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December 30, 2019

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Clerk of the Court
Ingham County Circuit Court
315 S. Jefferson, 3rd Floor
Mason, MI 48854

**Re: Fox v Pavonia Life Insurance Company of Michigan**
**Case No. 19-504-CR**

Dear Clerk:

Enclosed for filing please find an original and Judge's copy of Supplement to Objection of Interested Party Independent Insurance Group, LLC, together with the Affidavit of Edward W. Buttner, IV and Exhibits.

Thank you for your assistance. Should you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

**Fraser Trebilcock Davis & Dunlap, P.C.**

Jonathan E. Raven

JER:enp
Enclosures
cc w/ enc.: Honorable Wanda M. Stokes
Michigan Department of Attorney General
Attn: Christopher Kerr, Esq./James Long, Esq. (*via hand delivery + U.S. Mail*)

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

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

Petitioner,

Case No. 19-504 – CR

v.

Hon. Wanda M. Stokes

PAVONIA LIFE INSURANCE
COMPANY OF MICHIGAN,

Respondent.
_______________________________________/

**SUPPLEMENT TO OBJECTION OF INTERESTED PARTY**
**INDEPENDENT INSURANCE GROUP, LLC**

NOW COMES Interested Party Independent Insurance Group, LLC ("Independent"), through its attorneys Fraser Trebilcock, and Adams and Reese, and hereby submits this Supplement to the Objection of Interested Party Independent Insurance Group, LLC timely filed in this case ("Supplement"). Subsequent to Independent's Objection to the Plan of Rehabilitation filed with the Court on October 4, 2019 ("Independent's Objection"), Anita G. Fox, Director of the Michigan Department of Insurance and Financial Services (the "DIFS"), in her capacity as the statutory and Court-appointed Rehabilitator (the "MI Rehabilitator") of Pavonia Life Insurance Company of Michigan ("Pavonia"), filed with the Court the Rehabilitator's Response in Opposition to Independent's Objection on November 1, 2019 (the "Rehabilitator's Response"). In addition, Aspida Holdco, LLC ("Aspida" or "Buyer") and GBIG Holdings, Inc. ("GBIG Holdings" or "Seller") filed their respective responses to Independent's Objection with the Court, both also dated November 1, 2019 (collectively with the Rehabilitator's Response, the "Responses"). Independent believes the information contained in this Supplement, most of which has been discovered after the filing date of Independent's Objection, bears upon and is relevant to the Court's consideration of the Plan of Rehabilitation of Pavonia (the "Plan"), and that it is in the best interests of Pavonia's policyholders, creditors and the public for the Court to consider this Supplement in these proceedings.

## I. RATIONALE FOR THIS SUPPLEMENT

Independent is filing this Supplement with the Court because new information relevant to these proceedings became publicly available after the date of Independent's Objection ("New Information"), and Independent believes it is in the best interests of Pavonia's policyholders, creditors and the public for the Court to be informed of and consider this New Information in these proceedings.

This New Information is as follows:

1. Information, previously unknown to both Independent and, based upon the record as Independent understands it to be, the Court, contained in a Wall Street Journal article published on October 5, 2019, the day after the filing date of Independent's Objection. This article led to further research by Independent of publicly available financial statements and other documents (*e.g.*, the indictment of Greg Lindberg), a summary of which was provided to the Michigan Attorney General ("MI AG") in a letter from Jonathan Raven, Esq., shareholder at Fraser Trebilcock and counsel to Independent, on October 31, 2019 (the "10/31 Follow-up Letter");
2. Information, previously unknown to both Independent and, based upon the record as Independent understands it to be, the Court, contained in the Responses; and
3. Information, previously unknown to both Independent and, based upon the record as Independent understands it to be, the Court, contained in the Rehabilitator's

Quarterly Report on each of Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation, Bankers Life Insurance Company ("BLIC"), Colorado Bankers Life Insurance Company ("CBLIC"), all affiliates of Pavonia (the "NC Insurance Affiliates"), issued by the North Carolina Commissioner of Insurance (the "NC Rehabilitator") on November 20, 2019 (the "New NC Reports") attached hereto as **Exhibit "A"**.

4. Other information that became publicly available after the filing date of the Plan, as cited above, throughout this Supplement and reiterated and summarized in Section V below.

## II. INTRODUCTION

Independent respectfully requests that the Court review this Supplement and supporting documentation, which, among other things, describes the relevance of this New Information to these proceedings in the context of the Responses. In addition to the New Information, the Responses contain numerous assertions regarding Independent's Objection and, through the information presented in this Supplement, Independent respectfully seeks to correct the record which Independent believes was misstated in a number of respects, both factual and legal, in the Responses.

The Responses assert the following:

1. That Independent lacks the requisite standing to object to the Plan. Independent disagrees, for the reasons set forth in Section III, a below;
2. That the applicable standard of review for purposes of the Court's review of the Plan is "abuse of discretion". Independent disagrees, for the reasons set forth in Section III, b below;
3. That Independent's concerns are "scurrilous", "unfounded" and/or "unsupported by evidence". Independent disagrees, for the reasons set forth in Section III, c below;

4. That the Plan is based on the separation of Pavonia from the NC Insurance Affiliates and their owner. Independent disagrees, and asserts that, while the Plan should accomplish this goal, the Plan as proposed does not do so, for the reasons set forth in Section III, d below.

5. That the MI Rehabilitator has broad discretion to rehabilitate Pavonia in a manner that protects Pavonia's insureds and creditors, including by conducting a private sale of Pavonia. Independent agrees, but differs on what this means in connection with these proceedings, for the reasons set forth in Section III, e below;

6. That Independent did not participate in the Pavonia sale process, conducted by the proposed Aspida management team (*i.e.*, the GBIG management team) prior to the filing of the Plan, and therefore is barred from objecting to it. Independent agrees that it did not participate in the sale, but differs on what this means in connection with these proceedings, for the reasons set forth in Section III, f below;

7. That the Stock Purchase Agreement among GBIG Holdings and Aspida (the "Aspida SPA") does not obligate the MI Rehabilitator or the Seller to solicit or entertain other offers for the acquisition of Pavonia. Independent agrees, but differs on what this means in connection with these proceedings, for the reasons set forth in Section III, g below;

8. That Independent has only made a "proposal to propose" and has not made an actual offer. Independent agrees, but differs as to what this means in connection with these proceedings, for the reasons set forth in Section III, h below;

9. That an offer from Independent would only benefit the Seller. Independent disagrees, for the reasons set forth in Section III, i below;

10. That allowing Independent to conduct due diligence and submit a proposal will cause delay, and delay harms Pavonia's policyholders. Independent disagrees, for the reasons set forth in Section III, j below; and

11. That Independent is not a credible buyer. Independent disagrees, for the reasons set forth in Section III, k below.

Independent believes that these assertions either do not follow the relevant law or regulations or misapply or misstate the relevant law, regulations and facts. Also, Independent believes many of these assertions fail to fully and comprehensively represent the totality of the facts and circumstances involving various concurrent, potentially inter-connected processes, aspects of which are or may be relevant to these proceedings, as follows: (i) the process, and the facts and circumstances thereof, of preparing for and the filing of the Plan, (ii) the sale process for Pavonia by GBIG Holdings, (iii) the process, and the facts and circumstances thereof, of the Form A filed by Aspida on July 24, 2019 (the "Aspida Form A"), (iv) the process, and the facts and circumstance thereof, of the rehabilitation of the NC Insurance Affiliates, (v) the process, and the facts and circumstances thereof, of these Court proceedings, and (vi) the process, and the facts and circumstances thereof, of the investigation, indictment and upcoming trial of Greg Lindberg for alleged bribery and related crimes (these processes are collectively referred to as the "Inter-related Proceedings").

Based on the information contained in Independent's Objection, this Supplement, and all supporting documentation provided to date, Independent asks the Court to:

- Allow Independent access to sufficient information on Pavonia to enable Independent to conduct efficient due diligence and submit a proposal for the acquisition of Pavonia; and
- Allow Independent to submit a proposal for the acquisition of Pavonia.

## III. ARGUMENTS

### a. Independent has standing and its objection should be heard by the Court.

Notwithstanding arguments advanced in the Responses, Independent is an "interested party" and possesses standing to advance its objection. The Order Preliminarily Approving Plan of Rehabilitation, dated August 8, 2019, (the "Order") states, "Interested parties desiring to submit any comment or objection to the Plan of Rehabilitation, including any specific aspects thereof, must prepare a written document memorializing the comment or objection . . ." *See* Plan, at pg. 11-12. The Order further states that in the event an interested party fails to file its written comment or objection with the Court, such party waives its right to comment or object to matters related to the Plan. Independent appropriately complied with those requirements and must be afforded the opportunity to comment and raise its objection.

The Responses contend that "no real interested party" has objected, noting that Independent is not a "policyholder, creditor, obligor, or equity property interest holder." Aspida Response, at pg. 4, 7. However, the Responses conveniently omit a material aspect of MCL 500.8101, which states: "The purpose of this chapter is the protection of the interests of the insureds, claimants, creditors, **and the public** . . ." MCL 500.8101(3) (emphasis added); *see also* MCL 500.8101(2) (providing that the "chapter shall be liberally construed to effect the purpose" articulated in subsection (3), i.e., protection of the insureds, claimants, creditors, and the public). Moreover, the statute spells out that such protection must occur through, among other things, "Improved methods for rehabilitating insurers, involving the **cooperation and management expertise** of the **insurance industry**." MCL 500.8101(3)(b) (emphasis added).

Independent is clearly a member of "the public" and is a participant in the "insurance industry" willing to offer its "cooperation" and relevant "management expertise." Indeed, Independent is not some disinterested observer. Independent Life Insurance Company ("ILIC"), Independent's wholly-owned insurance subsidiary, is the only life and annuity company in the

United States focused exclusively on structured settlement annuities. ILIC is the only company in the structured settlement industry that has a Capital Maintenance Agreement on file with its regulator (Texas Department of Insurance) and that has a published Payee Protection Policy for additional protections to policyholders. As such, Independent is uniquely positioned to afford its management expertise, not only within the broader insurance industry, but more particularly as an industry leader in a line of business which comprises the majority of Pavonia's reserves. Given its management expertise in the industry, affording Independent access into the process as an "interested party" furthers the protection interests that are explicitly the purpose of Michigan's Insurance Code.

While Michigan law concerning the definition of an interested party in this context is limited, analogous statutory processes in Federal law demonstrate that the term "interested party" includes prospective bidders. *See e.g., The Meaning of "Interested Party under 28 U.S.C. 1491*, Pub. Contract Law Journal, Vol. 29, No. 4 (Summer 2000) (reviewing use of the term "interested party" under the Administrative Procedures Act and federal contracting statutes, and concluding that the phrase includes a "prospective bidder" defined as a "contractor who was precluded from bidding, through no fault of his or her own, because of a violation of a controlling statute or regulation").

For the reasons set forth above, Independent asserts that Independent has standing to object to the Plan, and that it is in the best interests of Pavonia's policyholders, creditors and the public for this Court to consider Independent's Objection, this Supplement and all supporting information and documentation in connection with these proceedings.

**b. The applicable standard of review is whether the Plan is "Fair and Equitable to all Concerned."**

The Responses assert that the standard of review applicable in these Court proceedings is "abuse of discretion" based on certain case law and other references cited therein (Buyer's Response, Pages 14-16). Independent, however, asserts that the Court need look no further than the Plan itself for the applicable standard of review, which cleary and expressly states as follows: "The ***standard for Court approval*** of a Rehabilitation Plan is whether, ***in the Court's judgment***, the plan is ***fair and equitable*** to all parties concerned (bold added for emphasis)" (Paragraph 1, Page 3, Plan of Rehabilitation). Since the Plan itself is clear, controlling and dispositive on the standard of review issue, Independent will not address the cases cited in the Responses.

In addition, the most relevant provisions of Michigan Law applicable to these proceedings do not mention the "abuse of discretion" standard. MCL 500.8100 provides the appropriate legal framework to address the challenges presented to the Court in these proceedings. Specifically, MCL 500.8114 (4) provides for a check and balance between the DIFS and the court, clearly stating:

"If the rehabilitator determines that reorganization, consolidation, conversion reinsurance, merger, or other transformation of the insurer is appropriate, he or she shall prepare a plan to effect those changes. Upon application of the rehabilitator for approval of the plan, and after notice and hearings as the court may prescribe, **the court may either approve or disapprove the plan as proposed, or may modify it and approve it as modified** (bold added for emphasis added)." MCL 500.8114(4), in precisely the same way as the Plan itself, calls for this Court to evaluate the Plan, expressly invoking the Court's powers in equity by stating, "A plan approved under this section shall be, **in the Court's judgment, fair and equitable** to all parties concerned." (emphasis added) By explicitly delegating independent modification power to the Court itself, the

Legislature expressly limited the authority of the Rehabilitator, and DIFS, to impose their own plan, and intentionally subjected it to the superior power of this Court.

Other relevant aspects of Michigan law offer some guidance but also do not mention the "abuse of discretion" standard. For example, Michigan Const. 1963, art 6, § 28 states as follows:

> All final decisions, finding, rulings, and orders of any administrative officer or agency existing under the constitution or by law, which are judicial or quasi-judicial and affect private rights or licenses, shall be subject to direct review by the courts as provided by law. This review shall include, as a minimum, the determination whether such final decisions, findings, rulings, and orders are authorized by law; and, in cases in which a hearing is required, whether the same are supported by competent, material and substantial evidence on the whole record.

Furthermore, regardless of the standard of review, it appears that, prior to the filing of the Plan, the DIFS and the MI Rehabilitator may not have been provided with certain key information and/or a comprehensive enough view of all of the relevant facts and circumstances involved in the Inter-related Proceedings, thereby hindering their ability to exercise their discretion knowledgeably during the process of preparing and filing the Plan. Independent has supplied the DIFS, the MI Rehabilitator and this Court with information which it believes is relevant and material to the Plan, these Court proceedings, and the Aspida Form A process. Independent asserts that it is not too late for all decision makers to incorporate this information, and particularly the New Information, in their decision processes. Independent requests that the DIFS and the MI Rehabilitator fully evaluate any and all relevant information, including the New Information, in connection with their respective obligations to Pavonia, its policyholders and creditors, the insurance industry and the public at large. Independent requests that the Court consider all information presented to date and the New Information in reaching its decision as to whether to approve, amend, or deny the Plan, or take such other actions as the Court deems appropriate.

c. **The concerns expressed in Independent's Objection are *not* "scurrilous", "unfounded" or "unsupported". Independent has provided substantial information relevant to its expressed concerns.**

The Rehabilitator's Response states as follows:

- "Independent's allegations about the current management, 'conflicts of interest' and 'self-dealing' **lack evidentiary support** (bold added for emphasis)"; (AG Response at 9 -10)
- "Independent's Objection is full of **unfounded shock tactics** (bold added for emphasis)"; (Id. at 9)
- "Independent makes these **scurrilous claims** (bold added for emphasis) without any **evidentiary support** (bold added for emphasis); (Id.)
- "If Independent has any **actual evidence** (bold added for emphasis) that this has occurred, the Rehabilitator and DIFS' Form A review team request that it submit such **evidence** (bold added for emphasis) immediately." (Id. at 10)

As the record shows, Independent has provided various letters and substantial supporting schedules and other information to the DIFS, the MI Rehabilitator, the MI AG and this Court over the last few months. As the record shows, this information has been provided both prior to and after Independent's Objection. A recent example is a letter Independent sent to the MI AG, the DIFS and the Aspida Form A review team on October 31, 2019 (the "10/31 Follow-up Letter"), attached hereto as **Exhibit "B"**, in which newly discovered facts relevant to these proceedings and the Aspida Form A process running in parallel with these proceedings were provided to these parties.

The 10/31 Follow-up Letter included an affidavit from Edward Buttner, a nationally recognized statutory accounting expert who specializes in forensic accounting (the "10/31 Buttner Affidavit") (also attached as part of Exhibit B). Many of the key findings in the 10/31 Buttner Affidavit have been validated by the New NC Reports (as discussed in detail in Section IV below).

A summary of the key findings outlined in the 10/31 Follow-up Letter and the 10/31 Buttner Affidavit is as follows:

- The proposed Aspida management team (i.e. the GBIG management team) is the same team that authorized a $35 million investment in Agera Energy, LLC ("Agera") on March 29, 2018, on behalf of CBLIC, an insurance affiliate of Pavonia under common ownership with Pavonia. Relevant facts on this loan are detailed below:
    - At the time of the investment, the Agera loan was the largest investment for CBLIC;
    - Because of common ownership, this investment should have been classified by CBLIC as an affiliated investment;
    - In the CBLIC 2018 annual statement (filed in February 2019 and signed by the proposed Aspida management team), the Agera investment was (i) characterized as a "Bank Loan" instead of being classified as an affiliated investment, (ii) given the highest credit rating via a "Private Letter" rating, and (iii) not listed as being "impaired";
    - After CBLIC was taken into rehabilitation by the North Carolina Department of Insurance ("NCDOI") on June 27, 2019, the NC Rehabilitator reclassified the Agera investment from a "Bank Loan" to a "Parent, Subsidiaries and Affiliates – Issuer Obligations" investment in the revised Form D filing on July 19, 2019 (Form D, page 51);
    - On October 4, 2019, Agera filed for Chapter 11 in U.S. Bankruptcy Court; and
    - According to the New NC Reports, the entire value ($43.4 million) of the CBLIC investment in Agera was written off by the NC Rehabilitator.
- In addition to the investment in Agera, the NC Rehabilitator reclassified an astonishing total of approximately $1.3 billion ($1,300,000,000) of originally reported "non-affiliate" "Private Letter" rated financial instruments to "Affiliated Investments" in July 2019 financial filings of three of the NC Insurance Affiliates. The vast majority of these investments were made while the proposed Aspida management team was directly in charge of these insurers in 2018, but the investments were not disclosed as affiliated transactions until the NC Rehabilitator assumed control.

- Based on information in the CBLIC 2018 Annual Statement, in excess of **$900 million of these later reclassified investments were made in a very short 13-day period from July 18, 2018 to July 31, 2018** (this surge in investments is discussed in the 10/31 Follow-up Letter and the 10/31 Buttner Affidavit, defined therein as the "CBLIC Investment Surge");
- Overlapping with the investment and related activities above, the indictment of Greg Lindberg alleges that conversations, meetings and/or communications took place (from August 2017 thru July 2019) between and/or among Mr. Lindberg, the NCDOI commissioner and certain other individuals affiliated with Mr. Lindberg, which the relevant authorities allege constitute bribery. While all of the overlaps appear to be relevant, many of these conversations, meetings and/or other correspondences are alleged to have taken place very near to, during and after the precise dates of the CBLIC Investment Surge. *See* in particular pages 13 and 14 of the indictment of Greg Lindberg.
- The 10/31 Follow-up Letter indicates that, if the affiliated transactions had been properly disclosed and reported in the statutory-basis financial statements of CBLIC and Southland, these entities would have been reported as statutorily insolvent in their 12/31/18 filings. See 10/31 Buttner Affidavit.
- Independent asserts that the facts, observations, and conclusions set forth in the 10/31 Follow-up Letter have been validated by the New NC Reports.

