

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



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January 13, 2020

Via Hand Delivery

Clerk of the Court
Ingham County Circuit Court
Mason Courthouse
341 S. Jefferson
Mason, Michigan 48854

**Re: *Anita G. Fox, Director of the Michigan Department of Insurance
and Financial Services v Pavonia Life Ins. Co. of Michigan
Case No. 19-504-CR; Honorable Wanda M. Stokes***


Dear Clerk of the Court:

Enclosed for filing with the Ingham County Circuit Court is the **Deputy Rehabilitator's First Report and Accounting dated January, 2020** relative to the above-captioned rehabilitation of Pavonia Life Insurance Company of Michigan ("Pavonia Life").

The report and attached exhibits were prepared by James Gerber, Special Deputy Rehabilitator of Pavonia Life, and his staff. Mr. Gerber has given his approval and authorization for filing the report. I enclose one original, signed by Mr. Gerber on January 13, 2020, together with all exhibits. I also enclose one complete Judge's copy of the report and all exhibits for Judge Stokes.

If you or Judge Stokes have any questions regarding this filing, please do not hesitate to contact me directly.

Sincerely,


Christopher L. Kerr (P57131)
Assistant Attorney General
Corporate Oversight Division
(517) 335-7632

Enc

cc: James Gerber, Special Deputy Rehabilitator (via e-mail only)

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

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

Petitioner,

File No. 19-504-CR

v

Hon. Wanda M. Stokes

PAVONIA LIFE INSURANCE
COMPANY OF MICHIGAN,

[IN REHABILITATION]

Respondent.

DEPUTY REHABILITATOR'S FIRST REPORT AND ACCOUNTING
January, 2020

Pursuant to this Court's July 9, 2019 Stipulated Order Placing Pavonia Life Insurance Company of Michigan into Rehabilitation and the provisions set forth therein (the "Rehabilitation Order"), the Deputy Rehabilitator hereby respectfully submits his first report and accounting to the Court regarding the rehabilitation of Pavonia Life Insurance Company of Michigan ("Pavonia Life") and its wholly-owned subsidiary, Global Bankers Insurance Group, LLC ("Service Company").

SUMMARY

This report covers significant developments for the period of July 9, 2019 through December 31, 2019.

The main developments covered in this report are as follows:

- Completed the claims submission process with 7 proofs of claim filed.
- The rehabilitation estate recovered \$882,880 in unused legal retainer fees.
- Filed a Plan of Rehabilitation on August 8, 2019 that remains subject to the Court's final approval.

- Settled two pending lawsuits with combined proof of claim exposure of \$210,612 for the aggregate amount of \$132,500.
- Reduced operating costs of Pavonia Life, including but not limited to by renegotiating a new legal representation engagement letter with Davis Polk that has already resulted in savings of \$120,000, and seeking reimbursement of other legal costs from Pavonia Life affiliates.
- Began the process of taking physical inventory of all the Service Company's equipment, computers, and furniture.
- Began the process of obtaining third-party administrator ("TPA") licenses for the Service Company in various states where such a license is required. This has resulted in the Service Company becoming licensed as a TPA in 10 states so far.
- Addressed other license and regulatory compliance issues of Pavonia Life with certain other state jurisdictions.

This report is divided into several sections. Those sections are as follows: Background, Insurance Products, Legal, Administrative, and Financial.

BACKGROUND

Pavonia Life was incorporated on December 18, 1980 as Hamilton National Life Insurance Company and received its Michigan certificate of authority on January 1, 1996. Pavonia Life adopted its current name on August 28, 2013. Pavonia Life is licensed to transact life and disability insurance. Pavonia Life's business includes but is not limited to term and whole life insurance policies, corporate-owned life insurance policies, credit life and disability policies, and periodic payment annuities. A majority of Pavonia Life's business consists of assumed reinsurance from other life insurance carriers. As of January 1, 2012, Pavonia Life ceased writing any new insurance business but does collect renewal insurance premiums and is currently in run-off. Prior to the rehabilitation, Pavonia Life was licensed in 48 other states, the District of Columbia, and Canada.

As of September 30, 2019, Pavonia Life received \$17,087,567 in direct life insurance renewal premiums and \$1,587,360 in direct credit disability premiums. Pavonia Life also showed \$13,611,266 in assumed life insurance business and \$189,556 in assumed accident and health premiums as of September 30, 2019. The largest direct written premium amounts were Canada \$3,641,307, California \$1,537,742, Texas \$1,371,105, Florida \$1,130,579, and New Jersey \$795,167. As of September 30, 2019, Pavonia Life had 66,313 total direct written insurance policies and 379,819 total assumed policies and annuities in force.

Pavonia Life has shown net income for each year since 2016 and net income for four of the past five years. Pavonia Life is “Not Rated” by A.M. Best and has a “C” or “Fair” rating by Weiss Ratings.

Holding Company Structure

Pavonia Life was sold by an affiliate of Enstar Holdings (US) Inc. (“Enstar”) to GBIG Holdings, Inc. (“GBIG Holdings”) on December 29, 2017. GBIG Holdings is affiliated with the Eli Global LLC (“Eli Global”) group of companies. Eli Global is a conglomeration of portfolio companies that are ultimately owned and controlled by Greg Lindberg. Eli Global acquires and invests in various sectors including insurance and financial services, healthcare technology, media, market intelligence, certification, and associated businesses. As a result of the acquisition of Pavonia Life by GBIG Holdings, Pavonia Life became an affiliate of four North Carolina regulated and domiciled insurance companies: Colorado Bankers Life Insurance Company, Southland National Insurance Corporation, Bankers Life Insurance Company, and Southland National Reinsurance Corporation (collectively, the “North Carolina Insurance Companies”). All the North Carolina Insurance Companies are currently in court-supervised rehabilitation in North Carolina. Shortly before Pavonia Life was placed into rehabilitation, another affiliate, Service Company, became a subsidiary of Pavonia Life. Service Company provides executive management, regulatory oversight, and administrative services to Pavonia Life and the North Carolina Insurance Companies through a cost sharing agreement. Service Company also provided services to other Eli Global affiliated companies prior to the rehabilitation of Pavonia Life and the four North Carolina Insurance Companies. All systems, furniture, and equipment used by Pavonia Life and the North Carolina Insurance Companies are property of the Service Company.

