any liability in respect of any statement (except in the case of fraud where the liability of each Party to the other shall be unlimited) made by such Party or on its behalf to the other Party which is not contained in this MSA or in the applicable Statement of Work and each Party acknowledges that it has not entered into this MSA or any Statement of Work, or will enter into a Statement of Work, in reliance on any representation by the other Party which is not contained in this MSA or the applicable Statement of Work.

We do not tolerate unethical behavior either in our own activities or in those with whom we seek to do business. We will comply with applicable laws, regulations, and rules.

12. **Sanctions and Export Control.** Sanctions and export control laws from the EU, United States, and other government authorities prohibit companies, including Willis Towers Watson, from conducting business in certain jurisdictions or with certain individuals. The restrictions may differ based on your business activity, ownership structure, and the location or nationality of your employees. Please inform us of any insurance or service requirements you have which touch upon goods, countries, entities or individuals subject to any sanctions or export controls. We will comply with all applicable sanctions and export control laws, and we are not responsible for actions taken by third parties based on their own sanctions or export control constraints.
13. **Dispute Resolution.** The Parties agree to work in good faith to resolve any disputes arising out of or in connection with this MSA or any Statement of Work. If a dispute cannot be resolved it shall be submitted to non-binding mediation in accordance with the Centre for Effective Dispute Resolution's model mediation procedure then in force before either Party pursues other remedies hereunder. If the mediation does not resolve the dispute and a Party or both Parties wish to pursue other remedies, the Parties agree that their

legal dispute shall be resolved without a jury trial and agree not to request or demand a jury trial. To the fullest extent permitted by applicable law, the Parties hereby irrevocably waive any right they may have to demand a jury trial. Any legal action arising out of or in connection with this MSA or any Statement of Work shall be within the exclusive jurisdiction of, and shall be adjudicated by, the Ingham County, Michigan, Circuit Court that is overseeing the rehabilitation of the Client.

To the extent the foregoing jury trial waiver is not enforceable under the governing law, except as provided below, any dispute arising out of or in connection with this MSA or any Statement of Work which the Parties are unable to resolve between themselves or through mediation as provided above, shall be resolved by binding arbitration in the state as provided for in paragraph 14 below, or other mutually agreed location, before a panel of three arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Under these circumstances, the arbitration proceeding will be the sole and exclusive means for resolving any dispute between the Parties, except for any dispute involving the ownership or use of work product or intellectual property, provided that either Party may seek an injunction or other equitable relief if such action is necessary to avoid irreparable damage or to preserve the status quo. Each Party shall have the right to select one of the arbitrators and the two arbitrators so selected will agree on the choice of the third arbitrator. Each Party will bear the expenses of the arbitrator it selects and one-half of the expenses of the third arbitrator and other costs related to the arbitration. Judgment on the award rendered by the arbitrators shall be final and binding, and may be entered in any court having jurisdiction thereof. The arbitration proceeding shall be confidential.

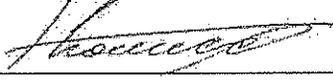
14. **Governing Law.** Any controversy, dispute or claim of any kind between the Parties shall be governed by and interpreted in accordance with the laws of the State of Michigan, without regard to any provisions governing conflicts of laws.

WillisTowersWatson 

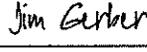
September 3, 2021

**Signed by and on behalf of:
WILLIS TOWERS WATSON US LLC**

By: 
Print Name: Karen Grote
Print Title: Senior Director
Date: September 8, 2021

By: 
Print Name: Nick Komissarov
Print Title: Senior Director
Date: September 8, 2021

**Accepted and agreed on behalf of:
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN**

By: 
Print Name: James Gerber
Print Title: Special Deputy Rehabilitator
Date: 9/8/2021

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

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

Petitioner,

Case No. 19-504-CR

HON. WANDA M. STOKES

v

PAVONIA LIFE INSURANCE COMPANY
OF MICHIGAN,

[IN REHABILITATION]

Respondent.

Christopher L. Kerr (P57131)
Assistant Attorney General
Attorneys for Petitioner
Corporate Oversight Division
P. O. Box 30736
Lansing, MI 48909
(517) 335-7632

**EX PARTE ORDER APPROVING WILLIS TOWERS WATSON'S
COMPENSATION AS VALUATION ACTUARIES**

At a session of said Court
held in the Circuit Courtrooms
for the County of Ingham,
State of Michigan, on the
_____ day of _____, 2021.

PRESENT: HONORABLE WANDA M. STOKES, CIRCUIT COURT JUDGE

WHEREAS, Anita G. Fox, Director of the Michigan Department of Insurance
and Financial Services ("DIFS") and statutory and Court-appointed Rehabilitator of

Pavonia Life Insurance Company of Michigan (the "Rehabilitator"), has filed an *Ex Parte* Petition for Approval of Willis Towers Watson's Compensation as Valuation Actuaries (the "*Ex Parte* Petition");

WHEREAS, MCL 500.8114(1) authorizes the Rehabilitator to employ such assistants as she considers necessary, whose compensation shall be fixed by the Rehabilitator with the approval of the Court; and

WHEREAS, the Rehabilitator and Special Deputy Rehabilitator James E. Gerber have determined that the employment of Willis Towers Watson ("Willis Towers") as valuation actuaries for Pavonia Life Insurance Company of Michigan ("Pavonia"), together with the compensation to be paid Willis Towers in exchange for its services, are necessary and appropriate for the effective and efficient administration of this rehabilitation proceeding and will assist in providing the maximum protection to creditors, policyholders, and the public;

NOW, THEREFORE, IT IS HEREBY ORDERED that the Court APPROVES the compensation to be paid Willis Towers, as fixed by the Rehabilitator pursuant to the terms set forth in the *Ex Parte* Petition and the Statement of Work attached as Exhibit A thereto, in connection with its employment as valuation actuaries for Pavonia.

IT IS FURTHER ORDERED that due to the difficulty and prohibitive-cost associated with personally serving the *Ex Parte* Petition and this Order on any individuals or entities that may have a general interest in Pavonia's rehabilitation, the Court authorizes, approves, and/or ratifies the Rehabilitator's service of the *Ex*

Parte Petition and this Order by posting electronic copies on the DIFS website, www.michigan.gov/difs, under the section “Who We Regulate,” the subsection “Receiverships,” and the sub-subsection, “Pavonia Life Insurance.” The Court finds that service in this manner is reasonably calculated to give potentially interested individuals and entities actual notice of these proceedings and is otherwise reasonable under the circumstances.

IT IS FURTHER ORDERED that Pavonia (through Special Deputy Rehabilitator James E. Gerber) will only instruct Willis Towers to commence the valuation services contained in the Statement of Work, and thereby become responsible for compensating Willis Towers, after twenty-one (21) calendar days have elapsed following entry of this approval Order, which is the applicable appeal period (the “Appeal Period”). Accordingly: (a) any potentially interested individual or entity will receive notice of the *Ex Parte* Petition and this Order through the DIFS website posting; (b) any such individual or entity having standing can timely object to or appeal this Order during the Appeal Period; and (c) Pavonia (through Special Deputy Rehabilitator James E. Gerber) will not instruct Willis Towers to commence the valuation services contained in the Statement of Work until the Appeal Period has expired, or if a valid objection or appeal has been timely filed, until such objection or appeal is fully and finally resolved. The Court finds that this procedure provides additional due process and ensures the ability of individuals or entities having standing to timely object to or appeal this approval Order.

IT IS SO ORDERED.

This Order does not resolve the last pending claim and does not close this case.

Honorable Wanda M. Stokes
Circuit Court Judge