The Rehabilitator's Response states various times and in various ways that Independent does not have any "actual evidence" in support of its expressed concerns (Rehabilitator's Response, pages 9-10). Independent has provided the factual information it has uncovered as a private party without the investigative powers of the government. As a concerned member of the insurance industry and the public, Independent has, after being invited to do so by this very Court, gathered scattered pieces of information, discerned actual or potential inter-relationships among them, and brought that to the attention of the DIFS, the MI Rehabilitator, the MI AG and this Court. Independent asserts that all of the facts and circumstances that have come to light, and continue to come to light, during the Inter-related Proceedings raise valid concerns with the Plan and whether it satisfactorily protects Pavonia, its policyholders, creditors and the public.

**d. The Plan does not fully separate Pavonia from past, present and future involvement in the activities of the NC Insurance Affiliates**

*i. The Plan does not separate Pavonia from the same management team as the NC Insurance Affiliates*

GBIG Holdings' Response states as follows: "As stated in the Petition by the Director (acting as rehabilitator), 'Pavonia is financially stable' (Paragraph 4, Page 5, GBIG Response) and 'has not engaged in the non-insurance affiliate investment activity encumbering' affiliate insurers now under rehabilitation in North Carolina" (Id.). This statement omits the key fact that GBIG Holdings' very own management team, one and the same as the proposed Aspida management team, was running these affiliate insurers when they were placed into rehabilitation. Further, GBIG Holdings states, "[n]one of Pavonia's contemplated officers or directors following closing are known to be facing criminal indictment" (Id.) This is not a sufficient standard for insurance regulators to follow to determine if an insurance management team is fit for service. Consider that Florida, for instance, prohibits Officers and Directors of insurers that have become insolvent during their tenure from subsequently becoming an Officer or Director of another insurance company. The relevant Florida statute states:

> "Officers and directors of insolvent insurers.—Any person who was an officer or director of an insurer doing business in this state and who served in that capacity within the 2-year period before the date the insurer became insolvent, for any insolvency that occurs on or after July 1, 2002, may not thereafter serve as an officer or director of an insurer authorized in this state or have direct or indirect control over the selection or appointment of an officer or director through contract, trust, or by operation of law, unless the officer or director demonstrates that his or her

personal actions or omissions were not a significant contributing cause to the insolvency." Florida Statute 624.4073.

Similarly, Aspida states in its response as follows: "[e]ven though Pavonia is solvent, the Director has found that implementation of the Plan will completely secure protection of Pavonia's policyholders **against risks arising from the Company's affiliation with four financially troubled North Carolina insurers** ('NC Insurance Affiliates') and **a federally indicted individual who is their collective ultimate controlling shareholder** (bold added for emphasis)" (Paragraph 1, Page 1, Aspida Response). Immediately thereafter, Aspida further states, "The Plan is based on **separating Pavonia and its administration from the NC Insurer Affiliates and the controlling shareholder** (bold added for emphasis)" (Id., Paragraph 2). Notably, the management team of these NC Insurance Affiliates – the same as the proposed Aspida management team – is not at all mentioned.

Per the above, both GBIG Holdings and Aspida clearly state in their responses that separation from the NC Insurance Affiliates and the federally indicted owner thereof is in the best interests of Pavonia its policyholders, creditors and the public. Yet, by leaving management out of the equation, they appear to be implying that separation from the management team that ran the day-to-day business of said NC Insurance Affiliates and worked directly for said federally-indicted owner thereof and who prepared and signed the now discredited 2018 financial statements somehow ***does not*** conflict with the best interests of Pavonia, its policyholders, creditors and the public. Independent asserts that this logic does not hold credibility.

The following table shows how the proposed Aspida management team is comprised of precisely the same individuals as the management team of GBIG Holdings, Global Bankers Insurance Group, LLC ("GBIG Service Co") and the NC Insurance Affiliates:

**Management Team before and After Aspida-Pavonia Acquisition**

| Name | Lou Hensley | Brian Stewart | Mike Farley | Joe Lurie | Tamre Edwards | Louis Belo | Louis Belo was a former senior member of the NCDOI |
|---|---|---|---|---|---|---|---|
| Title | CEO | CFO | Chief Actuary | CTO | General Counsel | Chief Compliance Officer | Cc |
| Relevant Companies under Greg Lindberg Ownership: | | | | | | | |
| GBIG Holdings | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | • Holding company for all of Greg Lindberg's U.S. Insurance operations |
| GBIG Service Co | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | • Management company for all of Greg Lindberg's U.S. Insurance operations |
| Southland Insurance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Southland Re | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | The four NC Insurance companies placed into rehabiliation due mainly to affiliated assets |
| Colorado Bankers Life | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Bankers Life | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Pavonia | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | • The only US Insurance entity owned by Greg Lindberg that does not have affiliated assets on its balance sheet |
| Relevant Companies Proposed to be Under Aspida Ownership: | | | | | | | |
| Pavonia | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | • The only US insurance entity owned by Greg Lindberg that does not have problematic assets on its balance sheet |
| GBIG Service Co | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | • Management company for all of Greg Lindberg's U.S. insurance operations |

ii. *The Plan does not separate GBIG Service Co, made a subsidiary of Pavonia as part of the Plan, from the ongoing servicing of the NC Insurance Affiliates.*

Each of the NC Insurance Affiliates has entered into management service agreements ("GBIG Service Agreements") with GBIG Service Co pursuant to which GBIG Service Co (including the proposed Aspida management team) provides all executive management and administrative services to said companies as well as Pavonia. The nature of the services and the amounts charged are described in the footnotes to the statutory financial statements of each of the NC Insurance Affiliates.

In the New NC Reports, the NC Rehabilitator states as follows, "The Rehabilitator is evaluating the contracts of the Company to identify those that are essential for ongoing operations.

The Rehabilitator is attempting to negotiate more favorable terms of essential contracts." (Page 3, NC Rehabilitator's Quarterly Report for CBLIC). Independent inquired with a representative of the MI AG regarding whether the foregoing statement referred to the GBIG Service Agreements and was told by said representative that it did not, attached hereto as **Exhibit "C"**. Presumably, therefore, these contracts will continue to be in place.

According to the Plan, the same management team will be directly running GBIG Service Co and Pavonia, and will also be servicing the NC Insurance Affiliates pursuant to the GBIG Service Agreements. Therefore, the Plan does not separate Pavonia from the NC Insurance Affiliates and their activities, leaving them connected in material ways to both the past and future activities of the NC Insurance Affiliates.

**e. The MI Rehabilitator has broad discretion to rehabilitate Pavonia in a manner that protects the Company's insureds and creditors, including by conducting a "private sale" of Pavonia.**

The Rehabilitator's Response indicates that the MI Rehabilitator has broad discretion to rehabilitate Pavonia in a manner that protects the Company's insureds and creditors, including by conducting a private sale of Pavonia (Paragraph 1, page 5, Rehabilitator's Response). The Rehabilitator's Response furthers states:

- "MCL 500.8121(1)(g) grants the Rehabilitator the power 'to conduct public ***and private*** sales of the insurer's property" (Id., Paragraph 2, page 5);
- "...the Rehabilitator is authorized to proceed with the Plan..." (Id., Paragraph 2, page 5);
- "Chapter 81 does not require the Rehabilitator to conduct a public bidding process in connection with rehabilitating Pavonia." (Id, Paragraph 2, Page 5)

Based on the above, the Rehabilitator's Response then concludes "Chapter 81 expressly authorizes the Rehabilitator to conduct a private sale of Pavonia without considering Independent's untimely, speculative purchase offer" (Id, Paragraph 3, page 5) and "this statute is controlling and forecloses Independent's Objection to the Plan..." (Id, Paragraph 3, page 5). The cited statute, MCL 500.8121(1)(g), provides a liquidator, not a rehabilitator, the authority to conduct a private sale. Furthermore, the proposed sale was not conducted by the rehabilitator but by private parties prior to the rehabilitation process. Independent also disagrees that its offer is "untimely and speculative" for the reasons set forth throughout Independent's Objection and this Supplement. Based on the totality of the facts and circumstances involved in the Inter-related Proceedings, the MI Rehabilitator and this Court should not approve the Plan without reviewing and considering Independent's alternative proposal. Rather, this Court should exercise its discretion to modify the Plan to allow Independent to conduct sufficient due diligence and make an offer for the acquisition of Pavonia.

**f. Independent did not participate in the Pavonia sale process because it was not invited to do so. As well, the integrity of the sale process itself, and the outcome of the Sale Process, is questionable.**

The Responses, either directly or by implication, assert that Independent should have participated in the "sale process" of Pavonia. However, Independent did not participate in the sale process because Independent was not invited by GBIG Holdings to do so. In a typical sale process, a seller or its investment banker on its behalf reaches out to potentially interested buyers and invites interested buyers into the sale process. Consistent with this typical process, General Counsel to GBIG Holdings stated, "GBIG disseminated interest in selling Pavonia and Global Bankers widely to a variety of potential buyers." Paragraph 7, Page 2, Affidavit of Tamre F. Edwards. Independent was not one of the parties to which GBIG Holdings' interest was disseminated.

Furthermore, **prior to the announcement of the signing of the Aspida SPA and the filing of the Plan**, Independent, through Timothy W. Volpe, Esq., reached out using multiple channels to inquire about a potential purchase of Pavonia. Specifically, Mr. Volpe had conversations expressing Independent's interest to purchase Pavonia with James Gerber, Director of Receiverships for the DIFS; Jackie Obusek, Senior Deputy Commissioner of the NCDOI; and representatives of Greenberg Traurig, believed by Independent based upon public disclosures to be counsel for Greg Lindberg, GBIG Holdings, and certain affiliates. Mr. Volpe's expressions of interest either garnered no response or were affirmatively rebuffed.

In addition, Independent suspects that, because Independent would not have wanted to keep the proposed Aspida management team, it would not have been successful in a process conducted by said management team. As disclosed by GBIG Holdings, the proposed Aspida management team led the sale process for Pavonia (*i.e.*, the sale process was **not** led by an independent third-party sell-side advisor). Independent reminds the Court, once again, that this is the same team which directly led the strategy and operations of GBIG Service Co and the NC Insurance Affiliates. The proposed sale of Pavonia to Aspida results in the entire executive team maintaining their Director and Officer positions, and with at least Mr. Hensley securing an equity interest in Pavonia.

Independent asserts that it is not in the best interests of Pavonia, its policyholders, creditors, the insurance industry and the public for the DIFS, the MI Rehabilitator and the Court to take a sale process conducted by this management team at face value, given the totality of the facts and circumstances that have only recently fully come to light. Independent does not know, but believes it is relevant and important to know, whether or not any of the bidders other than Aspida:

a) Planned to retain the proposed Aspida management team;

b) Offered an ownership interest in Pavonia to Lou Hensley; and

c) Provided financing to any of the Eli Global companies that were a focus of the "affiliated investments".

Notably, Aspida itself addressed point c) above in its response, stating that the amount of these loans from its parent Company, Ares Management Corporation, and/or affiliates thereof to Eli Global affiliates aggregates "less than one percent of assets under Ares' management" (which the Response states are $142 Billion, making one percent $1.42 Billion). Aspida Response at 5-6. Aspida goes on to emphasize that these loans were not material to Ares. Id. While these loans may not be material to Ares, they could be material to GBIG. It should also be noted that GBIG says nothing about these loans in its Response. Independent suggests that the amount and timing of these loans could bear upon the integrity of the process.

The result of the Pavonia sale process - the proposed sale to Aspida - is an integral, and material, aspect of the Plan. As discussed in Section III, d above, the Responses indicate that the intent of the Plan is to separate Pavonia from the NC Insurance affiliates and their ultimate owner, Mr. Lindberg, and that doing so is in the best interests of Pavonia, its policyholders, creditors and the public. Independent asserts that a sale of Pavonia to an independent third-party such as Independent with no ongoing connectivity to the NC Insurance Affiliates, including their management team, completely accomplishes this objective, whereas the Plan does not.

Accordingly, Independent asserts that the protection of the in-force policy owners of Pavonia is maximized by separating them from the risks of the Plan in its entirety and allowing a new, credible buyer, without the deep connection to the NC Insurance Affiliates, their management and prior owner, to become Pavonia's new owner. Independent is such a buyer, and continues to request the opportunity to conduct expedited due diligence and submit an offer for the acquisition of Pavonia along with related documentation.

If the parties to the Plan decide to modify the Plan and the Aspida Form A to replace key members of the proposed Aspida management team, Independent asserts that the integrity of the sale to Aspida will still remain in question based upon the totality of the facts and circumstances that have only recently fully come to light.

**g. Independent agrees with the assertion in the Responses that the Aspida SPA does not obligate the MI Rehabilitator or the Seller to solicit or entertain alternative bids. However, the pre-packaged nature of the Plans and the terms of the SPA itself may be placing undue influence on the discretion of the DIFS.**

Independent's Objection does not state that the Aspida SPA obligates the MI Rehabilitator or the Seller to solicit or entertain alternative bids. Independent reiterates, and affirms its agreement with the assertion in the Responses, that the Aspida SPA does not obligate the MI Rehabilitator or the Seller to solicit or entertain alternative bids. Independent also agrees with the Responses that the Aspida SPA remains subject to the Aspida Form A process.

Quite contrary to the notion that the Aspida SPA does not obligate the MI Rehabilitator or the Seller to pursue alternative bids, it actually contains provisions that seek to inhibit the MI Rehabilitator and this Court from the pursuit of (or even a response to) alternative bids. Section 8.09 of the Aspida SPA states:

> "In the event of an [alternate] Acquisition Proposal, Seller shall cause its Affiliates to, use reasonable best efforts to oppose and prevent such Acquisition Proposal in the Rehabilitation and before the Rehabilitation Court and shall use reasonable best efforts to cause the Rehabilitator and the Rehabilitation Court not to solicit, initiate, encourage, respond to, facilitate, participate in, negotiate or accept such Acquisition Proposal, and to decline such Acquisition Proposal in the Rehabilitation."

This section of the SPA binds the Seller; it does not bind the MI Rehabilitator. Accordingly, Independent asserts that, despite the fact that the Aspida SPA is part of the pre-arranged Plan, the Aspida SPA remains subject to the Form A process, the MI Rehabilitator has the authority to solicit and entertain alternative bids and the MI Rehabilitator and this Court should not consider themselves to be contractually barred from doing so.

### h. Independent's Credible Offer to Make a Superior Proposal was Rejected.

The Responses state in various ways that Independent has made only a "proposal to propose" and not an actual offer. From the date that Mr. Volpe reached out on Independent's behalf, **precisely 198 days (i.e., over 6 months)** from the date of the January Hearing (as defined below), Independent has been requesting access to the necessary information and opportunity to submit a proposal. As stated in Independent's Objection and reiterated in this Supplement, that initial attempt, and all attempts since, have been ignored or denied. The very parties that have control over whether to accept a proposal from Independent have rejected Independent's ongoing attempts to do so, yet simultaneously argue that this fact should be held against Independent.

In addition, Independent directs the Court to the clear, concise and compelling summary of the terms of Independent's proposal as set forth in Independent's Objection. As stated in the various correspondences prior to Independent's Objection, as reiterated and stated in Independent's Objection, and as reiterated and stated in this Supplement, Independent remains ready, willing and able to conduct expedited due diligence for the acquisition of Pavonia and submit a proposal. Independent simply has to be permitted to do so. For the Court's convenience, Independent reiterates a summary of its proposal, based on Independent's Objection, in section i below.

### i. Independent's Offer Benefits the Policyholders of Pavonia, not Only the Seller.

Independent's Objection outlined a comprehensive proposal to purchase Pavonia which included a number of components specifically designed to increase protections to the key stakeholders, Pavonia's policyholders. Contrary to the Responses, Independent's offer does not solely benefit the Seller via a higher sale price – the sales price increase represented just one component of Independent's offer. While it is true that a higher sales price is one aspect of Independent's offer that is superior to the transactions proposed in the Plan, the additional benefits of Independent's offer to Pavonia's policyholders are clear and convincing. To reiterate from Independent's Objection, the key aspects of Independent's proposal are as follows:

- **Capital Infusion.** Concurrent with the closing of the transaction, Independent would make an additional capital contribution of $20,000,000 to the capital and surplus of Pavonia. At the conclusion of 2018, cash flow testing required Pavonia to allocate part of its surplus to supporting its in-force business. Pavonia chose to strengthen reserves by $87.6 million to meet part of this requirement. The possibility exists that in the future, cash-flow testing will again require an additional allocation of surplus. The capital addition committed by Independent will increase Pavonia's surplus which would mitigate the potential adverse impact of such future allocations. No such capital infusion is included in the current Plan proposed by Aspida.
- **Capital Maintenance Agreement.** In order to ensure the future stability of Pavonia for the benefit of its policyholders and creditors, Independent will enter into a capital maintenance agreement. This agreement would be similar to the agreement on file with the Texas Department of Insurance wherein Independent has committed to maintaining a minimum Company Action Level Risk-Based Capital score of 450%, well in excess of required capital and in the top tier of life insurance companies in the market. No such capital maintenance agreement is included in the current Plan.
- **Structured Settlement Expertise.** The majority of Pavonia's reserves pertain to annuities that support structured settlements of personal injury claims, protecting a particularly vulnerable part of society deserving this Court's protection. As previously discussed, Independent is the only life & annuity company in the United States focused

exclusively on these structured settlement annuities, and Independent's management team is deeply experienced in all aspects of the insurance and investment industries, particularly those related to structured settlements.

- **<u>Elimination of Proposed Aspida Management Team Risk.</u>** The Independent proposal would not include the management members that were directly or indirectly responsible, and should be held accountable, for all of the facts and circumstances that led to four insurance companies being placed into rehabilitation while under their direct supervision. The MI Rehabilitator itself raised concerns that companies with which proposed management was involved might "lack sufficient liquid assets to pay all outstanding financial obligations that could threaten Pavonia's policyholders and creditors" (Stipulated Order at 4).

### j. The Parties causing delay in this process are the parties to the Plan, not Independent.

The Responses purport that allowing Independent to conduct expedited due diligence and submit a proposal, which Independent will have been proposing to do for **precisely 198 days (*i.e.*, over 6 months)** from the date of the January Hearing (as defined below), will cause delay and will therefore cause harm to policyholders. However, as mentioned in Independent's Objection and reiterated throughout this Supplement, Independent has tried again and again to convince the various parties involved in these proceedings to allow it to make a proposal for, and conduct expedited due diligence on, Pavonia, yet has continuously been denied the opportunity to do so. Independent has taken other relevant steps to expedite these proceedings, including for example requesting a pre-hearing that Independent believed would have been helpful to this Court. The pre-hearing was granted by the Court and was scheduled to take place on October 30, 2019, but it is Independent's understanding that the MI AG and the MI Rehabilitator made a motion to cancel the pre-hearing, asserting that the Court must adhere to the schedule outlined in the Order and that holding a pre-hearing would be an improper deviation from said schedule. The Court granted the MI AG's motion, and the pre-hearing was canceled. Since that time, Independent has continued to devote substantial resources to having its voice heard, while simultaneously preparing for the December 5, 2019 hearing (the "December Hearing"). Then, with only one week to go before the December Hearing, Independent was informed that the MI AG requested a delay in the proceedings and the December Hearing was rescheduled to take place on January 16, 2020 (the "January Hearing"). Independent points out that this rescheduled hearing date is **precisely 198 days (i.e., over 6 months)** from the date that Mr. Volpe first reached out regarding Independent's desire to present a proposal and conduct expedited due diligence on Pavonia. Independent could easily have submitted a proposal, conducted due diligence, submitted its own SPA and been finished with its own Form A in this timeframe, had it been permitted to do so per its ongoing attempts.