On June 27, 2019, the North Carolina Commissioner of Insurance (the “North Carolina Commissioner”) placed the North Carolina Insurance Companies into court-ordered rehabilitation. Greg Lindberg and the board of directors of the North Carolina Insurance Companies consented to the rehabilitation. The North Carolina Commissioner took this action related to the four North Carolina Insurance Companies because of their investment activity in non-insurance affiliates that made it unclear whether the North Carolina Insurance Companies had sufficient liquidity to meet their financial obligations.

Prior to the North Carolina Insurance Companies being placed into rehabilitation, Greg Lindberg, his consultant John Gray, and two other individuals were indicted on March 18, 2019 by a grand jury in the United States District Court for the Western District of North Carolina and charged with conspiracy to commit wire fraud and bribery of a public official. Mr. Lindberg has denied all charges and sought to have the charges dismissed.

As a result of the criminal charges against Mr. Lindberg and the North Carolina Insurance Companies being placed into rehabilitation, and as contemplated by the proposed acquisition described below, the Director of the Michigan Department of Insurance and Financial Services (“DIFS”) placed Pavonia Life into rehabilitation on July

9, 2019. Mr. Lindberg and the board of directors of Pavonia Life consented to the rehabilitation.

Proposed Acquisition

Prior to Pavonia Life being placed into rehabilitation, there were discussions regarding the sale of Pavonia Life between GBIG Holdings and Aspida Holdco LLC (“Aspida Holdco”), which is an affiliate of ARES Management Corporation (“Ares”), a publicly traded company. Ares operates as an alternative asset manager in the United States, Europe, and Asia. GBIG Holdings and Aspida Holdco executed a Stock Purchase Agreement (“SPA”) on July 9, 2019 governing GBIG Holdings’ sale of Pavonia Life to Aspida Holdco. As part of the SPA, the parties agreed that Pavonia Life’s sale would be conducted through a court-ordered rehabilitation and subject to Form A acquisition regulatory review and approval by DIFS. The SPA has been incorporated into Pavonia Life’s Plan of Rehabilitation (the “Plan”) that the Rehabilitator submitted to the Court on August 8, 2019.

INSURANCE PRODUCTS

Pavonia Life ceased writing new business in 2012. The company has two major business segments: direct written business and reinsurance assumed business. The following description of the direct business provides an overview of both the U.S. and Canadian blocks of business.

The direct business consists of direct life and credit life and disability. The direct life business consists mainly of term life policies. As of June 30, 2019, there were 23,117 direct life policies, which made up approximately 11% of the company’s total June 30, 2019 in-force business. As of June 30, 2019, the credit life and disability line of business consisted of 52,722 policies, which comprised about 4% of the company’s total June 30, 2019 in-force business. Most of the credit and life disability business is on a monthly premium paying basis.

The reinsurance assumed business consists of assumed life, corporate-owned life insurance (“COLI”), accidental death and dismemberment (“AD&D”), and structured payout annuities.

The assumed life block has approximately six reinsurers. Most of this business is term life insurance, although there are smaller blocks of ordinary life insurance. Pavonia Life had 65,590 assumed life policies as of June 30, 2019, which made up 10% of the company’s total June 30, 2019 in-force business.

The assumed COLI business is assumed from Lincoln National Life (“Lincoln”). All the plans were issued between 1994 and 1998 and have a guaranteed minimum rate of 4%. Pavonia Life had 7,864 assumed COLI policies as of June 30, 2019, which comprised 7% of the company’s total June 30, 2019 in-force business.

The assumed AD&D business is assumed from Lincoln and Old Republic Life. There were 304,603 assumed AD&D policies as of June 30, 2019, which made up 1% of the company's total in-force business as of June 30, 2019.

Pavonia Life's largest assumed block of business is the structured settlement, lottery, and immediate period payment annuities assumed from Lincoln. Pavonia Life had 1,612 assumed annuity contracts as of June 30, 2019, which represented roughly 72% of the company's total June 30, 2019 in-force business.

LEGAL

Pavonia Life's legal services are primarily handled by the Service Company's legal department. The Service Company's legal department works in three main areas, which include litigation, compliance, and when applicable, policyholder communications.

Litigation Activities

The July 9, 2019 Rehabilitation Order enjoined all parties with outstanding litigation against Pavonia Life and Service Company from continuing to pursue any legal actions against Pavonia Life and Service Company. The Rehabilitation Order further enjoined the commencement of any new legal actions against Pavonia Life and Service Company. Service Company's internal legal counsel was instructed to work with Pavonia Life's external attorneys to obtain stays or dismissals where appropriate. At the time the Rehabilitation Order was entered, there were several open litigation cases against Pavonia Life and/or Service Company. The following is a brief status on each of the cases handled since the entry of the Rehabilitation Order, both outstanding and newly filed (the state where the action is filed is in parentheses after the case caption):

Mathis v. Pavonia Life/Service Co (MO)

The plaintiff alleged that Pavonia Life/Service Company breached the terms of a life insurance policy and acted negligently in processing the premiums or providing notice of missed payment resulting in the lapse of the life insurance policy. The plaintiff is representing himself pro se and indicated he was seeking a return of premium paid totaling \$4,473.15. In July 2017, Pavonia Life tendered a check to plaintiff for \$4,437.15. However, the plaintiff apparently lost the check and discussions are ongoing regarding a release and reissuing the check.

Mann v. Pavonia Life/Household Finance Corporation (FL)

The plaintiff wife and her deceased husband purchased a home and borrowed the funds for the purchase from Household Finance Corporation. They were offered optional credit life insurance, which they purchased. Plaintiff's husband died and death benefits to pay off the remaining balance of the home loan were denied. Plaintiff claims the named insured under the policy should have been both her and her husband, instead of only her. Consequently, plaintiff is alleging misrepresentation during the policy application process

and is suing for benefits equal to the remaining balance of the home mortgage, together with other damages. The parties are attempting to settle this matter.

Gendaszek v. Pavonia Life (NJ)

The plaintiff wife and her deceased husband purchased a home and optional credit life and disability coverage. The plaintiff alleged wrongful denial of death benefits under the credit life and disability policy, together with other damages. A default judgment was entered against Pavonia Life on June 7, 2019, prior to the rehabilitation. The parties agreed to settle the case and executed a settlement agreement. The Court approved the settlement agreement on December 19, 2019.