**k. Independent is a highly credible buyer of Pavonia.**

A fundamental tenant of MCL, Chapter 500.8100 is the protection of policyholders. It is important to note the majority of the Pavonia reserves are structured settlement annuities. Typically, structured settlements are funded with annuity contracts that payout over the lifetime of a personal injury victim. These annuities represent some of the longest duration liabilities in the insurance industry. Often the term is measured in decades and the payment streams are the economic foundation for the payees who are often disabled and dependent on these life-time payments.

Independent is uniquely positioned to assist DIFS and the Court with this cohort of policyholders. As the only life insurance company that focuses exclusively on structured settlements, Independent has the expertise and the motivation to help manage and reduce the risks associated with these long-term liability streams and the special needs of these policyholders. One of Independent's founders and major shareholders has devoted his career to serving the needs of plaintiffs who need and benefit from structured settlement annuities, including but not limited to founding and managing a specialized, comprehensive care facility for seriously injured parties (www.neuliferehab.com).

Independent's leadership team has been at the forefront of the structured settlement industry. Pat Hindert, Independent's Vice President of Business Development and a University of Michigan Law graduate, co-authored the leading textbook on structured settlements titled "Structured Settlements and Periodic Payments Judgments". Mr. Hindert played a key role in working with Congress to establish the tax-law that governs structured settlements. In fact, he provided expert testimony to the United States House Ways and Means Committee prior to the enactment of the Periodic Payment Settlement Act of 1982.

Independent's expertise on structured settlements does not end with Mr. Hindert. The management team has played key roles in the establishment and improvement of 48 different states "Structured Settlement Protection Act(s)". These individual state statutes require court oversight on the transfer of a structured settlement payment right. These laws, including MCL 691.1309, require the court to determine the transfer is in the **"Best Interest"** of the payees. These laws have helped reduce the impact of the "predatory" factoring business on the structured settlement industry. To further combat this type of factoring, ILIC is the first life insurance company to implement a "Payee Protection Policy" that outlines covenants ILIC will adhere to in order to protect its policyholders.

Another key element of the Independent proposal is the ability to leverage the significant investment, financial and other resources and capabilities provided by LKCM Headwater Investments ("Headwater"), which serves as the private investment group within Luther King Capital Management Corporation ("LKCM"), an SEC-registered investment advisory firm founded in 1979 and headquartered in Fort Worth, Texas with over $17 billion in assets under management. With the support of Headwater, Independent is well qualified and capitalized to safeguard the policyholders of Pavonia throughout the life of their policies.

Accordingly, Independent and Headwater believe that they provide the management team, business platform, expertise in structured settlements, capital and other resources to protect the best interests of Pavonia's policyholders, creditors and the public.

## IV. NEW NC REHABILITATOR REPORTS

The New NC Reports confirmed several key pieces of information previously disclosed by Independent to the DIFS, the MI Rehabilitator, and this Court, including but not limited to the information contained in the 10/31 Buttner Affidavit. The key elements of the report from the NC Rehabilitator were:

1. Confirmation that the goal of the NC Rehabilitator is to reduce the amount of affiliated investments and to increase long-term liquidity.
2. The North Carolina statutes limit the amount of an insurer's investments in affiliates to the lesser of 10% of admitted assets or 50% of surplus. The following chart shows the

impact of the investments in affiliates by the troubled NC Insurance Affiliates as of September 30, 2019:

| | Affiliated Investments as a % of: Assets | Surplus | Amount in Excess of NC Statutes |
|---|---|---|---|
| Colorado Bankers Life Insurance Company | 40% | 918% | $973 Million |
| Southland National Insurance Corporation | 65% | 101% | $188 Million |
| Bankers Life Insurance Company | 17% | 236% | $52 Million |

3. The excess amount of investments in affiliates should be treated as a non-admitted asset and if this is done, all of the NC Insurance Affiliates have significant negative surplus positions (statutorily insolvent).

| | Surplus | Status | Reference |
|---|---|---|---|
| Colorado Bankers Life Insurance Company | -$860 million | Insolvent | Page 35 |
| Southland National Insurance Corporation | -$190 million | Insolvent | Page 8 |
| Bankers Life Insurance Company | -$24 million | Insolvent | Page 24 |
| TOTAL | -$1.074 billion | | |

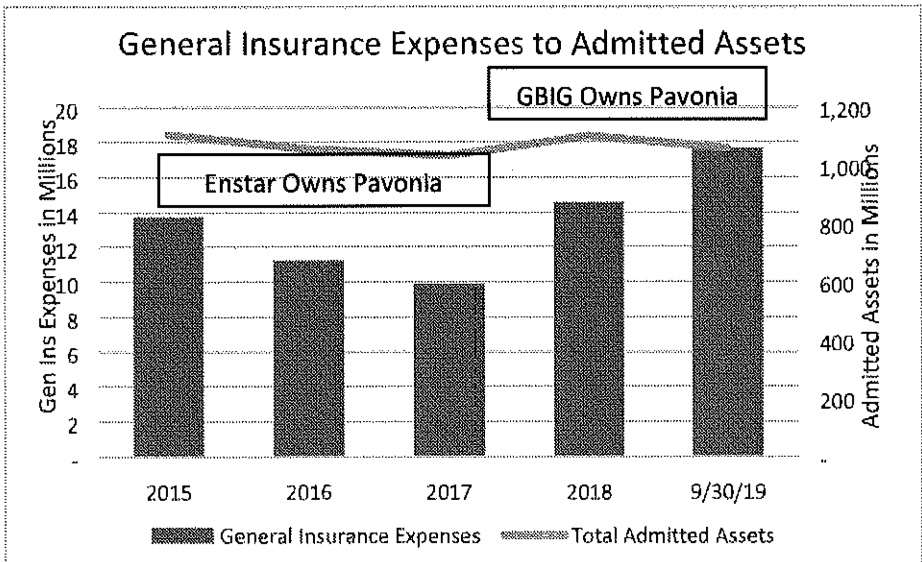
4. NC Insurance Affiliates each had loaned money to an affiliate, Agera, which declared bankruptcy in October 2019. The entire amount of the affiliated loans to Agera of $48.4 million by the NC Insurance Affiliates has been written off by the NC Rehabilitator. The allocation of the write-offs between the NC Insurance Affiliates' are outlined below:

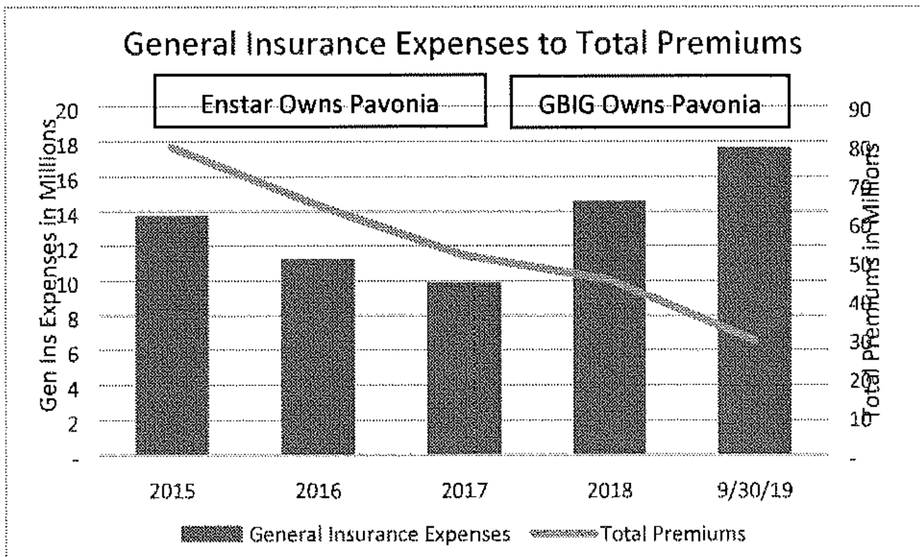
| | Agera Energy Write-Off Amount |
|---|---|
| Colorado Bankers Life Insurance Company | -$43.4 million |
| Southland National Insurance Corporation | -$3.4 million |
| Bankers Life Insurance Company | -$1.6 million |
| TOTAL | -$48.4 million |

It bears noting that the NC Rehabilitator disclosed "The investments and loans were made through various financing companies and asset management companies." This provides an example of how the ultimate investment in Agera lacked transparency, making it difficult for regulators, rating agencies and the public to understand the true nature of these investments.

5. The New NC Reports raised a new issue regarding expenses. In a section entitled, Expense Reductions, the New NC Reports stated that the NC Rehabilitator is evaluating the contracts of the NC Insurance Affiliates to identify those that are essential for ongoing operations and that the NC Rehabilitator is attempting to negotiate more favorable terms of essential contracts.

   This statement in the New NC Reports caused Independent to conduct a more thorough review of Pavonia's expense trends both prior and subsequent to the acquisition by GBIG in late December 2017. Independent reviewed Pavonia's general insurance expenses, total admitted assets and total premiums for the past 5 years and noted a significant escalation in expenses while admitted assets remained relatively unchanged and premiums declined. In 2017, the last year Pavonia was owned by Enstar, general insurance expenses had declined to $9.9 million. In 2018, the first year Pavonia was owned by GBIG, general insurance expenses increased 47%. This trend has continued throughout the first nine months of 2019. Even though Pavonia's 2019 results only include nine months of activity, general insurance expenses are already 21% higher than the full year in 2018 and they are 78% higher than the full year of 2017 when Pavonia was owned by Enstar. The following charts show this escalation in Pavonia's general insurance expenses:




It appears that the largest component of general insurance expenses is the amount charged by GBIG Service Co. Given the complexity of the organizational structure at issue here and for the Court's convenience, Independent reminds the Court that GBIG Service Co is the non-insurance company transferred as part of the Plan by GBIG Holdings to Pavonia. GBIG Service Co provides all of the management, administration and other operating services for GBIG Holdings, the NC Insurance Affiliates and

Pavonia. All of GBIG Service Co, Pavonia (its parent), and the NC Insurance Affiliates experienced material spikes in their expenses since being acquired by GBIG Holdings and while being run by the proposed Aspida Management team.

This allocation of costs from an affiliate was disclosed in the notes to the September 30, 2019 financial statements of Pavonia as follows:

> "The Company utilizes the services of GBIG, LLC [i.e., GBIG Service Co] to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was $17,124,345 and $13,969,682 at September 30, 2019 and December 31, 2018, respectively."

Mr. Buttner (again, a nationally recognized statutory accounting expert) conducted an in depth review of these expenses and trends, and provided an affidavit setting forth his independent observations and findings, attached hereto as **Exhibit "D"**.

## V. SUMMARIZATION OF INFORMATION ARISING AFTER THE FILING DATE

Regardless of all that transpired prior to the filing date of the Plan, many facts have come to light ***after*** the filing date of the Plan that the DIFS, the Rehabilitator and/or this Court should consider as it relates to the approval of the Plan, the Form A process and these Court proceedings. The Plan was first filed and made public **on July 9, 2019,** and the following events occurred and were made public ***after*** this date:

- **7/19/19**: the NC Rehabilitator re-filed (i) the CBLIC Annual Statement re-classifying billions of dollars of affiliated investments that were mis-classified by the proposed Aspida Management team in the 2018 CBLIC Annual Statement (filed in February

2019), (ii) the BLIC Annual Statement reclassifying millions of dollars of affiliated investments that were mis-characterized by the proposed Aspida Management team in the 2018 BLIC Annual statement and (iii) the SNIC Annual Statement reclassifying millions of affiliated investments that were mis-characterized by the proposed Aspida Management team in the 2018 SNIC Annual Statement;

- **7/24/19**: The entire executive suite of GBIG Holdings and the NC Insurance Affiliates was proposed by Ares as officers of Aspida in the Aspida Form A;
- **7/24/19**: Lou Hensley, CEO of GBIG Holdings, the NC Insurance Affiliates and Pavonia, was listed as an OWNER and DIRECTOR in the Aspida Form A;
- **9/27/19**: former North Carolina Republican Chairman, Robin Hayes an alleged co-conspirator of Greg E. Lindberg in the alleged bribery scheme to influence the NCDOI Commissioner plead guilty to lying to the FBI and will cooperate with the prosecution in the February 2020 trial of Mr. Lindberg and his co-conspirators;
- **10/4/19**: Agera filed for Chapter 11 Bankruptcy in U.S. Bankruptcy Court in White Plains New York. Agera was an affiliated company to the NC Insurance Affiliates and investments in Agera were mischaracterized by the proposed Aspida Management team in the NC Insurance Affiliates' 2018 Annual Statements.
- **10/31/19**: The 10/31 Buttner Affidavit submitted to DIFS highlighted the $1.3 billion CBLIC Investment Surge in affiliates, which took place in the month of July of 2019 at the same time as key events outlined in the indictment of Mr. Lindberg, all of which occurred during the proposed Aspida Management team's leadership at the impacted companies;
- **11/1/19**: Ares disclosed in its response to the Independent's Objection that it has historically provided loans to affiliated companies of Mr. Lindberg;
- **11/20/19**: The New NC Reports indicated that the NC Insurance Affiliates are a combined $1.074 billion insolvent when measured on a statutory accounting basis; and
- **12/20/19**: The 12/20 Buttner Affidavit highlights the substantially increased management and operational expenses at Pavonia and the NC Insurance Affiliates

before and after the acquisition of each insurance entity by GBIG Holdings, under the direct leadership and supervision of the proposed Aspida Management team.

## VI. IMPACT OF THE NC INSURANCE AFFILIATES ON MICHIGAN

Although the DIFS is the lead regulator for Pavonia and the NCDOI is the lead regulator for the NC Insurance Affiliates, Independent asserts that the DIFS has a vested interest in the activities of the NC Insurance affiliates for the following reasons: (i) as already explained, the proposed Aspida management team, the GBIG management team and the NC Insurance Affiliates' management team are all one and the same, (ii) as already explained, the activities of Pavonia and the NC Insurance Affiliates will continue to be intertwined because of the operational resources for the NC Insurance Affiliates reside in GBIG Service Co, made a subsidiary of Pavonia as part of the Plan[1] and (iii) as explained in this section, the NC Insurance Affiliates all have policyholders in Michigan, who have been harmed or potentially harmed by the actions of the NC Insurance affiliates, led by the proposed Aspida management team.

The NC Insurance Affiliates are authorized to write business in Michigan and all US states and many territories, except for New York state and, due to suspension in October 2018, Ohio[2]. Independent points out that, according to the 2018 CBLIC Management's Discussion and Analysis Report ("CBLIC MD&AR) contained in the 2018 Annual Statement for CBLIC: (i) CBLIC is the largest of the NC Insurance Affiliates, (ii) CBLIC's main historical focus was "Life & Worksite

[1] While it is possible that the operational resources of the NC Insurance Affiliates can be extricated from GBIG Service Co at some point in the future, Independent is not aware of any plans to do so. If this were the plan, Independent asserts that the Plan itself, the governing document in this situation, would have said so. In addition, Independent directly inquired about this possibility and was told by the MI AG that the service contracts between GBIG Service Co and the NC Insurance Affiliates were not being renegotiated.

[2] On October 10, 2018, the Ohio Department of Insurance ("ODI") issued an order suspending the Certificate Of Authority of CBLIC to conduct insurance business in the State of Ohio. On November 11, 2018, CBLIC and the ODI entered into a consent order replacing the Ohio suspension order, which restricts CBLIC's ability to write new business in the State of Ohio.

products" and (iii) "The primary focus for [CBLIC's] Life & Worksite business has historically been on **federal, state and local government employees** (bold added for emphasis) where products are sold either at home or at the worksite. The Company continues to increase its focus on direct individual markets to reduce concentration risks with the **military and postal workers** (bold added for emphasis)."

CBLIC, under the leadership of the proposed Aspida management team, experienced explosive growth in premiums and deposits, classified in the 2018 CBLIC annual statement as mostly single premium deferred annuities, over the period from 2016 to 2018 (from less than $3 million in 2016 to approximately $1.4 billion in 2018). At the end of 2017, CBLIC had 8,209 annuity contracts in force, including 2,609 new additions in 2017. At the end of 2018, CBLIC had 96,764 annuity contracts in force, including 89,598 new additions in 2018. This explosive premium growth enabled CBLIC's explosive growth in affiliated investments (*e.g.*, the CBLIC Investment Surge; *See* 10/31 Follow-up Letter and 10/31 Buttner Affidavit for more details). A large portion of the affiliate investments are required to be non-admitted under NC law. Applying NC law, as described in the New NC Reports, renders the NC Insurance Affiliates statutorily insolvent, putting CBLIC, and its historical cohort of policyholders - namely federal, state and local government employees, including military and postal workers - at substantial risk. Since June 27, 2019, these policyholders have been under a moratorium prohibiting them from surrendering, annuitizing, or taking policy loans pursuant to the Order Granting Motion for Moratorium on Policy Surrenders and Other Relief, attached hereto as **Exhibit "E"**. The contractual rights of CBLIC's historical policyholders have been materially restricted as a direct result of the explosive growth in both premiums and affiliated investments by CBLIC, led by the proposed Aspida management team.

Schedule T of the annual statements of CBLIC discloses premiums in Michigan of approximately $18 million of the $225 million in total sold by CBLIC in 2017, and $105 million of the $1.4 billion in total in 2018. In addition, the average size contract in 2017 was approximately $74,000 compared to $16,000 in 2018. Based upon the above, Independent estimates that approximately 6,000 to 7,000 Michigan policyholders purchased an annuity from CBLIC in 2018. CBLIC's affiliated investment activities, led by the proposed Aspida management team, resulted in the NC Insurance Affiliates being placed into rehabilitation and with CBLIC as well as two of its NC insurance affiliates becoming "statutorily insolvent" after applying legally permissible affiliate investment thresholds. Clearly, the affiliated investment activities of CBLIC and the other NC Insurance Affiliates, and the involvement of the management team that ran them, are relevant to the Michigan policyholders they were responsible for protecting, and therefore relevant to the DIFS. Depending on the realization of proceeds from liquidating the affiliated investments, its possible that CBLIC and the other NC insurance affiliates that wrote business in Michigan may not be able to timely or fully meet their policyholder obligations.

For the above reasons, Independent asserts that the activities of the NC Insurance Affiliates are relevant not only to Michigan and the DIFS, but to every other state where the NC Insurance Affiliates conducted business.

## VII. INDEPENDENT'S PRAYER FOR RELIEF

WHEREFORE, Independent respectfully prays that this Court enters an Order:

1. Allowing Independent to be heard at the hearing set for January 16, 2020;
2. Ordering the MI Rehabilitator to provide Independent with timely access to due diligence information on Pavonia sufficient to enable Independent to submit its proposal for the acquisition of Pavonia;

3. Ordering the MI Rehabilitator to allow Independent to submit a proposal for the acquisition of Pavonia; and

4. Withhold a final decision on the Plan to allow sufficient time for the above, and for Independent's proposal, once submitted, to be properly considered by the DIFS, the MI Rehabilitator and/or this Court.

**FRASER TREBILCOCK DAVIS & DUNLAP P.C.**

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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via e-mail, by hand delivery and U.S. First Class Mail on the Clerk of the Court, Ingham County Circuit Court, Veterans Memorial Courthouse, 313 W. Kalamazoo, Lansing MI 48901 and to the Michigan Department of Attorney General, attention: Christopher Kerr and James Long, Corporate Oversight Division, P.O. Box 30736, Lansing MI 48909, Dykema Gossett, PLLC, Lori McAllister, 201 Townsend Street, Suite 900, Lansing, MI 48933, Dickinson Wright, PLLC, Ryan M. Shannon, 215 S. Washington Square, Suite 200, Lansing, MI, all counsel or parties of record this 30 day of December, 2019.

______________________________
Attorney

STATE OF MICHIGAN

IN THE $30^{TH}$ CIRCUIT COURT FOR THE COUNTY OF INGHAM

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

Plaintiff,

v.

PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN,

Defendant.

Case No.: 19-504-CR

Hon. Wanda M. Stokes

EDWARD W. BUTTNER IV, being duly sworn, deposes and says:

**Introduction and Summary Background**

1. I previously prepared and submitted an Affidavit with ten exhibits in this matter dated October 29, 2019 ("October Affidavit"). That October Affidavit should be read in conjunction with this Affidavit ("December Affidavit").

2. I submit this December Affidavit in further support of the Objection by Interested Party Independent Insurance Group, LLC, dated October 4, 2019 (the "Objection") to the Plan of Rehabilitation dated August 8, 2019 (the "Plan").

3. As discussed more fully in the October Affidavit, the composition of the management team (the "GBIG Management Team") proposed in the Plan to oversee Pavonia Life Insurance Company ("Pavonia" or the "Company") going forward consists of the same management team as that of the four affiliated North Carolina-domiciled insurance companies (the "NC Insurance Affiliates") that, along with Pavonia, comprise

the "GBIG Insurance Affiliates" which are under common ownership with Pavonia. Those NC Insurance Affiliates were placed into Rehabilitation under the direction of a Receiver by the North Carolina Department of Insurance (the "NCDOI").

4. The NC Insurance Affiliates were placed into rehabilitation by their respective regulators due to, among other things, regulatory concerns over investments by the NC Insurance Affiliates in affiliated non-insurance companies.[1] The GBIG Management Team was in charge of the day-to-day operations of the GBIG Insurance Affiliates prior to and upon the date that the GBIG Insurance Affiliates were placed into rehabilitation. The GBIG Management Team provides such day to day operating services through Global Bankers Insurance Group, LLC ("GBIG Service Co").

5. The NC Insurance Affiliates are:

- Colorado Bankers Life Insurance Company ("CBLIC")
- Southland National Insurance Corporation ("Southland")
- Bankers Life Insurance Company ("Bankers")
- Southland National Reinsurance Corporation ("Southland Re")

6. The NC Insurance Affiliates were placed in Rehabilitation on June 27, 2019, and Pavonia was placed in Rehabilitation on July 9, 2019.

**Scope of December Affidavit**

7. This December Affidavit addresses the requirements that transactions amongst affiliates must be under terms that are fair and reasonable. Such affiliate transactions

[1] Pavonia was placed into Rehabilitation by the Michigan Receiver, with the consent of the Company, due to concerns over the potential financial risk to Pavonia resulting from the financial condition of the GBIG Holding Company, the NC Insurance Affiliates status in rehabilitation and the indictment of Mr. Lindberg.

would include the services provided by GBIG Service Co to Pavonia, CBLIC, Southland, and Bankers.

8. In addition, this December Affidavit also addresses the potential conflicts of interest as regards Pavonia, the current parent and owner of GBIG Service Co; the services provided by GBIG Service Co to Pavonia, CBLIC, Southland, and Bankers both prior and subsequent to those insurers being placed into rehabilitation; the potential for the North Carolina and Michigan Receivers to reduce fees charged by GBIG Service Co to the insurers in rehabilitation; the potential by those Receivers to assert fraudulent transfer claims against GBIG Service Co; and the impact such fee reductions and/or fraudulent transfer claims could have on the sale of Pavonia and GBIG Service Co that is the subject of the Plan of Rehabilitation.

**Summary Opinions, Conclusions, and Observations**

9. As described more fully herein,

- There is substantial doubt as to whether affiliated management and investment fees charged by GBIG Service Co to Pavonia, Southland, and Bankers were fair and reasonable as required by the Michigan and North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- To the extent that such GBIG Service Co management and investment fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25.

- Any annual and/or quarterly statement that did not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.
- Such excess management and investment fees could be subject to recovery as fraudulent transfers from GBIG Service Co and potentially other entities within the Greg Lindberg holding company systems.
- A determination by the Michigan Receiver that such management and investment fees were excessive would likely have a negative impact on the Plan that such Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Pavonia, GBIG Service Co, and the proposed acquirer of those entities.
- The excess affiliated management fees charged to Pavonia could exceed $15 million.
- A determination by the North Carolina Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that the Michigan Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Michigan and North Carolina Receivers as regards the Plan.
- If either the Michigan or North Carolina Receivers were to determine that such affiliated management and investment fees paid by the insurers throughout the relevant time periods were not fair and reasonable, such a determination would also cast substantial doubt on the integrity and/or

competency of the GBIG Management Team that was determining, recording, and reporting such amounts.

**Reports Filed by the North Carolina and Michigan Receivers**

10. On November 20, 2019, the North Carolina Receiver filed certain financial statements as of September 30, 2019 (the "NC 3Q19 Financials") with limited explanatory notes and commentary for the NC Insurance Affiliates.

11. In November 2019, the Michigan Receiver filed a Quarterly Statement as of September 30, 2019 for Pavonia. As of the date of this December Affidavit, there are no reports from the Michigan Receiver as regards Pavonia that have been posted to the Michigan website.

12. The October Affidavit concluded that, based on the affiliate investments reported in the Amended 2018 Annual Statements and applying the purported 40% NCDOI affiliate investment limitation that had been asserted by such insurers, both CBLIC and Southland would have been insolvent with surplus deficits as of December 31, 2018 as follows:

- CBLIC – $(82.2 million)
- Southland – $(84.9 million)

13. The NC 3Q19 Financials disclosed, among other things, the following (somewhat paraphrased):

- On July 26, 2019, the Governor of North Carolina signed into law, House Bill 220. This bill amends N.C. Gen. Stat §58-19-10(b) to limit the amount of investments in affiliates and subsidiaries to the lessor of ten percent (10%) of the insurer's admitted assets or fifty percent (50%) of the Insurer's policyholders' surplus, provided that after those investments, the insurer's policyholders' surplus will be reasonable in relation to the insurers' outstanding liabilities and adequate to its financial needs. The amount of affiliate investments in excess of these limitations is required to be non-admitted.

- At September 30, 2019, Southland reported negative Capital and Surplus of $1.9 million before making any adjustment for excess investments in affiliates.
- As of September 30, 2019, Southland had $188 million of excess affiliated investments. Should this amount be non-admitted, Southland would have a surplus deficit of $190 million.
- As of September 30, 2019, Bankers had $52 million of excess affiliated investments. Should this amount be non-admitted, Bankers would have a surplus deficit of $24 million.
- As of September 30, 2019, CBLIC had $973 million of excess affiliated investments. Should this amount be non-admitted, CBLIC would have a surplus deficit of $860 million.
- It is also my understanding that the GBIG Management Team has been assisting the North Carolina Special Deputy Receiver ("North Carolina Receiver") and the Michigan Special Deputy Receiver ("Michigan Receiver") in the conduct of the day-to-day operations and management of the GBIG Insurance Affiliates post rehabilitation.

14. The findings of insolvency in the NC 3Q19 Financials by the North Carolina Receiver resulting from non-admitting such excess affiliate investments is consistent with my findings of insolvency described in the October Affidavit. In addition, the North Carolina Receivers' assertion as regards non-admitting the excess affiliate investments is also consistent with my conclusions in the October Affidavit.

15. Furthermore, using the current affiliate investment limitations enacted July 26, 2019 as described above, CBLIC, Bankers, and Southland are collectively $1.074 billion insolvent as of September 30, 2019.

16. The findings of insolvency by the North Carolina Receiver resulting from the excess affiliated investments confirms my opinion in the October Affidavit that the annual statements of CBLIC, Bankers, and Southland as originally prepared and filed by those charged with governance were materially false and misleading.

**Contribution of GBIG Service Co to Pavonia**

17. As disclosed in Pavonia's December 31, 2018 annual statement:

> On December 29, 2017, Southland National Holdings, Inc. purchased Pavonia Holdings, (US) Inc. along with the Company and its Canadian branch.
>
> And,
>
> The Company is a wholly owned subsidiary of GBIG Holdings Inc. GBIG Holdings, Inc is a direct subsidiary of GBIG Capital, LLC, a limited liability company organized under the laws of North Carolina. The ultimate controlling person is Greg Lindberg. More detailed information concerning the domicile of the above corporation and other affiliated corporations is reflected in the organization chart on Schedule Y Part 1 of this statement.

18. Based on the above disclosures, GBIG Service Co became an affiliate of Pavonia on December 29, 2017. Prior to December 27, 2017, GBIG Service Co was an affiliate of the NC Insurance Affiliates. As an affiliate, GBIG Service Co was subject to certain regulations imposed by the Holding Company Acts of North Carolina and Michigan including, but not limited to, that agreements amongst affiliates must be under terms that are fair and reasonable. In addition, transactions amongst affiliates are subject to the requirements of Statement of Statutory Accounting Principles ("SSAP") No. 25 - *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* ("SSAP No. 25").

**Holding Company System**

19. The National Association of Insurance Commissioners "(NAIC") and most state Departments of Insurance, including North Carolina and Michigan, have enacted laws, rules or regulations that restrict and/or limit or prohibit transactions amongst related parties.

20. In 1968, the NAIC Industry Advisory Committee reported to the commissioners that there were serious needs for a "prohibition against use of a holding company to accomplish indirectly what an insurer is prohibited from doing directly" and "surveillance and control over distributions from an insurer to a holding company." Thereafter, the NAIC adopted the "Insurance Holding Company Regulatory Model Legislation" at its June 1969 meeting and adopted complementary model rules at the NAIC meeting in December 1969. Over the succeeding years, many of the individual states enacted holding company laws based on the NAIC model rules.

21. Pavonia was part of a Holding Company System as defined in the Michigan Insurance Code of 1956 ("Insurance Code"), MCL 500.115(c), following the Company's acquisition by GBIG Holdings, Inc., in December 2017. As a result of this acquisition, Pavonia became a wholly-owned subsidiary of GBIG Holdings and an affiliated company (through common ownership by GBIG Holdings) of the aforementioned NC Insurance Affiliates and GBIG Service Co. GBIG Service Co became a wholly-owned subsidiary of Pavonia on June 27, 2019 through a contribution from GBIG Holdings. Based on disclosures contained in regulatory filings, GBIG Service Co provides all executive management, regulatory oversight review, and administrative services for Pavonia's operations. Completing the relevant holding company structure, GBIG Holdings is a wholly-owned subsidiary of GBIG Capital, LLC, which in turn is wholly-owned by Greg E. Lindberg, a North Carolina resident. Mr. Lindberg is, therefore, Pavonia's ultimate upstream owner and the Company's ultimate controlling person.

22. As defined in MCL 500.115 *Definitions*, GBIG Service Co is an affiliate:

- As used in this act unless the context clearly indicates otherwise:

  (a) **"Affiliate"** or a person "affiliated" with a specific person means a person that directly, or indirectly through 1 or more intermediaries, controls, is controlled by, or is under common control with the person specified.

23. In accordance with MCL 500.1341, transactions amongst members of the holding company system are subject to all the following standards:

(a) The terms must be fair and reasonable.

(b) The charges or fees for services performed must be reasonable.

(c) The expenses incurred and payment received must be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(d) The books, accounts, and records of each party must be maintained to ***clearly and accurately*** disclose the ***precise*** nature and ***details*** of the transactions including necessary accounting information to support the reasonableness of the charges or fees to the respective parties. [Emphasis added]

(e) The insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates must be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs so that the insurer continues to comply with section 403.

24. Pavonia and GBIG Service Co are also part of a Holding Company System as defined in the North Carolina Statutes, Chapter 58 – *Insurance*, Article 19 – *Insurance Holding Company System Regulatory Act* ("Section 58-19").

25. In accordance with North Carolina Statutes Section 58-19-30 *Standards and Management of an Insurer within a Holding Company System* ("Section 58-19-30"). Pursuant to Section 58-19-30:

(a) Transactions within a holding company system to which an insurer subject to registration is a party are subject to all of the following standards:

(1) The terms shall be fair and reasonable.

(2) Charges or fees for services performed shall be reasonable.

(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(4) The books, accounts, and records of each party to all such transactions shall be so maintained as to ***clearly and accurately disclose the nature and details*** of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties. [Emphasis added]

(5) The insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates shall be

reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

**Statutory Accounting Practices Regarding an Insurer's Related Party Transactions**

26. Given the inherent risks in affiliated transactions, the NAIC promulgated specific Statutory Accounting Principles ("SAP") and disclosure requirements for related party transactions. SSAP No. 25 became effective on January 1, 2001 and states, in part:

> Related party transactions are subject to abuse because reporting entities may be induced to enter transactions that may not reflect economic realities or may not be fair and reasonable to the reporting entity or its policyholders. As such, related party transactions require specialized accounting rules and increased regulatory scrutiny. This statement establishes statutory accounting principles and disclosure requirement for related party transactions.

27. As regards affiliated transactions involving services, paragraphs 17 and 18 of SSAP No. 25 state:

> Transactions involving services between related parties can take a variety of different forms. One of the significant factors as to whether these transactions will be deemed to be arm's length is the amount charged for such services. In general, amounts charged for services are based either on current market rates or on allocations of costs. Determining market rates for services is difficult because the circumstances surrounding each transaction are unique. Unlike transactions involving the exchange of assets and liabilities between related parties, transactions for services create income on one party's books and expense on the second party's books, and therefore, do not lend themselves to the mere inflation of surplus. These arrangements are generally subject to regulatory approval.
>
> Transactions involving services provided between related parties shall be recorded at the amount charged. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and

> reasonable standards, and the books and records of each party shall ***disclose clearly and accurately the precise nature and details*** of the transaction. See SSAP No. 70 – *Allocation of Expenses* for additional discussion regarding the allocation of expenses. [Emphasis added]

28. Appendix A-440 – *Insurance Holding Companies* ("Appendix A-440") referred to in SSAP No. 25, and included in the NAIC Accounting Practices and Procedures Manual along with the Statements of Statutory Accounting Principles, states:

> Transactions within a holding company system to which an insurer subject to registration is a party shall be subject to the following standards:
>
> a. The terms shall be fair and reasonable;
> b. Charges or fees for services performed shall be reasonable;
> c. Expenses incurred and payment received shall be allocated to the insurer in conformity with statutory accounting practices consistently applied;
> d. The books, accounts and records of each party to all such transactions shall be so maintained as to ***clearly and accurately disclose the nature and details*** of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties... [Emphasis added]

29. Throughout its existence, GBIG Service Co and its predecessor entities were affiliates and therefore were subject to complying with the requirements promulgated by the Holding Company statutes and SAP as regards the terms of transactions amongst affiliates must be fair and reasonable and the insurer must maintain accurate books and records as regards such transactions.

30. The GBIG Management Team responsible for performing or overseeing the accounting and financial reporting process for each of the affiliated insurers should have been aware of the Holding Company statutes and the requirements of SSAP No. 25 and Appendix A-440.

**GBIG Service Co – A Management Service Subsidiary**

31. It is a common practice amongst insurers within a holding company system to utilize the services of a management company such as GBIG Service Co to provide a suite of services based on the specific requirements of the affiliated insurance companies.

32. Holding company systems such as GBIG Holdings Inc that own multiple insurance subsidiaries can achieve economies of scale through the structure and operations of service subsidiaries thereby operating the insurers at a lower cost than would otherwise be incurred on a stand-alone basis.

33. The GBIG Holding Company System included GBIG Service Co.[2] According to disclosures in the annual statements throughout the relevant time period after the acquisitions of such insurance companies by GBIG Holdings, and somewhat paraphrased, GBIG Service Co provided services to Pavonia, CBLIC, Southland, and Bankers as follows:

- The Company utilizes the services of GBIG Service Co to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company.

34. GBIG Service Co is considered an affiliated entity in accordance with the Michigan statutes as described previously herein. In addition, effective June 27, 2019, GBIC Service Co became a wholly-owned subsidiary of Pavonia. GBIG Service Co is also an affiliate of the NC Insurance affiliates under the North Carolina statutes.

[2] Previously known as Colorado Benefits Administrators, LLC.

35. Based on certain disclosures included in the Pavonia September 30, 2019 Quarterly Statement, as regards GBIG Service Co:

> On June 27, 2019, the same day the NC Insurance Affiliates were placed into Receivership, GBIG Holdings, Inc contributed all of the units of GBIG Service Co to Pavonia Life Insurance Company of Michigan. The contributed units were treated as a contribution to capital.

36. Since GBIG Service Co became a wholly-owned subsidiary of Pavonia, it is therefore subject to direct oversight by the Michigan Department of Insurance and Financial Services as the domiciliary regulator.

37. Pavonia was placed into Rehabilitation under the direction of a Receiver on July 9, 2019. As such, the Michigan Receiver also has oversight responsibilities for Pavonia and GBIG Service Co. Presumably such oversight responsibilities include the fees charged by GBIG Service Co to Pavonia and the NC Insurance Affiliates.

38. In addition, the Stock Purchase Agreement that is the subject of the Plan includes the purchase of both Pavonia and GBIG Service Co.

**General Insurance Expenses and Investment Expenses Incurred by Pavonia**

39. It is my understanding that Pavonia has been in runoff since 2012. It has been my experience that life insurers in runoff typically reach a point whereby general insurance expenses and investment expenses are stable or decreasing annually excluding any extraordinary event.

40. It has also been my experience that general insurance and investment expenses are impacted by fluctuations in premiums and material changes in the amount and composition of invested assets.

41. As stated previously herein, I was asked to review the fees charged by GBIG Service Co. In connection with my review, selected information regarding the financial results and disclosures from certain regulatory filings by Pavonia was reviewed and is included in the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix D – Pavonia Life Insurance Company Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

42. Based on the afore-described financial data and disclosures, I have performed certain analysis of the general insurance expenses reported by Pavonia for certain periods when it was owned by Enstar as compared to 2018 and 2019 after the acquisition by GBIG Holdings. That analysis is described in the sections below.

**Services Provided to Pavonia by Enstar**

43. Prior to its acquisition by Southland National Holdings Inc ("SNH;" now GBIG Holdings) on December 29, 2017, Pavonia was owned by Enstar. As disclosed in Pavonia's December 31, 2016 annual statement Note 10[3] –

> In 2016, the Company [Pavonia] utilizes the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The agreement provides that Enstar (US) Inc. will either provide the services or arrange for the provision of services for

[3] Appendix A contains the annual and/or quarterly statement Note 10 for Pavonia, Southland, Bankers, and CBLIC.

all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement in 2016 was $9,993,577.

During 2015, the Company utilized the services of Enstar Life (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The amount incurred under this agreement was $8,734,825.