U.S. Bank Trust, N.A. v. Plymales v. Pavonia Life (OH)

The plaintiff brought this action for past due mortgage payments against the defendant Plymales. Pavonia Life was joined in the matter as a third-party defendant for unpaid benefits under a credit disability policy. A default judgment was entered against Pavonia Life and in favor of the Plymales on November 2, 2018, prior to the rehabilitation. The parties agreed to settle the case and executed a settlement agreement. The Court approved the settlement agreement on December 19, 2019.

Charles Schwab & Co., et al. v. Pavonia Life, et al. (CA)

The plaintiffs in this matter seek to recover death benefits, accrued interest, and other damages related to two COLI policies reinsured by Pavonia Life from Lincoln. There are several co-defendants including Enstar, as the former owner of Pavonia Life, Andesa Services, which administered the Schwab policies on behalf of Pavonia Life, and Lincoln. The parties are discussing potential settlement of this matter.

Cox et al v. Pavonia Life (NC)

This is a claim for injunctive relief regarding the change of a policy beneficiary, which Pavonia Life asserts is due to the incompetence of the policy owner.

In the Marriage of Lager, et al. (CA)

This involves a Colorado Bankers Life Insurance Company annuity and the disposition of that annuity in a family matter. The Service Company is a named party and has secured a stay of further proceedings against it pursuant to the Rehabilitation Order.

Thorpe v. Castle Cook, et al. (UT)

The Service Company is a named defendant. We are working with plaintiff's counsel to have Service Company dismissed from the case in compliance with the Rehabilitation Order.

United States Proof of Claim

On September 18, 2019, the United States Government, through the Department of Justice (“DOJ”), filed a proof of claim in an unknown amount with the Pavonia Life rehabilitation estate. An attachment to the filed proof of claim indicated that any claim of the federal government would be entitled to first priority treatment pursuant to federal law. Pavonia Life submitted a request for release from Federal Priority Statute liability on November 18, 2019, along with the requested materials supporting the release request. The Deputy Rehabilitator received confirmation of receipt of Pavonia Life’s release request from the assigned DOJ attorney on November 22, 2019. The DOJ is in the process of conducting its due diligence to determine whether to release the United States Government’s claim against Pavonia Life.

Securities Exchange Commission (“SEC”)

On August 6, 2019, the SEC issued various subpoenas to the North Carolina Insurance Companies in conjunction with an investment management agreement between the companies and Standard Advisory Services Limited, an Eli Global affiliated company. At or around the same timeframe, the SEC made several written inquiries related to Pavonia Life. The Deputy Rehabilitator and Michigan Attorney General’s Office voluntarily responded to these written inquiries. As of the date of this report, the SEC has not issued any additional written inquiries and/or subpoenaed Pavonia Life or the Service Company for more information and/or documents.

Department of Justice Investigation

Once Pavonia Life was placed into rehabilitation on July 9, 2019, the Deputy Rehabilitators became aware that Pavonia Life was expending significant funds related to the DOJ investigation of Mr. Lindberg, Mr. Gray, and others along with numerous inquiries into affiliated investments related to the North Carolina Insurance Companies in rehabilitation. Pavonia was being allocated between 29-32% of these expenses through the group cost sharing agreement with the Service Company, which governs the cost allocation between Pavonia Life and the North Carolina Insurance Companies.

In August 2018, the North Carolina Insurance Companies became aware of an investigation by the U.S. Attorney’s Office for the Western District of North Carolina (“USAO”) related to matters which are the subject of two grand jury subpoenas issued: (i) to the custodians of records for Eli Global, LLC and the Service Company by an Assistant United States Attorney for the Western District of North Carolina on August 20, 2018; and (ii) to the custodians of records for the Service Company by an Assistant United States Attorney for the Western District of North Carolina on November 6, 2018. The USAO subpoenaed information from the North Carolina Insurance Companies, the Service Company, and Pavonia Life, and all these entities are cooperating with the USAO. As discussed above, in March 2019 the USAO investigation resulted in a grand jury indictment of Mr. Lindberg and three other individuals, including John Gray, a

director for several of the North Carolina Insurance Companies. The USAO is continuing its investigation and more indictments could follow.

Prior to his indictment, Mr. Lindberg was an officer and director of Pavonia Life. Mr. Gray was neither an officer nor director of Pavonia Life. The Deputy Rehabilitators reviewed Pavonia Life's bylaws and articles of incorporation. Pavonia Life's bylaws and articles of incorporation do not contain any officer and/or director indemnification or advancement provisions. In addition, the Deputy Rehabilitators discovered that Pavonia Life's directors and officers ("D&O") liability insurance carrier had refused to cover Mr. Lindberg and Mr. Gray following their March 18, 2019 indictments due to exclusions within the underlying policy.

Pavonia Life and the North Carolina Insurance Companies advanced \$2,385,529 in legal fees to Mr. Lindberg prior to his indictment, which was all reimbursed by the D&O carrier. Following the indictment, Pavonia Life and the North Carolina Insurance Companies advanced an additional \$4,000,000 retainer to Mr. Lindberg's criminal defense counsel, Cadwalader, Wickersham and Taft LLC ("Cadwalader"), on June 26, 2019. Cadwalader represented Mr. Lindberg in the DOJ criminal proceeding. The engagement agreement provided that any excess retainer would be paid back to Pavonia Life and the North Carolina Insurance Companies. Following Pavonia Life being placed into rehabilitation, the Deputy Rehabilitator requested Cadwalader to provide an accounting of the unused retainer balance and demanded repayment of these funds to Pavonia Life. The Deputy Rehabilitator also declined to fund any future defense costs for Mr. Lindberg. Cadwalader informed the Deputy Rehabilitator that approximately \$2,924,000 of the retainer remained unused. Once Mr. Lindberg hired new legal counsel, Cadwalader returned the funds on September 23, 2019. Pavonia recovered \$882,880 as its share of the \$2,924,000. Pavonia Life elected not to pursue Cadwalader for the net \$1,185,898 that Pavonia Life had already paid the firm, both prior to and as part of the expended \$4,000,000 retainer. Because the North Carolina Insurance Companies had previously agreed to indemnify and/or advance these funds to Mr. Lindberg, Pavonia Life similarly elected not to seek recovery of this \$1,185,898 from Mr. Lindberg at this time. However, the Deputy Rehabilitator has requested that the four North Carolina Insurance Companies reimburse Pavonia Life the \$1,185,898.