And in 2017,

In 2017, the Company [Pavonia] utilized the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement in effect prior to the sale on December 29, 2017. The agreement provided that Enstar (US) Inc. would either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement was $6,023,116 and $9,993,577 in 2017 and 2016, respectively.

44. As discussed more fully below, Enstar was not providing all the management and back office services necessary to conduct the day-to-day operations of Pavonia.

**Services Provided to Pavonia by GBIG Service Co**

45. After the acquisition of Pavonia by SNH (now GBIG Holdings) as described previously herein, the management services previously provided by Enstar were subsequently provided by GBIG Service Co.

46. According to disclosures in the 2018 annual statement for Pavonia:

In 2018, the Company [Pavonia] utilized the services of GBIG to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The

> management fee incurred under this agreement was $13,969,682 and $0 in 2018 and 2017, respectively.

And disclosures in the September 30, 2019 quarterly statement for Pavonia:

> The Company [Pavonia] utilizes the services of GBIG, LLC to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was $17,124,345 and $13,969,682 at September 30, 2019 and December 31, 2018, respectively.

And,

> The Company has no employees. The Company is managed by employees of GBIG.

47. Based on the above disclosures, after its acquisition by SNH, Pavonia had no employees and GBIG Service Co provided all necessary services.[4]

**Review of Pavonia Financial Metrics**

48. It is my understanding that Pavonia had certain back office assistance during the 2015 to 2017 time period that approximated $3.94 million per year of direct costs. These direct costs coupled with the allocation of management service fees from Enstar comprised the total amount of general insurance expenses of Pavonia.

49. Based on the afore-described Pavonia disclosures, the amount paid to GBIG Service Co as compared to the amounts paid to Enstar for the same, or substantially the same services (excluding the afore-described back office services), increased as follows:

- Increase in management service expenses from calendar year 2017 to 2018 of $4.7 million (see paragraph 57).

[4] Based on certain disclosures in the 2017 annual statement, prior to its acquisition by GBIG Holdings it had certain direct employees.

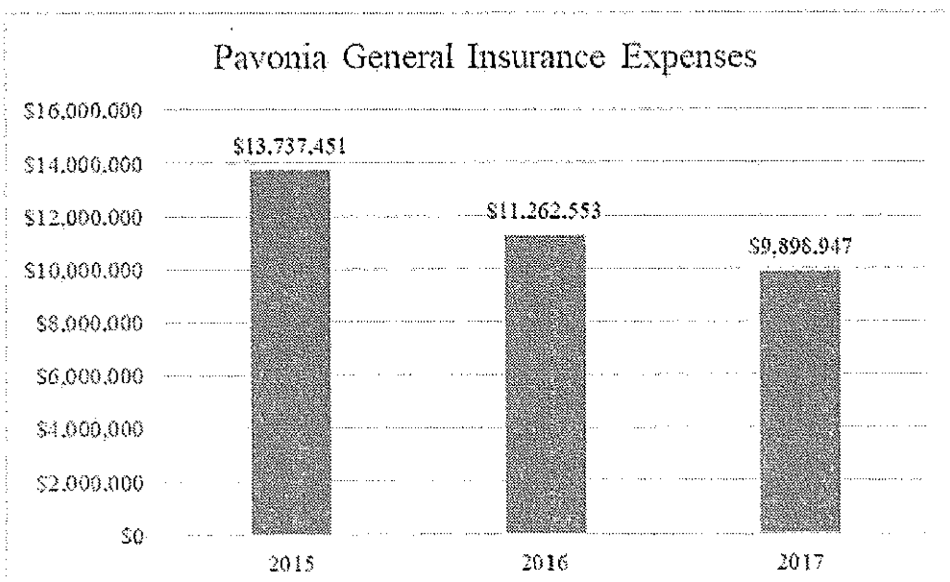
- Increase in management service expenses from calendar years 2017 to the nine months ended a September 30, 2019 of $8.7 million.

50. These material increases in the affiliated expenses for a company in runoff are counter intuitive.

51. I have reviewed the Pavonia 2018 annual statement and the March 31, 2019, June 30, 2019, and September 30, 2019 quarterly statements, and based on my review and analysis I have been unable to identify any significant changes in the operations or assets of Pavonia that would support such a material increase in affiliated management fees.

52. Such a material increase in affiliated management fees raises significant concerns as regards whether such fees are fair and reasonable as required by the Michigan Holdings Company statutes and SSAP No. 25.

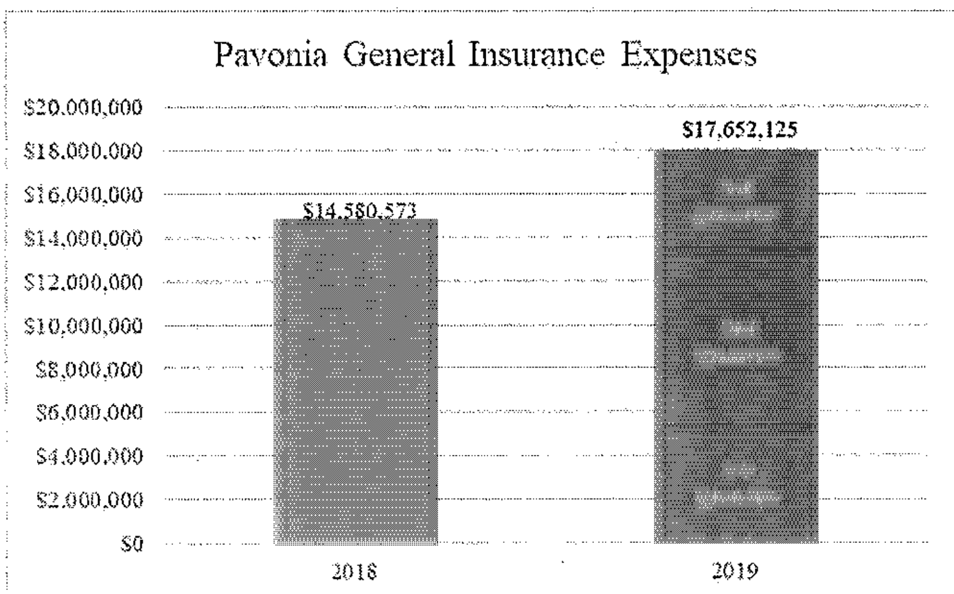
53. Based on the information in the Pavonia 2015 to 2017 annual statements, the total general insurance expenses (excluding investment expenses) in Exhibit 2 were as follows:



54. There was no material change in invested assets or admitted assets during the 2015 to 2017 time period. In addition, premiums have decreased each year as expected from a company in runoff.

55. Based on my experience with insurers in runoff, the decline in general insurance expenses during the 2015 to 2017 time period is consistent with the decline in premiums and the overall stability in the composition and amount of invested assets, total assets, reserves, and all other liabilities. Furthermore, the expenses charged by Enstar decreased significantly in 2017 with such decrease resulting in the majority of the overall decrease in general insurance expenses in that year.

56. Based on the information in the Pavonia 2018 annual statements and the 2019 quarterly statement, the total general Insurance expenses (excluding investment expenses) in Exhibit 2 were as follows:




57. There was no material change in invested assets or admitted assets during the 2018 or 2019 time period. In addition, premiums continued to decrease in 2018 and 2019,

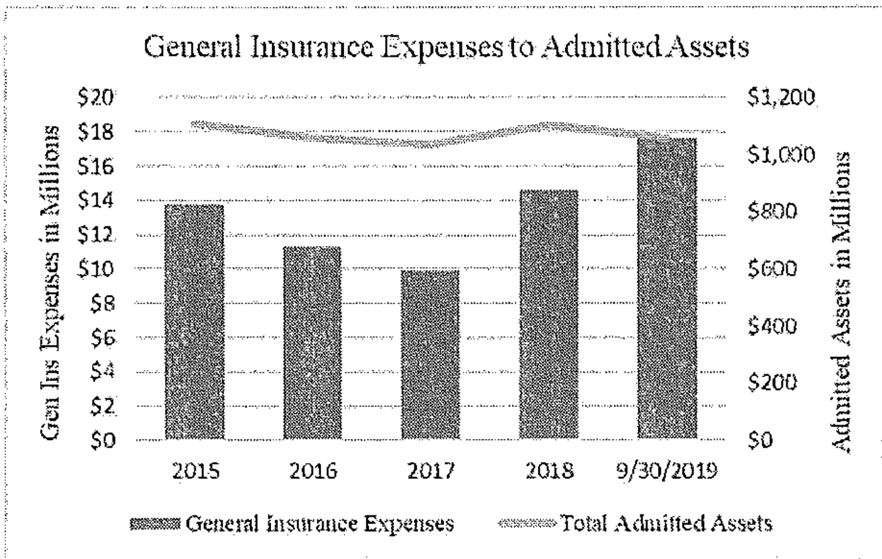
albeit at a slower rate. The continued decrease in premiums is consistent with a company in runoff.

58. After the sale of Pavonia by Enstar, GBIG Service Co began performing the services previously performed by Enstar. In addition, it is my understanding that GBIG Service Co continued to utilize the Pavonia existing back office assistance but incorporated such assistance and the related costs into their services and charges.

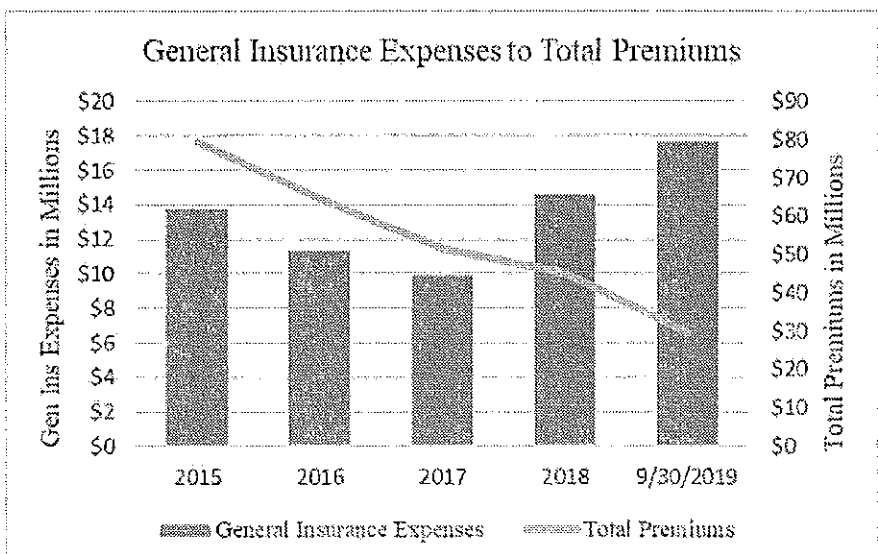
59. Assuming that the back office costs were unchanged from the $3.9 million in 2017 to 2018, then the comparable GBIG Service Co charges for 2018 were $10.7 million (total general insurance expenses of $14.6 million less the $3.9 million of back office costs) as compared to the Enstar charges for 2017 of $6.0 million, an increase of $4.7 million.

60. The 2018 GBIG Service Co charges compared to the 2017 Enstar charges as described above resulted in the following:

- The service charges to Pavonia by GBIG Service Co in 2018 were $4.7 million higher than the amounts charged by Enstar in 2017.
- The 2018 increase of $4.7 million represents an increase in affiliated management fees of 78% over the 2017 fees charged by Enstar.
- As evidenced in the following chart, general insurance expenses have increased significantly since Pavonia was acquired by GBIG Holdings at the end of 2017 while admitted assets have remained relatively consistent.




• As described in the following chart, during this same time period, total premiums have continued to decline. My expectations would be that general insurance expenses would trend lower with the declining premiums similar to the amounts experienced by Pavonia from 2015-2017 under the management and oversight of Enstar.




61. Through September 30, 2019, the GBIG Service Co charges to Pavonia have continued to increase general insurance expenses to nearly 2.5 times the 2017 amounts.

Again, assuming no change in the back-office costs from 2017, the GBIG Service Co charges would be approximately $14.7 million through only nine months of 2019 as compared to such charges for the full year of 2017 of $6.0 million when Pavonia was owned by Enstar.

62. Through September 30, 2019, just 21 months under the oversight and operational control of the GBIG Management Team, the affiliated management fees, excluding the back office expenses that had previously been paid directly by Pavonia, charged by GBIG Service Co aggregated $25.4 million compared to the estimate of $10.5 million of such affiliated charges by Enstar based on their last year of ownership ($6 million in 2017 projected over 21 months).

63. The $14.9 million increase is staggering and is inconsistent with the stability of the key financial metrics that might otherwise explain such an increase in general insurance expenses.

64. Included herein in Appendix I is the calculation of the GBIG Service Co affiliated fees excluding the back-office costs.

65. Based on the 2019 Pavonia quarterly statements, I have prepared the table below to determine the GBIG Service Co charges by quarter.

| | Three months ended 3/31/19 | Three months ended 6/30/19 | Three months ended 9/30/19 | Nine months ended 9/30/19 |
|---|---|---|---|---|
| Total General Insurance expenses incurred | $ 5,158,504 | $ 8,069,001 | $ 4,424,620 | $17,652,125 |
| Estimated back office expenses (held constant to 2017; see Appendix I) | 968,958 | 968,958 | 968,958 | 2,906,873 |
| Estimated Management Agreement expenses | $ 4,189,546 | $ 7,100,043 | $ 3,455,662 | $14,745,252 |

66. The $14.7 million insurance expense for just nine months represents an increase of $4 million (38%) over the estimated full year 2018 GBIG Service Co affiliated management fees of $10.7 million. Assuming that the GBIG Service Co fees for Q4 2019 will be the same as those charged in Q3 2019, the full year 2019 GBIG Service Co management fees, excluding the back office costs, are projected to increase by more than 70% over 2018 and will have increased over 200% from the 2017 Enstar fees. The calculations supporting the afore-described amounts are as follows:

| | Nine months ended 9/30/19 | Estimated three months ended 12/31/19 | Estimated twelve months ended 12/31/19 |
|---|---|---|---|
| Total General Insurance expenses incurred | $17,652,125 | $ 4,424,620 | $ 22,076,745 |
| Estimated back office expenses (held constant to 2017; see Appendix I) | 2,906,873 | 968,958 | 3,875,831 |
| Estimated Management Agreement expenses | $14,745,252 | $ 3,455,662 | $ 18,200,914 |

| | Estimated twelve months ended 12/31/19 | Twelve months ended 12/31/2018 | Twelve months ended 12/31/2017 |
|---|---|---|---|
| Management Agreement expenses (from schedule above) | $ 18,200,914 | $10,704,742 | $ 6,023,116 |
| Comparison to 2019 | | $ 7,496,172 | $12,177,798 |
| Percentage increase | | 70% | 202% |

67. Assuming Q4 2019 GBIG Service Co fees of $3.4 million, the excess GBIG Service Co fees charged to Pavonia in 2018 and 2019 over the estimated management service fees that would have been charged by Enstar during these years ($6 million from 2017 times 2 years) will exceed $16.9 million.

68. There was no apparent change in the operations of Pavonia which would explain the material increases in the affiliated management fees charged by GBIG Service Co as compared to those charged by Enstar. Pavonia remains in runoff with no material changes in premiums or assets.

69. Pavonia surplus has been negatively impacted from the excess GBIG Service Co management fees which has also negatively impacted the Pavonia policyholders.

70. The capital and surplus of Pavonia as of December 31, 2017 was $66.6 million and the $16.9 million of excess management fees represents 25% of Pavonia's capital and surplus. In other words, but for the excess fees charged by GBIG Service Co the capital and surplus of Pavonia would be $16.9 million higher.

71. It is logical to assume that but for such excess GBIG Service Co affiliated management fee, the purchase price for Pavonia would be greater than the current proposed purchase price. In addition, the overall security of the policyholders of Pavonia would be much stronger with $16.9 million of increased capital and surplus.

**GBIG Service Co Management Fee Charged in Q2 2019**

72. It has been my experience that insurance holding companies on the brink of receivership, such as GBIG Holdings, attempt to accumulate resources in non-insurers in advance of forthcoming regulatory actions.

73. In the second quarter of 2019, excluding estimated back office costs, the GBIG Service Co management fees were a staggering $7.1 million, which is $1.1 million greater than the full year 2017 fees charged by Enstar.

74. The four North Carolina affiliated insurers that were serviced by GBIG Service Co were all placed into rehabilitation on June 27, 2019, the same quarter in which GBIG Service Co charged Pavonia $7.1 million for management fees. Pavonia was placed into rehabilitation on July 9, 2019.

75. I have considered the possibility that the increase in the GBIG Service Co fees in Q2 2019 were the result of the proposed sale of Pavonia. I reviewed the Pavonia Q2 2019 statement including the Notes to Financial Statements. Based on my review, there were no disclosures explaining the increase in the GBIG Service Co affiliated management fees or the general insurance expenses.

76. GBIG Holdings is selling Pavonia and will receive the proceeds from the sale. In my experience, the holding company that is selling the insurance subsidiary is responsible for the transaction costs. In simple terms, the transaction costs follow the transaction proceeds. Furthermore, if GBIG Holdings does not have the liquidity to fund such transaction costs and desires to fund the transaction costs with Pavonia resources, then they could enter into a transparent transaction with Pavonia, including, but not limited to, requesting an advance, a note, or a dividend or distribution.

77. If Pavonia is paying such transaction costs through the GBIG Service Co affiliated management fee, then its surplus is being diminished and GBIG Holdings will realize increased net sale proceeds than if it paid such expenses directly. Therefore,

GBIG Holdings would benefit, which in turn would benefit the insolvent NC Insurers but not Pavonia or its policyholders.

**Summary Conclusion**

78. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Pavonia. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly statements that do not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

**Review of Affiliated Management Fees by Receivers**

79. I have provided forensic accounting services to Receivers in several states as regards analysis of affiliated management fees. In addition, I have provided testimony as regards whether such affiliated management fees were fair and reasonable.

80. My analysis and testimony have been relied upon to assert fraudulent transfer claims by Receivers against such affiliated management companies.

**Fraudulent Transfers**

81. Counsel has informed me that both Michigan and North Carolina have statutes that permit a receiver to avoid certain payments as follows:

MCL Sec. 500.8126-

> Every transfer made or suffered and every obligation incurred by an insurer within 1 year prior to the filing of a successful petition for rehabilitation or liquidation under this chapter is fraudulent as to then existing and future creditors, if made or incurred without fair consideration or with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under this chapter, which is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee, for a present fair equivalent value, and except that a purchaser, lienor, or obligee, who in good faith has given a consideration less than fair equivalent value for the transfer, lien, or obligation may retain the property, lien, or obligation as security for repayment.

And,

58-30-140. Fraudulent transfers prior to petition-

> (a) Every transfer made or suffered and every obligation incurred by an insurer within one year prior to the filing of a successful petition for rehabilitation or liquidation under this Article is fraudulent as to then existing and future creditors if made or incurred without fair consideration or if made or incurred with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under this Article, that is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee, for a present fair equivalent value; and except that any purchaser, lienor, or obligee, who in good faith has given a consideration less than fair for such transfer, lien, or obligation, may retain the property, lien, or obligation as security for repayment.

82. It has been my experience that receivers of insurers in rehabilitation routinely investigate transactions amongst affiliates to determine the propriety of such transactions, given that such transactions are subject to abuse.

83. I have assisted receivers on numerous occasions throughout the last twenty-seven years to identify, document, and recover payments made by insurers under management agreements where it was determined that such payments were not fair and reasonable.