Pavonia Life and the North Carolina Insurance Companies advanced legal fees to Mr. Gray in the amount of \$238,970.72 prior to his indictment, which was all reimbursed by the D&O carrier. Following the indictment, Pavonia Life and the North Carolina Insurance Companies advanced an additional \$2,500,000 retainer, exclusive of associated costs, to Winston & Strawn as Mr. Gray's defense counsel in the DOJ criminal proceeding. The amount of legal fees advanced to Mr. Gray exclusive of costs was capped at \$2,500,000, and this retainer was fully expended so the Deputy Rehabilitator could not demand its return from Winston & Strawn. Pavonia Life's share of Mr. Gray's total defense costs through June 2019, i.e., both prior to and as part of the \$2,500,000 retainer, was \$773,905. As previously stated, Mr. Gray was never an officer and/or director of Pavonia Life. Moreover, Pavonia Life's bylaws and articles of incorporation do not contain any officer and/or director indemnification or advancement provisions.

Because the North Carolina Insurance Companies had previously agreed to indemnify and/or advance these funds to Mr. Gray, Pavonia Life has elected not to seek recovery of this \$773,905 from Mr. Gray at this time. However, the Deputy Rehabilitator has requested that the four North Carolina Insurance Companies reimburse Pavonia Life the \$773,905.

The Deputy Rehabilitator recently received a demand for indemnification and advancement of Mr. Lindberg's criminal defense costs in the amount of \$500,000 from Mr. Lindberg's current defense counsel, Katten Muchin Rosenman LLP. The demand was addressed to the Service Company. On January 9, 2020, the Deputy Rehabilitator sent a written response denying the demand for reasons including, but not limited to: (1) Pavonia Life's articles of incorporation and bylaws do not provide for any advancement or indemnification of either officers or directors; (2) the DOJ's indictment against Mr. Lindberg relates solely to a North Carolina-related matter and not to Michigan or Pavonia Life; (3) Mr. Lindberg's alleged criminal acts do not constitute conduct that is subject to indemnification under Michigan law, even if Pavonia Life's articles and bylaws did provide for advancement or indemnification of officers and directors; and (4) the Service Company has the option whether to advance funds in its sole discretion, and the Michigan Rehabilitator elects to deny this request.

The Deputy Rehabilitators also discovered that the law firm Davis Polk had been engaged and responding to the DOJ subpoenas involving the North Carolina Insurance Companies and Pavonia Life, as well as handling legal defense on behalf of Pavonia Life and the North Carolina Insurance Companies through an appointed Special Committee. Davis Polk has engaged FTI, a forensic accountant, as part of this work. FTI has mainly been involved with researching affiliated investments within the North Carolina Insurance Companies. Pavonia Life and the North Carolina Insurance Companies paid a total of \$2,739,872 to Davis Polk through December 31, 2018 and \$7,600,000 through July 31, 2019. Pavonia Life's allocated portion of these expenses was \$3,101,961, which represented approximately 30% of the total. Pavonia Life has since renegotiated and signed a separate engagement letter with Davis Polk effective September 1, 2019 (fully executed on December 16, 2019), which caps the allocation of future legal expenses to 20% and restricts billing of FTI's fees to Pavonia Life without the Deputy Rehabilitator's prior approval. This change has already resulted in savings of approximately \$120,000. The Deputy Rehabilitator intends to seek Court approval of this new engagement letter.

Rehabilitation Proceedings

Shortly after the Rehabilitation Order was entered on July 9, 2019, the Deputy Rehabilitators notified the National Association of Insurance Commissioners ("NAIC") of the rehabilitation. A letter was sent by DIFS Director Anita G. Fox, as Rehabilitator, to all 48 state departments where Pavonia Life was licensed with a reference to the Rehabilitation Order on the DIFS website. As required by the NAIC Accreditation guidelines, an all states telephone conference call was held on July 10, 2019. An electronic notice with an attachment of the Rehabilitation Order was sent to the Office of Superintendent of Financial Institutions ("OFSI"), Pavonia Life's Canadian regulator, on

July 10, 2019. The Deputy Rehabilitators sent an electronic copy of the Rehabilitation Order to the North Carolina Insurance Department and the North Carolina deputy rehabilitator on July 10, 2019. Also, on July 10, 2019, DIFS posted the rehabilitation petition, Rehabilitation Order, and frequently asked questions (“FAQs”) on the Department’s website. The National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) and the Michigan Life and Health Insurance Guaranty Association (“MLHIGA”) were informed of the Rehabilitation Order on July 10, 2019. The Deputy Rehabilitators also informed all banks, financial institutions, and treasury departments holding Pavonia Life deposits of the Rehabilitation Order on July 10 and July 11, 2019. Plaintiffs’ counsel and defense lawyers representing Pavonia Life involved in pending litigation were informed about the Rehabilitation Order and its injunction provisions on July 10, 2019. As provided by statute, the Rehabilitation Order was filed with certain Register of Deeds offices. The Rehabilitation Order was filed in Oakland County, Michigan because that is where Pavonia Life’s registered corporate office is located. The Rehabilitation Order was also filed in Somerset County, New Jersey on July 17, 2019, which is where Pavonia Life’s principal business office is located. The Rehabilitation Order was also filed in Durham County, North Carolina on July 18, 2019, which is where the Service Company is located. The Rehabilitation Order also stated that a proposed procedural order including a claims procedure and the Plan would be filed in the future.

On August 8, 2019, this Court entered an Order Preliminarily Approving Plan of Rehabilitation (the “Procedural Order”) that contained the following procedural elements:

- A bar date and mandatory procedures for submitting claims for unscheduled liabilities;
- Procedures for notice, comment, and a hearing concerning final approval of the Plan; and
- A combined notice for the bar date, mandatory claims procedures, and comments to the proposed Plan.

The Plan was also filed with the Court on August 8, 2019. Notice packages were prepared that included: (1) a copy of the Procedural Order; (2) the combined notice advising of the rehabilitation and the procedures/schedules applicable to the submission of claims and comments/objections to the Plan; (3) a Proof of Claim form and instructions; and (4) a copy of the Plan. These notice packages were mailed to reinsurers, suppliers, and certain Greg Lindberg affiliates on August 14, 2019. Notice packages were also sent to those parties with pending litigation against Pavonia Life and/or the Service Company, as well as to lenders of certain Pavonia Life affiliates, on August 15, 2019. The combined notice was published in the national editions of USA Today on August 19, 2019, August 27, 2019, and September 4, 2019. For Canadian policyholders and creditors, the combined notice was published in the national editions of the Toronto Globe & Mail on August 20, 2019, August 28, 2019, and September 5, 2019.

The rehabilitation estate received seven proofs of claim prior to the November 6, 2019 bar date. Some of the filed proofs of claim involve claims in litigation as previously

discussed. Two of the proofs of claim involving pending litigation have already been settled with the Court's approval on December 19, 2019, and another one of these claims has been verbally resolved pending an appropriate settlement agreement and the Court's approval. All seven proofs of claims have been or are in the process of being adjudicated, settled/released, and/or have been denied. A claims report and recommendations will be submitted to the Court for its review and approval at a later date.

As discussed above, one of the proofs of claim received was from the United States Government for an unknown amount. An attachment to this proof of claim indicated that any claim of the federal government would be entitled to first priority treatment under federal law (also known as "super priority"), prior to administrative expenses of the estate and policyholder liabilities. Chapter 81 of the Michigan Insurance Code, specifically MCL 500.8142(1)(c), designates claims of the federal government as Class 3 claims that can be paid only after payment in full of all Class 1 administrative expenses and Class 2 policyholder and guaranty fund related claims. At the federal government's suggestion, the Deputy Rehabilitators requested a release for Pavonia Life from Federal Priority Statute liability, which was submitted to the assigned DOJ attorney who filed the proof of claim. The release request and accompanying materials were sent to the DOJ on November 18, 2019. The assigned DOJ attorney confirmed receipt of the release request on November 22, 2019 and indicated that the DOJ has begun its due diligence process. The Deputy Rehabilitators made follow-up inquiries about the status of the DOJ's due diligence review on December 10, 2019 and December 26, 2019 but received no substantive response. Any delay in securing this release from Federal Priority Statute liability will in turn delay final approval of the Plan and the closing of the purchase transaction, while a refusal to release could result in future amendments to the Plan.

Due in part to the United States Government's unresolved claim, the hearing on objections/comments and for final approval of the Plan, which was scheduled for December 5, 2019, was adjourned and rescheduled for January 16, 2020.

There were two objections filed to the Plan.

The first objection to the Plan was filed by Independent Insurance Group, LLC ("Independent"). A response to Independent's objection was filed by the Rehabilitator, GBIG Holdings as the current parent of Pavonia Life, and Aspida Holdco as the proposed buyer of Pavonia Life. These responses were filed with the Court on November 1, 2019.

The second objection to the Plan was filed by Charles Schwab & Co., Inc. and the Charles Schwab Corporation. This objection was withdrawn on November 1, 2019.

Compliance Activities

The following is a brief summary of compliance related activities:

State Licenses

Shortly after the Rehabilitation Order was issued, the Deputy Rehabilitators received inquiries from other state insurance departments regarding the order. The following is a listing of states that suspended Pavonia Life's certificate of authority/licenses:

<u>State</u>	<u>Effective Date of Suspension</u>
Alaska	July 17, 2019
Louisiana	October 29, 2019
South Dakota	October 2, 2019

Each of these suspensions prohibits Pavonia Life from writing any new business but allows Pavonia Life to continue to renew existing business.

TPA Licensing

As stated previously, the Service Company provides all the administrative personnel and systems to Pavonia Life and the North Carolina Insurance Companies in rehabilitation. This includes policyholder services, adjudication and payment of policyholder claims, and other administrative functions. A review indicated that some state jurisdictions require the Service Company to obtain a TPA license to provide these services after the Pavonia Life sale transaction closes. The Deputy Rehabilitators of Pavonia Life and the North Carolina Insurance Companies in rehabilitation sent a joint letter informing the various state jurisdictions about the intent to apply for a TPA license in their respective states as well as the rationale for doing so. Pavonia Life and the North Carolina Insurance Companies hired a third-party vendor to assist in the licensing process. Since the process began in August 2019, the Service Company filed 22 new or pending applications and has received approval for 10 of those applications so far in AZ, CT, DE, GA, ME, MI, MS, NE, NH, OH, and PA.

Regulatory Filings

Pavonia Life is currently undergoing its financial examination by DIFS for the year ending December 31, 2018.

Pavonia Life escheated the following funds in 2019: Alabama \$13, Colorado \$230, Florida \$61, Louisiana \$44, Maryland \$18, Michigan \$3,019, Nebraska \$34, North Carolina \$203, South Carolina \$24, Texas \$2,202, Virginia \$564, and West Virginia \$304.

ADMINISTRATIVE

Agent Commissions

For Pavonia Life's direct non-credit business, there are no commissions. At the time Pavonia Life was sold to a previous owner, a lump sum was paid to agents to buy out future commissions.

Pavonia Life pays commissions to lenders on its Canadian credit life and disability of which 42.5% goes to HSBC Finance Company and 47.5% to HSBC Bank, dependent on which financial institution made the loan to the borrower.

Pavonia Life pays 5% of premium for U.S. credit life and disability as a servicing fee to OneMain, the entity that owns/services the underlying loans.

Expenses

The Service Company had 173 employees when the rehabilitation began. The Service Company is currently projecting 165 employees as of December 31, 2019. Approximately 30 of the Service Company employees are located in Basking Ridge, New Jersey, and the remaining employees are located in Durham, North Carolina.

At the request of both the seller and the buyer, a number of retention agreements and schedules were agreed to by the parties after entry of the Rehabilitation Order. Employees were required to sign a written understanding of the retention program. A brief summary of these programs and the Pavonia Life cost allocations are listed below:

- Retention Bonus paid to 37 employees on 12/7/2019: \$340,500
- Retention Bonus paid to 3 employees on 1/1/2020: \$45,000
- Executive Retention Bonus for 7 officers on 3/7/2020: \$1,826,775

The retention bonuses have been paid as Class 1 administrative expenses under Section 8142(1)(a) of the Michigan Insurance Code, MCL 500.8142(1)(a). If the rehabilitation remains pending on March 7, 2020, the Deputy Rehabilitators would petition the Court for approval to pay the \$1,826,775 to the 7 officers.

The Service Company utilizes merit bonuses to retain employees. The merit bonus program was in place prior to entry of the Rehabilitation Order and, in some cases, the merit bonus was included in signed offer sheets and employment contracts with individual employees. The Service Company has accrued \$673,003 as Pavonia Life's allocation of the merit bonus program to be paid in February 2020. The merit bonuses will be considered Class 1 administrative expenses under MCL 500.8142(1)(a).