84. The Michigan Receiver has not filed any reports that are available on the website. Therefore, I am uncertain what investigation, if any, has been performed as regards these material affiliate transactions. However, based on communications from Mr. James Long dated December 5, 2019, it does not appear that the Michigan Receiver has made any determinations as regards the GBIG Service Co agreements.

85. On November 20, 2019, the North Carolina Receiver filed reports on the NC Insurance Affiliates that are in rehabilitation. I have reviewed those reports filed by the North Carolina Receiver for CBLIC, Southland, and Bankers which contained, among other things, a statement regarding material contracts as follows:

> Expense Reductions
>
> The Rehabilitator is evaluating the Company's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts.

86. Based on the disclosures in the CBLIC, Southland, and Bankers annual statement, the contract with GBIG Service Co is a material contract, if not the most material contract.

87. I have been informed by Counsel that the Michigan Receiver has communicated with the North Carolina Receiver and determined ".... that the language you cited [the Expense Reductions] ... has nothing to do with Service Co contracts." While I accept this statement as accurate, it would be unusual for a receiver to ignore such material affiliated

agreements. Therefore, it's more logical to assume that such an analysis will be conducted at a future time.

**Affiliated Management Fees Charged to Pavonia by GBIG Service Co**

88. The afore-described analysis of the fees charged to Pavonia by GBIG Service Co, from its acquisition through present, raises substantial doubt as to whether such fees are fair and reasonable as required by the Michigan Holding Company statutes, SSAP No. 25 and Appendix A-440.

89. Furthermore, as described in SSAP No. 25, if a determination is made that such fees were not fair and reasonable, then those excess amounts could be recharacterized as a dividend or reversed entirely.

90. In this instance, given that GBIG Service Co is a wholly-owned subsidiary of Pavonia, the Michigan Receiver would be responsible to undertake the analysis to make such a determination. Through the date of this December Affidavit, the Michigan Receiver has not published any information on its website or made any reports to the Court as regards the status of Pavonia. The Michigan Receiver did file a Q3 2019 statement for Pavonia which was used in the preparation of this December Affidavit.

91. Pavonia and the NC Insurance Affiliates have been in rehabilitation approximately six months. Analysis of fraudulent transfers resulting from fees paid to affiliates are typically not performed in the first few months of an insurer, or group of insurers, being placed into rehabilitation/receivership. Therefore, it is not unusual that neither the Michigan or North Carolina Receivers have completed an analysis of such fees at this time.

92. As regards Pavonia and GBIG Service Co, the Michigan Receiver is in the untenable position of investigating and determining whether the fees charged by GBIG Service Co that were materially in excess of the fees charged by Enstar were excessive and evaluating the impact of such a determination on the sale of Pavonia and GBIG Service Co that is the subject of the Plan.

**Affiliated Management Fees Charged to Southland and Bankers by GBIG Service Co**

93. As described more fully below, I have prepared certain analysis based on my review of annual statements prepared and filed by the GBIG Management Team during the 2014 to 2018 time period for CBLIC, Southland, and Bankers.

94. Based on my review and analysis, I have identified material increases in the GBIG Service Co affiliated management fees charged to Southland and Bankers that I have been unable to identify any significant changes in the operations or assets that would support such material increase in affiliated management fees.

95. Pavonia is the parent and owner of GBIG Service Co, as such the Michigan Receiver may also be required to address any concerns raised by the North Carolina Receiver as regards whether and to what extent the fees charged by GBIG Service Co to CBLIC, Southland, and Bankers were fair and reasonable.

**Services Provided to CBLIC, Bankers, and Southland by GBIG Service Co**

96. As regards CBLIC, Southland, and Bankers, I have prepared certain analysis using historical data from the annual statement schedules and exhibits. The results of the analysis are described in the sections below.

**Services Provided to Bankers**

97. Information regarding the financial results and filings by Bankers is included in the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix B – Bankers Life Insurance Company Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

98. Based upon my review and analysis of the information contained and/or summarized in the above, I have made the following observations regarding Bankers.

- In 2017, the first full year after acquisition in 2016, the following significant events occurred related to Bankers:
  - Bankers entered into a reinsurance agreement with CBLIC whereby CBLIC assumed all annuity contracts other than those in the state of Florida.
  - Bankers entered into a cost sharing agreement with GBIG Service Co, replacing a cost sharing agreement with Bankers previous parent company.
- The 2017 decrease in assets appears to correspond to the CBLIC reinsurance agreement that transferred certain reserves and assets from Bankers to CBLIC.

- Bankers' 2017 insurance expenses increased by 122% over 2016. Those expenses increased again in 2018 by 44% over 2017, a cumulative increase of 220% over 2016 levels. The increase in the affiliated management fees charged to Bankers by GBIG Service Co from its acquisition through 2018 raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- Included in Bankers' increased general expenses were Bankers' investment expenses, which increased 71% in 2017 over 2016 and 82% in 2018 over 2017. The invested assets and total assets of Bankers have decreased during the period since its acquisition by GBIG. Therefore, the increase in investment expenses raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- In the years subsequent to acquisition by GBIG Holdings, Banker's net income decreased year over year.[5]

99. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Bankers. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly

[5] Bankers was initially acquired by BLI Holdings, Inc.

statement that did not properly and accurately characterize and/or properly disclose such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

**Services Provided to Southland**

100. Information regarding the financial results and filings by Southland is included the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix E – Southland National Insurance Corporation Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

101. Based upon my review and analysis of the information contained and/or summarized in the above, I have made the following observations regarding Southland.

- Southland was acquired by GBIG effective August 31, 2014.
- Between 2014 and 2018, Southland's cash and invested assets ranged from a low of $296 million in 2015 to a high of $354 million in 2017.
- The decrease in assets in 2016 appears to correspond to the 2016 affiliated reinsurance agreement that transferred certain reserves and assets from Southland.

- In 2015, Southland's general investment expenses increased 81% over 2014 and 90% over its 2013 levels. By 2018, its investment expenses had increased by $1.6 million over its 2013 levels or 421%.
- Southland disclosed in 2018 that it no longer had employees and that it was being managed by employees of GBIG Service Co.

102. The afore-described analysis of the fees charged to Southland by GBIG Service Co from its acquisition through present raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

103. The invested assets and total assets of Southland have remained relatively comparable since its acquisition by GBIG. Therefore, the increase in investment expenses raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

104. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Southland. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly statement that did not properly and accurately characterize and/or properly disclose such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

**Services Provided to CBLIC**

105. Based on my review of the financial information for the NC Insurance Affiliates and Pavonia, CBLIC was the primary operating insurance company of all the affiliated insurers. As such, the premium, invested assets, admitted assets, liabilities, and other key financial balances and metrics were not consistent from year to year. Therefore, I did not prepare any analysis as regards the affiliated management fees charged by GBIG Service Co to CBLIC.

**Books and Records Must Clearly and Accurately Disclose the Transaction**

106. As regards the requirement to maintain accurate books and records, SSAP No. 25 and the Michigan and North Carolina Holding Company statutes state:

> SSAP No. 25-
>
> Transactions involving services provided between related parties shall be recorded at the amount charged. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction. See SSAP No. 70 – *Allocation of Expenses* for additional discussion regarding the allocation of expenses.
>
> Michigan-
>
> The books, accounts, and records of each party must be maintained to clearly and accurately disclose the precise nature and details of the transactions including necessary accounting information to support the reasonableness of the charges or fees to the respective parties.
>
> North Carolina-

> The books, accounts, and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.

107. SSAP No. 25 addresses the need for enhanced regulatory scrutiny as regards affiliated transactions in general, and specifically regarding compliance with the requirement that such transactions must be under terms that are fair and reasonable.

**Bankers Statutory Examination**

108. The October Affidavit addressed the reclassification by the North Carolina Receiver of certain investments that were improperly accounted for and reported by the GBIG Management Team as filed in the NC Affiliate Insurers 2018 annual statements. Those 2018 annual statements were subsequently amended by the North Carolina Receiver to correct the improper accounting and reporting of the affiliated investments.

109. Subsequent to the preparation of the October Affidavit, I became aware of a Statutory Financial Examination conducted by the NCDOI as regards Bankers' December 31, 2017 statutory basis financial statements. The Report of Examination dated May 20, 2019 found, among other things, that:

> The Company did not properly classify certain bonds as affiliated on its 2017 Annual Statement Schedule D Part 1 although each of the bonds meet the definition of affiliated as defined by the Statements of Statutory Accounting Principles ("SSAP"). SSAP No. 25 states that, "an affiliate" is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity." The Company only reported a $5 million bond as affiliated although approximately $48.7 million in bonds reported at December 31, 2017 were affiliated. The Company is directed to comply with SSAP No. 25 in all future filings with the Department. (Refer to the Affiliated Investments in the Comments on Financial Statements).

110. The GBIG Management Team that improperly accounted for and improperly reported the affiliated investments as of December 31, 2018 also improperly accounted for and improperly reported the affiliated investments as of December 31, 2017 for Bankers.

111. The pattern of conduct by the GBIG Management Team as regards the improper accounting and reporting of the affiliated investments in both 2017 and 2018 raises concerns as to competency and/or integrity of those charged with the day to day accounting and financial reporting as well as concerns as to the competency and/or integrity of those charged with oversight and governance of those NC Affiliate Insurers.

**Conclusion**

112. Based on the afore-described analysis, there is substantial doubt as to whether affiliated management and investment fees charged to Pavonia, Southland, and Bankers by GBIG Service Co were fair and reasonable as required by the Michigan and North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

113. To the extent that such GBIG Service Co management and investment fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Any annual and/or quarterly statement that did not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

114. If the Michigan and/or North Carolina Receiver undertakes the required detailed analysis and determines that such affiliated management and investment fees charged by GBIG Service Co were excessive, then such excess amounts could be determined to be

fraudulent transfers subject to recovery from GBIG Service Co and potentially other entities within the Greg Lindberg holding company systems.

115. A determination by the Michigan Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that such Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Pavonia, GBIG Service Co, and the proposed acquirer of those entities.

116. As I have demonstrated herein, there is substantial doubt as to whether such affiliated management fees charged by GBIG Service Co to Pavonia were fair and reasonable as required by the Michigan Holding Company statutes, SSAP No. 25 and Appendix A-440. Based upon my analysis, such excess affiliated management fees could exceed $15 million.

117. As I have demonstrated herein, there is substantial doubt as to whether such affiliated management and investment fees charged by GBIG Service Co to Southland, and Bankers were fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

118. A determination by the North Carolina Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that the Michigan Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between the Michigan Receiver and the North Carolina Receiver as regards the Plan.

119. If either the Michigan or North Carolina Receivers were to determine that such affiliated management and investment fees paid by the insurers throughout the relevant time periods were not fair and reasonable, such a determination would also cast

substantial doubt on the integrity and/or competency of the GBIG Management Team that was responsible for determining, recording, and reporting such amounts.

120. The October Affidavit focused primarily on the accounting and reporting of certain affiliated investments in the originally prepared and filed 2018 annual statements prepared by the GBIG Management Team, and those same annual statements as amended and refiled by the North Catalina Receiver. The accounting and reporting for such material affiliated investments were also performed under the oversight and day to day operational control of the same GBIG Management Team.

FURTHER AFFIANT SAYETH NOT.

Edward W. Buttner, IV

STATE OF Florida )
) SS:
COUNTY OF Duval )

SUBSCRIBED AND SWORN TO before me this 30 day of December 2019.

Wanda S. Ruark
Notary Public

My Commission Expires:

Nov. 17, 2023
(S E A L)

WANDA S RUARK
Notary Public - State of Florida
Commission # GG 932481
My Comm. Expires Nov 17, 2023
Bonded through National Notary Assn.

# APPENDIX A

## Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates

- Southland National Insurance Corporation (2013-2015)
- Colorado Bankers Life Insurance Company (2014-2016)
- Bankers Life Insurance Company (2015-2017)
- Pavonia Life Insurance Company of Michigan (2015-2018)

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates

**SOUTHLAND NATIONAL INSURANCE CORPORATION**

***2013 (Year end prior to acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C. On September 24, 2013, the Company received approval from the Commissioner of the Alabama Department of Insurance ("Commissioner") to continue the payment of interest on the Surplus Note issued to its parent, CHL. The Company will pay $15,430 per month beginning November 15, 2013 and ending October 15, 2014. The Company must apply for approval to continue payments after October 15, 2014. On June 21, 2013, the Company received approval from the Commissioner to make a lump sum interest payment on the Surplus Note in the form of invested assets valued at $666,525. The asset transfers were completed in July 2013. On October 22, 2012, the Company received approval from the Commissioner of the Alabama Department of Insurance to begin the payment of interest on the Surplus Note issued to its parent, CHL. The Company paid $18,670 per month beginning November 15, 2012 and ending October 15, 2013. The Company paid a total of $884,085 in interest during 2013 and $37,340 in interest during 2012.

During the 4th quarter of 2013, the Company contributed capital in the amount of $500,000 to its wholly owned subsidiary, Southland Benefit Solutions, LLC ("SBS").

On December 31, 2012, the Company received a $150,000 dividend from SBS.

D. At December 31, 2013, the Company reported $5,236 as due from its subsidiary SBS and accrued $57,492 as an amount due to SBS.

At December 31, 2012, the Company reported $174 from as due from its subsidiary Life Connections, LLC and $2,779 from its subsidiary Southland Benefit Solutions, LLC. The Company accrued $1,530 as an amount due to its subsidiary, Life Connections, LLC and $48,683 due to its subsidiary Southland Benefit Solutions, LLC. All amounts will be settled within 90 days.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

F. The Company maintains management services agreements with Collat, Inc., and CHL. The Company maintains administrative services and sublease agreements with its subsidiary, Southland Benefit Solutions, LLC. These agreements have been filed with and approved by the Alabama Department of Insurance. All other cost allocation transactions involving one-half of one percent or more of the Company's admitted assets and other required transactions between parents, subsidiaries, and affiliates have been disclosed in Schedule Y, Part 2.

G. All outstanding shares of the Company are currently owned by CHL. Refer to Schedule Y for a complete organizational structure.

H. The Company does not own shares of its ultimate parent.

I. The Company does not have any investments in an SCA entity that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write-down for its investments in wholly owned subsidiaries during this statement period.

K. The Company does not have any investment in a foreign insurance subsidiary.

L. The Company does not utilize the look-through approach for the valuation of its downstream non-insurance holding company.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2014 (Year of acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C. Collateral Holdings, Ltd. ("CHL"), former parent of Southland National Insurance Corporation ("Southland" or "the Company"), entered into a Stock Purchase Agreement (the Agreement) on May 1, 2014 for the sale of the common stock of Southland ("the sale"), including its insurance related subsidiaries, to Southland National Holdings, LLC ("SNH"), a North Carolina limited liability company, for an agreed upon price, plus or minus any post-closing adjustments that impact surplus and subject to the terms and conditions of the Agreement. After receiving regulatory approval through a Form-A hearing held on August 20, 2014 from the Alabama Department of Insurance, the sale closed effective 08/31/2014. The financial impact of the sale on the Southland financials include the payment of deferred compensation to the previous President of Southland National Insurance Corporation , the re-class to paid in surplus of a $3,000,000 surplus note issued to the previous parent, CHL, the forgiveness of approximately $83,000 of off-balance sheet interest accrued but not approved for payment on the surplus note and the dividend of the 08/31/2014 GAAP equity of Southland Benefit Solutions, LLC (SBS), a non-insurance subsidiary of Southland, to CHL of $727,180 and the recognition of an approximately $783,000 realized loss on the disposal by dividend of SBS to CHL. On December 31, 2014, Southland National Holdings made a capital contribution of $20,400,000 to the Company.

Prior to the sale, during the second quarter of 2014, the Company contributed capital in the amount of $500,000 and assets valued at $61,865 to its then wholly owned subsidiary, SBS.

On September 24, 2013, the Company received approval from the Commissioner of the Alabama Department of Insurance ("Commissioner") to continue the payment of interest on the Surplus Note issued to its then parent, CHL. The Company paid $15,430 per month beginning November 15, 2013 and ended August 15, 2014. On June 21, 2013, the Company received approval from the Commissioner to make a lump sum interest payment on the Surplus Note in the form of invested assets valued at $666,525. The asset transfers were completed in July 2013. On October 22, 2012, the Company received approval from the Commissioner of the Alabama Department of Insurance to begin the payment of interest on the Surplus Note issued to its parent, CHL. The Company paid $18,670 per month beginning November 15, 2012 and ending October 15, 2013. The Company paid a total of $123,440 in interest during 2014 and $884,085 in interest during 2013.

During the 4th quarter of 2013, the Company contributed capital in the amount of $500,000 to its then wholly owned subsidiary, SBS.

D. At December 31, 2014, the Company reported $32,400 as due to an affiliated company, Eli Research and $52,319 to an affiliated company, Academy Association, Inc. These companies are not under a common holding company, but do have a common ultimate owner.

At December 31, 2013, the Company reported $5,236 as due from its subsidiary SBS and accrued $57,492 as an amount due to SBS.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

F. The Company is in the process of obtaining new management services agreements with its parent and affiliated companies. The Company will not pay any management fees until such time as these agreements are approved by the North Carolina Department of Insurance.

Prior to the sale, the Company maintained management services agreements with Collat, Inc., and CHL. The Company maintained administrative services and sublease agreements with its subsidiary, Southland Benefit Solutions, LLC. These agreements were filed with and approved by the Alabama Department of Insurance.

G. All outstanding shares of the Company are currently owned by SNH. Refer to Schedule Y for a complete organizational structure.

H. The Company does not own shares of its ultimate parent.

I. The Company does not have any investments in an SCA entity that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write-down for its investments in wholly owned subsidiaries during this statement period.

K. The Company does not have any investment in a foreign insurance subsidiary.

L. The Company does not utilize the look-through approach for the valuation of its downstream non-insurance holding company.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2015 (Year after acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C.

2015 - During the year 2015, Southland National Insurance Corporation (the Company) was involved, along with its parent, Southland National Holdings, Inc, (SNH) in the acquisition and disposition of certain assets as outlined below:

On November 30, 2015, SNH contributed CBX, LLC and its subsidiary Colorado Benefits Administrators (CBA) to the Company with a value of $100,000.

On November 30, 2015, CBA purchased certain assets from Colorado Bankers Life Insurance Company (CBL) for $10,000,000.

On December 1, 2015, the Company purchased Preferred Financial Corporation (PFC) and its subsidiary CBL from Dearborn National Life Insurance Company for $60,000,000.

On December 31, 2015, PFC contributed additional capital to CBL of $2,000,000.

On December 31, 2015, the Company sold CBX, LLC and its subsidiary CBA to Greg E. Lindberg for $10,000,000.

On December 31, 2015, PFC sold CBL to SNH for $60,000,000. PFC paid a dividend of $24 million to the Company.

On December 31, 2015, the Company transferred PFC to SNH for $1.

On December 31, 2015, the Company funded a Surplus Note issued by CBL in the amount of $9,000,000.

On December 31, 2015, the Company purchased $24,000,000 of preferred stock of CBL from SNH.

On December 31, 2015, SNH contributed $36 million to the Company.