The Deputy Rehabilitators paid \$64,514 in severance benefits to five employees since the entry of the Rehabilitation Order. The severance benefits were considered Class 1 administrative expenses under MCL 500.8142(1)(a).

All retention, severance, and merit bonuses are allocated by the Service Company to Pavonia Life and the North Carolina Insurance Companies. Pavonia Life's allocation would be approximately 30% of these total costs, which is reflected in the retention, severance, and merit bonus figures used above in this report.

Pavonia Life and the four North Carolina Insurance Companies in rehabilitation outsourced certain administrative functions to an Eli Global affiliate, GBIG Business Solutions Private Limited ("GBIG Business Solutions") based in India. This agreement was terminated effective August 31, 2019 and replaced by an agreement with a non-affiliated company, Cognizant Worldwide Limited based out of the United Kingdom. A final termination payment of \$451,371 was paid to GBIG Business Solutions. The \$451,371 total payment was allocated between Pavonia Life and the four North Carolina Insurance Companies in rehabilitation.

The Service Company offers health, vision, dental, group life, AD&D, and short-term and long-term disability benefits to its employees. An open enrollment period was held from November 25, 2019 through December 6, 2019. The effective date for coverages was January 1, 2020. Prior to 2018, all benefit offerings were made through Eli Global, but in 2019 the benefit offerings were separated for and between individual Eli Global companies, with Service Company being the party that offered benefits to Pavonia Life and North Carolina Insurance Company employees.

The Service Company has a 401 (k) profit sharing plan. The plan was audited for 2018 and the audit report was released on October 14, 2019.

The Service Company filed its Form 5500 for 2018 with the Internal Revenue Service on October 15, 2019.

FINANCIAL

Home Office Building/Real Estate Leases

The Service Company leases the current home office building located in Durham, North Carolina from Colorado Bankers Life Insurance Company, one of the North Carolina Insurance Companies in rehabilitation. The lease agreement was dated January 1, 2019 and the monthly rent is \$38,080. The term is through January 1, 2020 and may be extended for one-year terms. The monthly rent is allocated to Pavonia Life and the four North Carolina Insurance Companies, as are any maintenance related expenses. Subject to regulatory approval, Pavonia Life intends to purchase the home office building from Colorado Bankers Life Insurance Company after the Aspida Holdco purchase has closed.

Bankers Life Insurance Company, another one of the North Carolina Insurance Companies in rehabilitation, had a lease to rent office space in Clearwater, Florida from Harbourside Grande Crossings, LLC. This lease was assigned to the Service Company on August 28, 2018. The space was not occupied. The term of the lease was from November 2017 through August 31, 2023 and the monthly rent was \$6,273. After some discussion,

the Deputy Rehabilitator decided that the Service Company would offer the landlord either: (1) a discounted lump sum to terminate the lease's remaining term; or (2) a deal with the landlord to sub-lease the space to reduce the monthly rent obligation. If neither of the two options was accepted, the Deputy Rehabilitator would disavow the lease. On September 11, 2019, the Deputy Rehabilitator sent the landlord a letter indicating that the Service Company would like to discuss a mutually satisfactory way to end the lease. Numerous phone calls were exchanged over the next 30 days without any progress on resolution of the matter. On October 21, 2019, the Deputy Rehabilitator mailed a certified letter to both the landlord and the lease broker indicating that the Deputy Rehabilitator was disavowing the lease, which enclosed a Proof of Claim form and instructions in case they wished to file a claim with the rehabilitation estate for any unpaid obligations under the lease. As of the date of this report, the Deputy Liquidator has not received any correspondence and/or a timely proof of claim. The Service Company stopped making rent payments effective with the November 2019 lease payment. The \$6,273 monthly rent was an allocated expense between Pavonia Life and the four North Carolina Insurance Companies in rehabilitation. This action was discussed with the Deputy Rehabilitator of the North Carolina Insurance Companies prior to the disavowal letter being sent.

The Service Company leases space for Pavonia Life's Basking Ridge, New Jersey offices. The monthly rent is \$15,571. The lease expires on August 31, 2020.

Investments

Pavonia Life has an investment management agreement with Goldman Sachs Asset Management L.P. that was signed October 29, 2018.

Pavonia Life's IC bond quality as of November 1, 2019 is as follows:

Class 1 and Class 2: 99.5%
Class 3: .5%

Class 1 bonds are considered high investment grade securities. Class 3 bonds are considered below investment grade.

Regions Bank is Pavonia Life's current custodial bank. Regions Bank has informed Pavonia Life that it is terminating that relationship effective January 11, 2020. Pavonia Life is currently researching an alternative custodial bank.

Reinsurance

Major reinsurance contracts involving Pavonia Life assuming risks from other insurance companies is discussed in the "Insurance Products" section of this report above. This section discusses those insurance risks that Pavonia Life cedes to other insurance companies.

Pavonia Life cedes 100% of its ordinary life insurance policies assumed from Renaissance Life and Health to Americo Financial Life and Annuity Insurance Company.

Pavonia Life cedes 10% of certain term life policies with face amounts under \$250,000 and 25% of certain term life policies over \$250,000 to Munich American Reassurance Company.

Pavonia Life cedes 50% of its Canadian credit life and disability policies with insured amounts over \$350,000 with SCOR Global Life Canada.

Pavonia Life cedes 100% of a block of single premium individual annuities assumed from Renaissance Life and Health to American General Life Insurance Company.

Pavonia Life cedes 100% of a block of small group health policies assumed from Renaissance Life and Health to Union Fidelity Life Insurance Company.

Federal Income Taxes

The 2018 Form 1120 for Pavonia Life was prepared by Deloitte and Touche and filed on October 14, 2018. The Service Company was consolidated into the 2018 consolidated federal tax return of GBIG Holdings, which filed its federal return on October 15, 2019.

State and Local Taxes

Pavonia Life filed its 2018 corporate tax filings on October 14, 2018 with the states of Alabama, Illinois, Mississippi, Nebraska, and New Jersey. Deloitte and Touche prepared the returns.

Auditing and Actuarial

The Service Company provides the actuarial support for Pavonia Life and the North Carolina Insurance Companies. The appointed actuary for Pavonia Life is Christopher Motta, Vice-President, Valuation Actuary. There is an internal Service Company actuarial staff that performs modeling, valuation, reinsurance, and pricing functions. There are several outside actuarial firms and consultants that provide product development, valuation, and actuarial state filing support. Pavonia Life also provides actuarial support for Pavonia Life Insurance of New York, a former affiliate. Pavonia Life transitioned that actuarial support directly to Pavonia Life Insurance of New York prior to December 31, 2019.

Pavonia Life's 2018 audit was conducted by JohnsonLambert LLP and was released on August 1, 2019. The Service Company audit was conducted by Rives and Associates LLP and released on June 27, 2019.

The Deputy Rehabilitators inquired about a listing of the Service Company's assets and were informed a physical inventory of the Service Company's computers, equipment, and

furniture had not been performed. Currently, a physical inventory of the Service Company's computers, equipment, and furniture is being undertaken along with tagging the equipment.

Pavonia Life provides certain administrative services to Pavonia Life Insurance Company of New York, a subsidiary of Enstar, under the terms of a Transition Service Agreement dated December 29, 2017.

EXHIBITS

The following exhibits are attached to this Court Report:

Exhibit A Balance Sheet - Pavonia Life - November 30, 2019
Exhibit B Income Statement - Pavonia Life - January 1, 2019 to November 30, 2019

CONCLUSION

The major goal for 2020 is to resolve the United States Government claim filed with the rehabilitation estate, and contingent upon DIFS' Form A approval, proceed with the Court's final approval of the sale of Pavonia Life to Aspida Holdco as outlined in the Plan.

The Deputy Rehabilitator would like to thank all the dedicated employees for their professionalism and efforts during the rehabilitation process.

Respectfully submitted,



James E. Gerber
Deputy Rehabilitator
Pavonia Life Insurance Company of Michigan and
Global Bankers Insurance Group, LLC
Dated: January 13, 2020

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Pavonia Life Insurance Company of Michigan
November 2019
Assets

Line #	Line Description	(1) Assets	(2) Assets Nonadmitted	(3) Net Admitted Assets (Col 1- 2)
1	Bonds (Schedule D)	960,778,034	-	960,778,034
2	Stocks (Schedule D):	-	-	-
2.1	Preferred stocks	-	-	-
2.2	Common stocks	-	-	-
3	Mortgage loans on real estate (Schedule B):	-	-	-
3.1	First liens	-	-	-
3.2	Other Than first liens	-	-	-
4	Real Estate:	-	-	-
4.1	Properties occupied by the company	-	-	-
4.2	Properties held for the production of income less encumbrances	-	-	-
4.3	Properties held for sale less encumbrances	-	-	-
5	Cash and short term investments	-	-	-
	a. Cash (Sch E Part 1)	9,732,527	-	9,732,527
	b. Cash equivalents (Sch E part 2)	23,964,578	-	23,964,578
	c. Short term investments (Sch DA)	7,907,321	-	7,907,321
6	Contract Loans	13,711,210	8,341	13,702,869
7	Derivatives	-	-	-
	8.1 Investment in Subsidiary	2,995,664	-	2,995,664
	8.2 Other Invested Assets	20,747,183	-	20,747,183
8	Other invested assets (Schedule BA)	23,742,847	-	23,742,847
9	Receivable for securities	11,714	-	11,714
10	Securities lending reinvested collateral assets	-	-	-
11	Aggregate write-ins for invested assets	-	-	-
12	Subtotals, cash and invested assets (Lines 1 to 10)	1,039,848,230	8,341	1,039,839,889
13	Title plants less \$_____ charged off (for Title insurers only)	-	-	-
14	Investment income due and accrued	9,913,076	-	9,913,076
15	Premiums and considerations:	-	-	-
15.1	Uncollected premiums and agents' balances in the course of collection	121,340	-	121,340
15.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0.00 earned but unbilled premiums)	6,972,138	-	6,972,138
15.3	Accrued retrospective premiums (\$0.00) and contracts subject to redetermination (\$0.00)	-	-	-
16	Reinsurance:	-	-	-
16.1	Amounts recoverable from reinsurers	244,716	-	244,716
16.2	Funds held by or deposited with reinsured companies	32,582	-	32,582
16.3	Other amounts receivable under reinsurance contracts	213,652	-	213,652
17	Amounts receivable relating to uninsured plans	-	-	-
18.1	Current federal and foreign income tax recoverable and interest thereon	-	-	-
18.2	Net deferred tax asset	42,030,839	42,030,839	-
19	Guaranty funds receivable or on deposit	-	-	-
20	Electronic data processing equipment and software	-	-	-
21	Furniture and equipment, including health care delivery assets	-	-	-
22	Net adjustment in assets and liabilities due to foreign exchange rates	-	-	-
23	Receivable from parent, subsidiaries and affiliates	(699,905)	-	(699,905)
24	Health care (\$_____) and other amounts receivable	-	-	-
25	Aggregate write-ins for other than invested assets	573,276	-	573,276
26	Total assets excluding Separate accounts business (Lines 12 to 25)	1,099,249,943	42,039,180	1,057,210,763
27	From Separate Accounts, Segregated Accounts	-	-	-
28	Total (Lines 26 and 27)	1,099,249,943	42,039,180	1,057,210,763