D. At December 31, 2015, the Company reported $518,779 as due to its parent SNH for Asset Management Fees. In addition, the Company reported $10,078 as due to an affiliated company, Eli Research and $18,853 to an affiliated company, Academy Association, Inc.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

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F. The Company maintains an Asset Management Agreement with SNH and approved by the North Carolina Department of Insurance. The fees for this agreement are based on the value of the investment portfolio and are estimated monthly and trued-up in the following month. Amounts paid and accrued related to 2015 were $3,274,854.

G. All outstanding shares of the Company are currently owned by the parent company, Southland National Holdings Incorporated, an insurance holding company domiciled in the state of North Carolina.

H. The Company has no ownership in any upstream entities within its holding company structure.

I. Investment in SCA – None

J. Investment in impaired SCA – None

K. Investment in foreign insurance subsidiary – None

L. The Company does not have any investments in a downstream non-insurance holding company.

M. Non-Insurance SCA Investments - None

N. Insurance SCA Investments - None

**COLORADO BANKERS LIFE INSURANCE COMPANY:**

***2014 (Year end prior to acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

A, B, C.

All outstanding common stock of the Company is owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company, Chicago, Illinois owns 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

The Company has a sales agreement with its parent company for the payment of commissions on the sale of insurance policies. The amount the Company paid to its parent company in sales commissions for 2014 was $20,889,362.

D. As of December 31, 2014, the Company had a receivable from Dearborn National Life Insurance Company, an affiliated company, related to reinsurance assumed by the Company of $139,487 included on line 16.3 of the asset page. As of January 1, 2015 this reinsurance was recaptured by Dearborn National Life Insurance Company. Payables to Preferred Financial Corporation and Dearborn National Life Insurance Company related to commissions and expenses in the amounts of $180,439 and $153,228 respectively are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company did not have any other management or service contracts other than cost allocation agreements with the Company and its parent or affiliates.

G. All outstanding common stock of the Company is owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company, Chicago, Illinois owns 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

All related transactions are designed to be arms length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2015 (Year of acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

A, B, C.

All outstanding common stock of the Company was owned by Preferred Financial Corporation, domiciled in the State of North Carolina through December 31, 2015. Dearborn National Life Insurance Company, Chicago, Illinois owned 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

On January 1, 2015 Dearborn National Life Insurance Company commuted the reinsurance ceded to the company. This treaty was effective January 1, 2010 through January 1, 2015. The Company paid Dearborn National Life Insurance Company $1,047,460 on January 23, 2015 consisting of reserves of $2,743,388 less net deferred premium of $1,428,502 less an unamortized ceding commission of $267,426.

Certain assets of the Company were sold to Colorado Benefits Administrators (CBA) on November 30, 2015 for $10 million. The Company recognized a gain on the sale of $10,110,160.

The Company paid a dividend of $10 million to its parent Preferred Financial Corporation on November 30, 2015.

The Company has a sales agreement with Preferred Financial Corporation its affiliate company for the payment of commissions on the sale of insurance policies. The amount the Company paid to its parent company in sales commissions for 2015 was $21,199,561.

On December 1, 2015 Preferred Financial Corporation was purchased from Dearborn National Life Insurance Company for $60 million by Southland National Insurance Company. The Company was included in this sale.

On December 30, 2015 Preferred Financial Corporation contributed additional capital to the Company of $2 million.

Preferred Financial Corporation sold the company for $60 million to Southland National Holding Corporation on December 31, 2015. Preferred Financial Corporation paid a dividend of $60 million to its new parent Southland National Holding Corporation.

On December 31, 2015 the Company acquired a $9 million surplus note from its affiliate Southland National Insurance Corporation.

One December 31, 2015 the Company entered into a funds withheld reinsurance agreement with Southland National Reinsurance Corporation, an affiliate. The Company ceded 100% of its annuity business with reserves totaling $161,914,132. Southland National Reinsurance Corporation is wholly owned by Southland National Holding Company.

Southland National Holdings is 100% owned by Greg Lindberg. Greg Lindberg has personally guaranteed the reinsurance contract between Colorado Bankers Life Insurance and Southland National Reinsurance Corporation, with a maximum loss amount of $30 million.

On December 1, 2015 Preferred Financial Corporation contributed capital to the Company of $3.5 million dollars.

D. As of December 31, 2015, the Company had a payable Preferred Financial Corporation of $328,604 and Colorado Benefits Administrators of $912,820 both are affiliates, these items are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company did not have any other management or service contracts other than cost allocation agreements with the Company and its parent or affiliates. Colorado Bankers Life Insurance Company is currently utilizing assets owned by Colorado Benefits Administrators. All costs associated with the assets are currently being passed through directly to Colorado Bankers Life Insurance Company.

G. At December 31, 2015 all outstanding common stock of the Company is owned by Southland National Holding Corporation domiciled in the State of North Carolina. At December 31, 2015 all outstanding preferred stock of the Company is owned by Southland National Insurance Corporation domiciled in the State of North Carolina.

All related transactions are designed to be arms length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2016 (Year after acquisition)***

**10. <u>Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties</u>**

A, B, C.

Prior to December 1, 2015, all outstanding common stock of the Company was owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company of Chicago, Illinois owned 100% of the outstanding common stock of Preferred Financial Corporation and Health Care service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owned 100% of the outstanding common stock of Dearborn National life Insurance Company.

On January 1, 2015 Dearborn National Life Insurance Company commuted reinsurance ceded to the Company. The commuted treaty had been effective from January 1, 2010 through January 1, 2015. In connection with the commutation, the Company paid Dearborn National Life Insurance Company $1,047,460 on January 23, 2015 consisting of reserves of $2,743,388 less net deferred premium of $1,428,502 less an unamortized ceding commission of $267,426.

Certain assets of the Company were sold to Colorado Benefits Administrators dba Global Bankers Insurance Group on November 30, 2015. The Company recognized a gain on the sale of $10,110,160.

The Company paid a dividend of $10 million to its parent Preferred Financial Corporation on November 30, 2015.

On December 1, 2015 Preferred Financial Corporation contributed additional capital to the Company of $3.5 million, by covering the tax liability related to the gain on sale of assets on November 30, 2015.

On December 1, 2015 Preferred Financial Corporation was purchased from Dearborn National Life Insurance Company by Southland National Insurance Corporation. The Company was included in this sale and was immediately redomiciled to the State of North Carolina.

On December 30, 2015 Preferred Financial Corporation contributed additional capital to the Company of $2 million.

Preferred Financial Corporation sold the Company for $60 million to Southland National Holdings, Inc. on December 31, 2015. Preferred Financial Corporation paid a dividend of $60 million to its new parent Southland National Insurance Corporation.

On December 31, 2015 the Company acquired a $9 million surplus note from its affiliate Southland National Insurance Corporation.

On December 31, 2015 the Company entered into a funds withheld reinsurance agreement with Southland National Reinsurance Corporation, an affiliate. The Company ceded 100% of its annuity business with reserves totaling $161,914,132. Southland National Reinsurance Corporation is wholly owned by Southland National Holdings, Inc. During the fourth quarter 2016, the Company recognized reserve corrections resulting in a prior period adjustment of $805,462 to Funds Withheld on Reinsurance. As of December 31, 2016, the Company had a receivable of $251,972 under the terms of this reinsurance agreement. This amount was included as part of the amounts recoverable from reinsurers.

Southland National Holdings, Inc. is 100% owned by Greg Lindberg. Greg Lindberg has personally guaranteed the reinsurance contract between the Company and Southland National Reinsurance Corporation, with a maximum loss amount of $5.2 million, equal to the amount of surplus relief on transfer of IMR under the reinsurance agreement.

The Company has a sales agreement with Preferred Financial Corporation, its affiliate company, for the payment of commissions on the sale of insurance policies. The amount the Company paid to its affiliate company in sales commissions for 2016 was $23,758,972.

In December 2016 the Company paid $427,500 to its affiliate Southland National Insurance Corporation on a $9 million surplus note acquired on December 31, 2015. The payment was approved by the North Carolina Insurance Commissioner.

D. As of December 31, 2016, the Company had a receivable of $277,485 from its affiliate Colorado Benefits Administrators and $54,039 from its parent Southland National Holdings, Inc. These items are on line 23 of the asset page. As of December 31, 2016 the Company also had a payable to Preferred Financial Corporation of $372,988 and Eli Research LLC of $745 and are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company has a management service agreement with Colorado Benefits Administrators an affiliate as of October 1, 2016. Colorado Bankers Life Insurance Company utilized assets owned by Colorado Benefits Administrators for the period of January 1 to September 30, 2016. All costs associated with the assets were being passed directly to Colorado Bankers Life Insurance Company during that period. As of October 1, 2016 the Company paid an administrative fee to Colorado Benefits Administrators of $1,096,667 per month. This fee will increase 3% in 2017 to $1,129,567 per month.

G. At December 31, 2016 all outstanding common stock of the Company is owned by Southland National Holdings, Inc. domiciled in the State of North Carolina. At December 31, 2016 all outstanding preferred stock of the Company is owned by Southland National Insurance Corporation domiciled in the State of North Carolina.

All related transactions are designed to be arm's length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

M. All SCA Investments – None

N. Investments in Insurance SCAs - None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

**BANKERS LIFE INSURANCE COMPANY:**

***2015 (Year end prior to acquisition)***

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships - The Company is a wholly owned subsidiary of Bankers Insurance Company.

B. Detail of Transactions Greater than ½% of Admitted Assets – On June 1, 2013, the Company entered into a loan agreement and issued a line of credit in favor of Emerge Monitoring, Inc., an affiliate, for $1,500,000. The loan agreement is in effect for a term of 5 years. Interest is computed at an annual rate of 5% until paid in full. The line of credit is evidenced by a Master Promissory Note. BFC Surety Group, Inc., a parent of the borrower, guarantees Emerge Monitoring's performance under the loan agreement and the note. On June 5, 2014 this loan was paid in full with interest of $72,730.

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties

At December 31, 2015, the Company reported $40,727 due from Bankers Insurance Group and $-0- due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Parent has agreed to provide certain management services and cost sharing allocations to all members of the group.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by the Parent, a property and casualty insurer.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for impairments of investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

***2016 (Year of acquisition)***

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**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships – BLI Holdings, Inc. (BLI) owns 100 percent of the outstanding common stock of the Company and Southland National Insurance Corporation (SNIC) owns 100 percent of the outstanding preferred stock of the Company.

B. Detail of Transactions Greater than ½% of Admitted Assets – On December 15, 2016, 72.6 percent of the outstanding common stock was acquired by Southland National Holdings, Inc. (SNH) and 27.4 percent of the outstanding common stock was acquired by SNIC from the prior parent, Bankers Insurance Company (BIC).

Immediately upon closing the shares owned by SNIC were converted from common to preferred stock and the shares owned by SNH were transferred to BLI. BLI then contributed $5 million of surplus to the Company.

Also on December 15, 2016, the Company acquired a $3 million surplus note from BIC, the former parent.

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties

At December 31, 2016, the Company reported $-0- due from affiliates and $3,505 due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Company will be included in a new cost sharing agreement with affiliates in 2017.

G. Nature of Relationships that Could Affect Operations - BLI owns 100 percent of the outstanding common stock of the Company and SNIC owns 100 percent of the outstanding preferred stock of the Company.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

M. All SCA Investments – None

N. Investments in Insurance SCAs - None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2017 (Year after acquisition)***

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships – BLI Holdings, Inc. (BLI) owns 100 percent of the outstanding common stock of the Company and Southland National Insurance Corporation (SNIC) owns 100 percent of the outstanding preferred stock of the Company.

B. Detail of Transactions Greater than ½% of Admitted Assets –The company received Additional paid in capital of $12,000,000 as cash in September 2017, thereby increasing the Additional Paid in Capital from $19,623,795 to $31,623,795.

At December 31, 2017, The Company has affiliate debt investments reported as bond investments on Schedule D-1. They are listed as affiliated bonds

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties.

At December 31, 2017, the Company reported $-0- due from affiliates and $0 due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Company entered into a cost sharing agreement with Global Bankers Insurance Group (GBIG), an affiliated entity that provides a variety of shared services for related insurance entities. This agreement was filed with the North Carolina Department of Insurance in March 2017 with an effective date of January 1, 2017.

G. Nature of Relationships that Could Affect Operations - BLI owns 100 percent of the outstanding common stock of the Company and SNIC owns 100 percent of the outstanding preferred stock of the Company.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

M. All SCA Investments – None

N. Investments in Insurance SCAs – None

## PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN:

### *2015*

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

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

On March 31, 2013, Pavonia Holdings, (US) Inc., acquired all of the shares of Pavonia Life Insurance Company of Delaware from HSBC Finance Corporation, a subsidiary of HSBC Holdings, plc. Pavonia Holdings (US) Inc. is a member of Enstar Group Limited. Pavonia Life Insurance Company of Delaware owned all of the shares of stock of Pavonia Life Insurance Company of Michigan, which owns all of the shares of stock of Pavonia Life Insurance Company of New York (the Company). Pavonia Life Insurance Company of Delaware was merged into Pavonia Life Insurance Company of Michigan effective November 18, 2015, with Pavonia Life Insurance Company of Michigan as the surviving entity. The Company is a Michigan-domiciled insurer in run-off. The Company owns all of the stock of Pavonia Life Insurance Company of New York, a New York-domiciled insurer also in run-off. The financial statements reflect the results of Pavonia Life Insurance Company of Michigan and its Canadian branch.

The Company merged with its former affiliate PLICAZ effective August 3, 2015. The Company merged with its former parent PLICDE effective November 18, 2015.

On October 26, 2015, the State Department of Delaware approved an extraordinary dividend in the amount of $84,247,186 to be paid to Pavonia Holdings (US) Inc. simultaneously with the merger of Pavonia Life Insurance Company of Delaware with and into Pavonia Life Insurance Company of Michigan. With the dividend, Pavonia Life Insurance Company of Michigan became a wholly owned subsidiary of Pavonia Holdings (US) Inc.

The Company may periodically pay dividends to its parent from the Company's profits. With the permission of the Michigan Department of Insurance, the Company paid extraordinary cash dividends of $21,000,000 in 2015 and $34,000,000 in 2014 to its parent, Pavonia Life Insurance Company of Delaware out of gross paid in capital and contributed surplus.

With the permission of the Arizona Department of Insurance, PLICAZ paid an extraordinary dividend of $9,500,000 on June 30, 2015 and an extraordinary dividend of $4,000,000 on April 30, 2014.

The Company received an ordinary dividend payment of $900,785 from its subsidiary, Pavonia Life Insurance Company of New York, in September 2015 and received an extraordinary dividend payment of $4,000,000, in 2014.

The Company participates in a federal tax income allocation agreement, along with certain insurance subsidiaries. Federal income tax expense and benefits are allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2015 and December 31, 2014 were $0.

The Company did not receive a capital contribution in 2015 or 2014.

D. The Company reported $0 due from its former parent, Pavonia Life Insurance Company of Delaware at December 31, 2015 and $225,592 at December 31, 2014. The Company reported $889,837 due from its subsidiary at December 31, 2015 and $3,118,797 due from Enstar Life (US) Inc. at December 31, 2014.

The Company reported $1,890,018 due to its affiliates, at December 31, 2015 and $4,178,254 at December 31, 2014 for allocated expenses. The amounts are required to be settled in 90 days.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. The Company utilizes the services of Enstar Life (US) Inc. to provide executive management and oversight review according to a management agreement. The agreement provided that Enstar Life (US) Inc. will either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. During 2015 the Company incurred $1,868,765 for management fees, $4,621,133 for salaries and benefits, $2,807,230 for recharged expenses.

In 2014 the Company incurred $1,415,165 for management fees, $3,474,091 for salaries and benefits, $2,688,466 for recharged expenses and $134,442.

G. The Company is a wholly owned subsidiary of Pavonia Life Insurance Company of Delaware, who in turn is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. The Company owns 100% of the outstanding common stock of Pavonia Life Insurance Company of New York (PLICNY) whose carrying value is less than 10% of the admitted assets of the Company. PLICNY is a Life and Accident and Health Insurance company domiciled in the state of New York. Summarized statutory financial data for PLICNY for the periods ended December 31, 2015 and December 31, 2014, are as follows:

# Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

| | FLICNY | | | |
|---|---|---|---|---|
| | 12/31/2015 | | 12/31/2014 | |
| Total Assets | $ | 31,497,326 | $ | 32,056,660 |
| Total Liabilities | $ | 21,021,697 | $ | 22,050,831 |
| Net Income | $ | 1,410,845 | $ | 1,113,453 |

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company does not have an investment in a SCA entity that exceeds 10% of admitted assets.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company does not have an investment in a downstream noninsurance holding company.

# Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

## *2016 (Year end prior to acquisition)*

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

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

On March 31, 2013, Pavonia Holdings, (US) Inc., acquired all of the shares of Pavonia Life Insurance Company of Delaware ("PLICDE") from HSBC Finance Corporation, a subsidiary of HSBC Holdings, plc. Pavonia Holdings (US) Inc. is a member of Enstar Group Limited. PLICDE owned all of the shares of stock of Pavonia Life Insurance Company of Michigan ("The Company") until November 18, 2015 when PLICDE was merged into the Company with the Company as the surviving entity. On October 26, 2015, the Delaware Department of Insurance approved an extraordinary dividend in the amount of $84,247,186 to be paid to Pavonia Holdings (US) Inc. simultaneously with the merger of PLICDE and the Company. With the dividend, the Company became a wholly owned subsidiary of Pavonia Holdings (US) Inc. Effective August 3, 2015 a former affiliate, Pavonia Life Insurance Company of Arizona ("PLICAZ") was also merged with and into the Company. The Company is a Michigan-domiciled insurer in run-off. The Company owns all of the stock of Pavonia Life Insurance Company of New York, a New York-domiciled insurer also in run-off. The financial statements reflect the results of Pavonia Life Insurance Company of Michigan and its Canadian branch.

The Company may periodically pay dividends to its parent from the Company's profits. With the permission of the Michigan Department of Insurance and Financial Services, the Company paid extraordinary cash dividends of $21,000,000 on June 19, 2015 to its former parent, PLICDE out of gross paid in capital and contributed surplus.

With the permission of the Arizona Department of Insurance, PLICAZ paid an extraordinary dividend of $9,500,000 on May 06, 2015 to its former parent, PLICDE.

Pre-merger, the Company's former parent PLICDE, with the permission of the Delaware Department of Insurance paid extraordinary cash dividends of $30,500,000 to its parent, Pavonia Holdings (US), Inc. on June 23, 2015. The Company received a dividend payment of $9,500,000 from its former subsidiary PLICAZ on May 06, 2015. PLICDE also received a dividend payment of $21,000,000 from its former subsidiary, Pavonia Life Insurance Company of Michigan on June 19, 2015.

The Company received an ordinary dividend payment of $900,785 from its subsidiary, Pavonia Life Insurance Company of New York, on June 30, 2015.

There were no dividend payments made in 2016.

The Company participates in a federal income tax allocation agreement, along with its subsidiary. Federal Income tax expense and benefits are allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2016 and December 31, 2015 were $786,454 and $444,743 respectively.

The Company did not receive a capital contribution in 2016 or 2015.

D. The Company reported $810,597 at December 31, 2016 and $889,837 at December 31, 2015 due from its subsidiary, Pavonia Life Insurance Company of New York. The Company reported $651,435 and $0 due from other affiliates at December 31, 2016 and December 31, 2015 respectively.