Pavonia Life Insurance Company of Michigan
November 2019
Liabilities

Line #	Line Description	(1) Current Year
1	Aggregate reserve for life contracts	850,865,463
2	Aggregate reserve for accident and health contracts	9,448,374
3	Liabilities for deposit-type contracts (including \$_____ Modco Reserve)	-
4	Contract claims:	-
4.1	Life	26,887,258
4.2	Accident and health	725,800
5	Policyholders' dividends and coupons due & unpaid	-
6	Provisions for policyholders' dividends and coupons	-
6.1	Dividends apportioned for payment	-
6.2	Dividends not yet apportioned	-
6.3	Coupons and similar benefits	-
7	Amount provisionally held for deferred dividend policies	-
8	Premiums and annuity considerations for life and a&h policies received in advance.	6,459
9	Contract liabilities not included elsewhere:	-
9.1	Surrender values on cancelled policies	-
9.2	Provision for experience rating refunds	-
9.3	Other amounts payable on reinsurance.	4,151,661
9.4	Interest Maintenance Reserve	91,599,559
	Commissions to agents due or accrued-life and annuity contracts \$0.00 , accident and health	
10	\$0.00 and deposit-type contract funds \$0.00	-
11	Commissions and expense allowances payable on reinsurance assumed	-
12	General expense due or accrued	967,538
13	Transfers to Separate Accounts due or accrued	-
14	Taxes, licenses and fees due or accrued, excluding federal income taxes	-
15.1	Federal income taxes due or accrued including \$_____ capital gains , \$_____ deferred	1,557,526
15.2	Net deferred tax liability	-
16	Unearned investment income	38,507
17	Amounts withheld or retained by company as agent or trustee	90,995
18	Amounts Held for Agents' Accounts	-
19	Remittances and items not allocated	368,072
20	Net adjustment in assets and liabilities due to foreign exchange rates	-
21	Liability for benefits for employees and agents if not included above	-
22	Borrowed money \$_____ and interest thereon \$_____	-
23	Dividends to stockholders declared and unpaid	-
24	Miscellaneous liabilities:	-
24.01	Assets valuation reserve	5,229,738
24.02	Reinsurance in unauthorized companies	-
24.03	Funds held under reinsurance treaties with unauthorized reinsurers	-
24.04	Payable to parent, subsidiaries and affiliates	-
24.05	Drafts outstanding	-
24.06	Liability for amounts held under uninsured accident and health plans	-
24.07	Funds held under coinsurance	-
24.08	Derivatives	-
24.09	Payable for securities	-
24.10	Payable for securities lending	-
24.11	Capital notes	-
25	Aggregate write-ins for liabilities	144,419
26	Total Liabilities excluding Separate Accounts business (lines 1 to 25)	992,082,369
27	From Separate Accounts Statement	-
28	Total Liabilities (Lines 26 and 27)	992,082,369
29	Common capital stock	2,500,000
30	Preferred capital stock	-
31	Aggregate write-ins for other than special surplus funds	-
32	Surplus notes	-
33	Gross paid in and contributed surplus	84,285,643
34	Aggregate write-ins for other than special surplus funds	-
35	Unassigned funds (surplus)	(21,657,249)
36	Less treasury stock, at cost:	-
	0.00 shares common (value included in Line 29 \$0.00)	-
	0.00 shares preferred (value included in Line 30 \$0.00)	-
	Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$0.00 in Separate Accounts Statement)	62,628,394
37		62,628,394
38	38. Total of lines 29, 30 and 37	65,128,384
39	39. Totals of lines 28 and 38	1,057,210,763

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Pavonia Life Insurance Company of Michigan
November 2019
Summary of Operations

Line #	Line Description	(1) Current Year to Date
1	Premiums and annuity considerations for life and A&H policies	36,310,672
2	Considerations for supplementary contracts with life contingencies	-
3	Net investment income	39,370,355
4	Amortization of interest maintenance reserve (IMR)	9,139,443
5	Separate Accounts net gain from operations excluding unrealized gains or losses	-
6	Commissions and expense allowances on reinsurance ceded	562,294
7	Reserve adjustments on reinsurance ceded	-
8	Miscellaneous Income:	
8.1	Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	-
8.2	Charges and fees for deposit-type contracts	-
8.3	Aggregate write-ins for miscellaneous income	417,336
9	Totals (Lines 1 to 8.3)	85,800,101
10	Death benefits	42,553,600
11	Matured endowments (excluding guaranteed annual pure endowments)	-
12	Annuity benefits	43,235,042
13	Disability benefits and benefits under accident and health policies	664,477
14	Coupons, guaranteed annual pure endowments and similar benefits	-
15	Surrender benefits and other fund withdrawals	547,618
16	Group conversions	-
17	Interest and adjustments on policy or deposit-type contract funds	-
18	Payments on supplementary contracts with life contingencies	-
19	Increase in aggregate reserves for life and A & H	(26,486,721)
20	Totals (Lines 10 to 19)	60,614,017
21	Commissions on premiums and annuity considerations and deposit-type funds (direct business only)	1,941,348
22	Commissions and expense allowances on reinsurance assumed	5,853,125
23	General insurance expenses	20,451,527
24	Insurance taxes, licenses and fees, excluding federal income taxes	1,469,866
25	Increase in loading on deferred and uncollected premium	1,212,150
26	Net transfers to or (from) Separate Accounts	-
27	Aggregate write-ins for deductions	(230,272)
28	Totals (Lines 20 to 27)	91,211,761
29	Net gain from operations before dividends to policy holders and federal taxes (Line 9 minus Line 28)	(5,411,660)
30	Dividends to policyholders	-
31	Net gain from operations after dividends to policy holders and before federal income taxes Line 29 minus Line 30)	(5,411,660)
32	Federal income taxes incurred (excluding tax on capital gains)	622,959
33	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(6,034,619)
34	Net realized capital gains or (Losses) less capital gains tax and transferred to the IMR	204,579
35	Net Income (Line 33 plus Line 34)	(5,830,040)
CAPITAL AND SURPLUS ACCOUNT		
36	Capital and surplus, December 31, previous year	73,756,257
37	Net income (Line 35)	(5,830,040)
38	Change in net unrealized capital gains or (losses)	3,263,568
39	Change in net unrealized foreign exchange capital gain (loss)	1,007,490
40	Change in deferred income tax	2,878,282
41	Change in non-admitted assets and related items	(9,529,040)
42	Change in liability for reinsurance in unauthorized companies	131,758
43	Change in reserve on account of change in valuation basis, (increase) or decrease	-
44	Change in asset valuation reserve	(55,439)
45	Change in treasury stock	-
46	Surplus (contributed to) withdrawn from Separate Accounts during period	-
47	Other changes in surplus in Separate Accounts	-
48	Changes in surplus notes	-
49	Cumulative effect of changes in accounting principles	-
50	Capital changes:	-
50.1	Paid in	(494,442)
50.2	Transferred from surplus (Stock Dividend)	-
50.3	Transferred to surplus	-
51	Surplus adjustment:	-
51.1	Paid in	-
51.2	Transferred to capital (Stock Dividend)	-
51.3	Transferred from capital	-
51.4	Change in surplus as a result of reinsurance	-
52	Dividends to stockholders	-
53	Aggregate write-ins for gains and losses in surplus	-
54	Net change in capital and surplus for the year (Lines 37 through 53)	(8,627,863)
55	Capital and surplus, as of statement date (Lines 36 + 54)	65,128,394