The Company reported $2,469,329 due to its affiliates, at December 31, 2016 and $1,746,589 at December 31, 2015 for shared expenses. The amounts are required to be settled in 90 days.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2016, the Company utilizes the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The agreement provides that Enstar (US) Inc. will either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement in 2016 was $ 9,093,577

During 2015, the Company utilized the services of Enstar Life (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The amount incurred under this agreement was $8,734,825.

G. The Company is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. The Company owns 100% of the outstanding common stock of Pavonia Life Insurance Company of New York (PLICNY) whose carrying value is less than 10% of the admitted assets of the Company. PLICNY is a Life and Accident and Health Insurance company domiciled in the state of New York. Summarized statutory financial data for PLICNY for the periods ended December 31, 2016 and December 31, 2015, are as follows:

| | PLICNY | | | |
|---|---|---|---|---|
| | | 12/31/2016 | | 12/31/2015 |
| Total Assets | $ | 33,137,694 | $ | 31,497,326 |
| Total Liabilities | $ | 21,736,040 | $ | 21,021,897 |
| Net Income | $ | 1,091,361 | $ | 1,410,845 |

## Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has an investment in a U.S. insurer, Pavonia Life Insurance Company of New York, that does not exceed 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company does not have an investment in a downstream noninsurance holding company.

M. The Company does not have any SCA investments in noninsurance foreign entities.

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

***2017 (Year of acquisition)***

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

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

On December 29, 2017, The Company sold all the stock of Pavonia Life Insurance Company of New York ("PLIC NY"), a New York-domiciled insurer, to Laguna Life Holdings SARL, ("Laguna Life") a subsidiary of Enstar Group Limited. The Company received $13,079,000 and recorded a gain from the sale of $1,676,245.

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

The Company may periodically pay dividends to its parent from the Company's profits. The Company paid no dividends in 2017 or 2016.

Prior to the sale the Company participated in a federal income tax allocation agreement, along with PLIC NY. Federal Income tax expense and benefits were allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2017 and December 31, 2016 were $0 and $786,454 respectively.

The Company did not receive a capital contribution in 2017 or 2016.

D. The Company reported $0 at December 31, 2017 and $889,837 at December 31, 2016 due from PLIC NY. The Company reported $0 and $651,435 due from Enstar (US) Inc. at December 31, 2017 and December 31, 2016 respectively.

The Company reported $0 due to its affiliates, at December 31, 2017 and $2,468,329 at December 31, 2016 for shared expenses.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2017, the Company utilized the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement in effect prior to the sale on December 29, 2017. The agreement provided that Enstar (US) Inc. would either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement was $6,023,116 and $9,993,577 in 2017 and 2016, respectively.

G. The Company is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. On December 29, 2017 Laguna Life sold Pavonia Holdings (US) Inc. to Southland National Holdings.

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has no investments that exceeds 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company did not have an investment in a downstream noninsurance holding company.

M. The Company did not have any SCA investments in noninsurance foreign entities.

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

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2018 (Year after acquisition)***

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

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

On December 29, 2017, The Company sold all the stock of Pavonia Life Insurance Company of New York ("PLIC NY"), a New York-domiciled insurer, to Laguna Life Holdings SARL, ("Laguna Life") a subsidiary of Enstar Group Limited. The Company received $13,079,000 and recorded a gain from the sale of $1,676,245.

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

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

The Company may periodically pay dividends to its parent from the Company's profits. The Company paid no dividends in 2018 or 2017.

The Company did not receive a capital contribution in 2018 or 2017.

D. The Company reported $2,150 Due from Global Bankers Insurance Group LLC "GBIG" at December 31, 2018 and $0 at December 31, 2017. The Company reported $2,016,523 due to GBIG at December 31,2018 and $0 at December 31,2017.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2018, the Company utilized the services of GBIG to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was $13,969,682 and $0 in 2018 and 2017, respectively.

G. The Company is a wholly owned subsidiary of GBIG Holdings Inc. GBIG Holdings, Inc is a direct subsidiary of GBIG Capital, LLC, a limited liability company organized under the laws of North Carolina. The ultimate controlling person is Greg Lindberg. More detailed information concerning the domicile of the above corporation and other affiliated corporations is reflected in the organization chart on Schedule Y Part 1 of this statement.

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has no investments that exceeds 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company did not have an investment in a downstream noninsurance holding company.

M. The Company did not have any SCA investments in noninsurance foreign entities.

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

# APPENDIX B

## Bankers Life Insurance Company Annual Statement Information

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## NET ADMITTED ASSETS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Bonds | $ 308,847,711 | $ 386,159,103 | $ 312,295,644 | $ 115,403,084 | $ 296,024,424 |
| Stocks | | | | | |
| Preferred Stocks | 13,864,004 | 13,038,124 | 9,237,186 | - | - |
| Common Stocks | 4,427,370 | 311,200 | 377,000 | 402,700 | 402,700 |
| Real Estate | | | | | |
| Properties held for the production of income | 792,113 | 777,699 | - | - | - |
| Cash, cash equivalents and short-term investments | 6,210,911 | 5,324,636 | 93,246,541 | 98,485,571 | 78,316,450 |
| Contract Loans | 129,931 | 59,797 | 39,797 | 41,689 | 41,759 |
| Other Invested assets | 3,884,489 | 2,351,064 | - | - | - |
| Receivables for securities | - | - | 13,537,573 | 4,919,443 | 13 |
| Subtotals, cash and invested assets | 338,156,529 | 408,021,623 | 428,733,741 | 219,252,487 | 374,785,346 |
| Investment income due and accrued | 2,990,074 | 3,695,860 | 3,321,680 | 1,306,718 | 3,515,345 |
| Premiums and considerations | | | | | |
| Uncollected premiums and agents' balances in course of collection | 230 | 1,073 | 4,830 | 7,699 | - |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | - | - | - | - | 470 |
| Reinsurance | | | | | |
| Amounts recoverable from reinsurers | 3,857,105 | 6,161,764 | 14,555,673 | 12,784,566 | 16,108,622 |
| Other amounts receivable under reinsurance contracts | 9 | - | - | - | - |
| Current federal and foreign income tax recoverable and interest theron | - | - | - | 20,231 | - |
| Net deferred tax asset | 736,998 | 841,969 | 750,596 | 917,692 | 2,973,335 |
| Receivables from parent, subsidiaries and affiliates | - | 40,727 | - | - | - |
| Aggregate write-in for other than invested assets | - | 27,000 | - | - | 20,109 |
| Total assets, excluding separate accounts, segregated accounts and protected cell accounts | 345,740,945 | 418,790,016 | 447,366,520 | 234,289,393 | 397,403,227 |
| From separate accounts, segregated accounts and protected cell accounts | - | - | - | - | - |
| **Total** | **$ 345,740,945** | **$ 418,790,016** | **$ 447,366,520** | **$ 234,289,393** | **$ 397,403,227** |

| **DETAIL OF WRITE-INS** | | | | | |
|---|---|---|---|---|---|
| Rent Receivables | - | 27,000 | - | - | 20,109 |
| TOTAL | - | 27,000 | - | - | 20,109 |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## LIABILITIES AND SURPLUS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Aggregate reserve for life contracts | $ 143,795,188 | $ 220,076,341 | $ 276,978,116 | $ 98,925,150 | $ 356,702,874 |
| Liability for deposit-type contracts | 19,109,292 | 19,601,000 | 15,878,076 | 3,436,144 | 4,730,744 |
| Life | 100,128 | 295,397 | 394,251 | 305,579 | 242,728 |
| Other amounts payable on reinsurance | | | 14,535,543 | 35,201,360 | 25,612 |
| Interest Maintenance Reserve | 1,251,506 | 1,188,648 | 462,854 | 496,334 | 144,227 |
| Commissions to agents due or accrued | 8,717 | 1,502 | - | | |
| General expenses due or accrued | 255,008 | 212,713 | 8,640 | 22,612 | 39,794 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 258,848 | 94,870 | 102,142 | 97,407 | - |
| Current federal and foreign income taxes | 367,434 | 8,089 | - | - | 437,662 |
| Unearned investment income | 3,445 | 1,757 | 1,061 | 1,061 | 304 |
| Amounts withheld or retained by company as agent or trustee | 11,606 | 6,757 | 27,202 | 29,299 | 292,714 |
| Remittances and items not allocated | 4,072,699 | 2,227,016 | 1,630,209 | 7,232,832 | 158,455 |
| Asset valuation reserve | 1,271,543 | 1,944,611 | 2,222,021 | 1,264,743 | 1,939,775 |
| Funds held under reinsurance treaties with unaffiliated and certified reinsurers | 150,712,987 | 145,122,642 | 107,201,445 | 51,192,928 | - |
| Payable to parent, subsidiaries and affiliates | 22,605 | - | 3,505 | - | 109,015 |
| Payable for securities | 9,476 | - | 543,425 | 355,620 | - |
| Aggregate write-ins for liablities | 1,458,918 | 5,458,206 | - | - | 120 |
| Total liabilities | 322,709,400 | 396,239,549 | 419,988,490 | 198,561,069 | 364,824,024 |
| **SURPLUS** | | | | | |
| Common capital stock | 3,000,000 | 3,000,000 | 2,176,504 | 2,176,504 | 2,176,504 |
| Preferred capital stock | - | | 823,496 | 823,496 | 823,496 |
| Aggregate write-ins for other than special surplus funds | 1,793,268 | 1,444,258 | 793,805 | 274,626 | 24,541 |
| Surplus notes | | | 3,000,000 | 3,000,000 | 3,000,000 |
| Gross paid-in and contributed surplus | 14,623,795 | 14,623,795 | 19,623,795 | 31,623,795 | 41,623,795 |
| Unassigned funds - surplus (deficit) | 3,614,478 | 3,482,414 | 960,431 | (2,170,097) | (15,069,133) |
| Total Capital and Surplus | **23,031,541** | **22,550,467** | **27,378,031** | **35,728,324** | **32,579,203** |
| **Total Liabilities and surplus** | **$ 345,740,941** | **$ 418,790,016** | **$ 447,366,521** | **$ 234,289,393** | **$ 397,403,227** |

### DETAIL OF WRITE-INS

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Invested Assets in Funds Withheld Account | $ 1,458,918 | $ 5,458,206 | | | |
| Unclaimed Property | | | | | 120 |
| TOTAL | $ 1,458,918 | $ 5,458,206 | $ - | $ - | $ 120 |
| Deferred Gain on Ceded Reinsurance | $ 1,793,268 | $ 1,444,258 | $ 793,805 | $ 274,626 | $ 24,541 |
| TOTAL | $ 1,793,268 | $ 1,444,258 | $ 793,805 | $ 274,626 | $ 24,541 |
| TOTAL | $ - | $ - | $ - | $ - | $ - |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | |
| Premiums and annuity considerations for life and A&H contracts | $ 98,953,254 | $ 77,459,958 | $ 57,463,930 | $ (176,570,941) | $ 267,922,351 |
| Considerations for supplementary contracts with life contingencies | 189,315 | 481,708 | (137,764) | 459,781 | - |
| Net investment income | 5,869,099 | 9,770,277 | 17,706,800 | 10,353,999 | 13,036,213 |
| Amortization of Interest Maintenance Reserve (IMR) | 173,939 | 239,737 | 14,013 | 73,235 | 100,537 |
| Commissions and expense allocations on reinsurance ceded | 758,745 | 651,574 | 918,606 | 4,285,970 | 1,941,191 |
| Charges and fees for deposit-type contracts | 431,306 | 544,555 | 130,795 | 35,188 | 123,336 |
| Aggregate write-ins for miscellaneous income | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| Totals | 106,425,034 | 89,189,260 | 76,132,199 | (161,330,527) | 283,152,267 |
| | | | | | |
| Death Benefits | | 2,802 | - | 128,310 | 238,564 |
| Annuity benefits | 69,488 | 76,722 | 58,866 | 58,634 | 43,524 |
| Surrender benefits and withdrawals for life contracts | 1,590,940 | 4,489,942 | 6,296,033 | 5,801,878 | 20,573,519 |
| Interest and adjustments on contract or deposit-type contract funds | 1,025,662 | 1,192,061 | 981,967 | 446,832 | 249,571 |
| Payments on supplementary contracts with life contingencies | 177,625 | 180,263 | 237,701 | 331,391 | 294,349 |
| Increase in aggregate reserves for life and A&H contracts | 95,345,267 | 76,281,154 | 56,901,777 | (178,052,963) | 257,752,188 |
| Totals | 98,208,982 | 82,222,944 | 64,476,344 | (171,285,918) | 279,151,715 |
| | | | | | |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 3,082,843 | 2,334,177 | 1,611,864 | 5,479,782 | 9,250,504 |
| Commissions and expense allocations on reinsurance assumed | | | | 150,000 | - |
| General insurance expenses and fraternal expenses | 3,144,003 | 2,560,586 | 1,974,217 | 4,385,606 | 6,327,869 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 576,688 | 279,107 | 212,726 | 354,042 | 691,412 |
| Aggregate write-ins for deductions | - | - | 6,318,053 | 3,832,067 | 1,140,270 |
| Totals | 105,012,516 | 87,396,814 | 74,593,204 | (157,084,421) | 296,561,770 |
| Net gain from operations before dividends to policyholders and federal | 1,412,518 | 1,792,446 | 1,538,995 | (4,246,106) | (13,409,503) |
| Federal and foreign income taxes incurred (excluding tax on capital gains) | 278,788 | 391,781 | 823,636 | (226,961) | 524,766 |
| | | | | | |
| Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) | 1,133,730 | 1,400,665 | 715,359 | (4,019,145) | (13,934,269) |
| | | | | | |
| Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) | 181,898 | (9,791) | (83,517) | - | 34,202 |
| **Net income (loss)** | **1,315,628** | **1,390,874** | **631,842** | **(4,019,145)** | **(13,900,067)** |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **CAPITAL & SURPLUS ACCOUNT** | | | | | |
| Capital and surplus, December 31, prior year | 25,969,031 | 23,031,543 | 22,550,467 | 27,378,031 | 35,728,324 |
| Net Income (loss) | 1,315,628 | 1,390,875 | 631,842 | (4,019,145) | (13,900,067) |
| Change in net unrealized capital gains or (losses) | 370,031 | (818,805) | 584,390 | (8,801) | 11,203 |
| Change in Net unrealized foreign exchange capital gain (loss) | | | | | (390,784) |
| Change in net deferred income tax | 114,762 | (91,698) | 2,947,670 | (1,522,378) | 3,584,125 |
| Change in nonadmitted assets | 5,418 | 60,631 | (2,704,759) | 1,462,515 | (1,528,482) |
| Change in asset valuation reserve | (809,350) | (673,068) | (277,411) | 957,279 | (675,031) |
| Change in surplus notes | (1,000,000) | - | 3,000,000 | - | - |
| Paid in | - | - | 5,000,000 | 12,000,000 | 10,000,000 |
| Dividends to stockholders | (2,500,000) | | (3,703,715) | | |
| Aggregate write-in for gains and losses in surplus | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |
| Net change in capital and surplus | (2,937,486) | (481,075) | 4,827,564 | 8,350,293 | (3,149,121) |
| Capital and surplus as of statement date | **$ 23,031,545** | **$ 22,550,468** | **$ 27,378,031** | **$ 35,728,324** | **$ 32,579,203** |
| **DETAIL OF WRITE-INS** | | | | | |
| Administrative and Service Fee Income | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| Reinsurance Funds Withheld Investment Income | | | 6,318,053 | 3,832,067 | 1,140,270 |
| | - | - | 6,318,053 | 3,832,067 | 1,140,270 |
| Deferred Gain on Ceded Reinsurance | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |
| | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |

APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
GENERAL EXPENSES (EXHIBIT 2)
FYE 2014 - 2018

| | 2014 | | | | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life insurance | Accident & Health Insurance | Investment | Total | Life insurance | Accident & Health Insurance | Investment | Total | Life insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 86,164 | $ 32 | $ 2,216 | $ 88,412 | $ 69,380 | $ 15 | $ 2,209 | $ 91,604 | $ 63,684 | $ 5 | $ 6,470 | $ 70,159 |
| Salaries and wages | 1,542,826 | 576 | 152,860 | 1,696,262 | 1,373,863 | 230 | 128,379 | 1,502,472 | 937,303 | 78 | 123,315 | 1,060,696 |
| Contributions for benefit plans for employees | 140,944 | 52 | 5,089 | 146,085 | 117,457 | 20 | 6,843 | 124,320 | 65,943 | 6 | 5,374 | 71,323 |
| Other employee welfare | 90,400 | 34 | | 90,434 | 107,088 | 18 | 3,020 | 110,126 | 79,890 | 7 | 7,451 | 87,348 |
| Legal fees and expenses | 19,044 | 7 | 29,852 | 48,903 | 58,350 | 10 | | 58,360 | 58,784 | 5 | | 58,789 |
| Medical examination fees | | | | - | | | | - | | | | - |
| Inspection report fees | | | | - | | | | - | | | | - |
| Fees of public accountants and consulting actuaries | 408,120 | 152 | | 408,272 | 284,881 | 47 | | 284,928 | 331,297 | 27 | | 331,324 |
| Expense of investigation and settlement of policy claims | | | | - | | | | - | | | | - |
| Traveling expenses | 19,798 | 6 | 2,380 | 22,184 | 23,928 | 4 | 2,644 | 26,576 | 16,264 | 1 | 2,464 | 18,739 |
| Advertising | 21,483 | 8 | 3,643 | 25,134 | 49,151 | 6 | | 49,157 | 23,712 | 2 | | 23,714 |
| Postage, express, telegraph and telephone | 46,271 | 17 | 3,204 | 49,492 | 47,735 | 8 | 2,786 | 50,529 | 57,133 | 5 | 3,964 | 61,102 |
| Printing and stationery | 71,165 | 27 | 72 | 71,264 | 21,687 | 4 | 47 | 21,738 | 16,555 | 1 | 307 | 16,863 |
| Cost or depreciation of furniture and equipment | 69,636 | 26 | 26,183 | 95,845 | 72,647 | 14 | 26,325 | 98,986 | 125,130 | 10 | 42,309 | 167,449 |
| Rental of equipment | 86,072 | 32 | 45,793 | 131,897 | 138,438 | 23 | | 138,461 | 62,521 | 5 | | 62,526 |
| Cost or depreciation of EDP equipment and software | | | | - | | | | - | | | | - |
| Books and periodicals | 100 | | | 100 | 2,817 | | | 2,817 | 6,007 | | | 6,007 |
| Bureau and association fees | 31,139 | 12 | 273 | 31,424 | 51,487 | 9 | | 51,496 | 35,231 | 3 | | 35,234 |
| Insurance, except on real estate | 20,523 | 8 | 844 | 21,375 | 23,521 | 4 | 1,467 | 24,992 | 16,095 | 1 | 1,837 | 17,933 |
| Miscellaneous losses | | | | - | | | | - | | | | - |
| Collection and bank service charges | 7,472 | 3 | | 7,475 | 12,344 | 2 | | 12,346 | 10,343 | 1 | | 10,344 |
| Sundry general expenses | 21,369 | 8 | | 21,377 | (28,250) | (5) | (7,259) | (35,514) | 2,748 | | | 2,748 |
| Group service and administration fees | | | | - | | | | - | | | | - |
| Agency conferences other than local meetings | 10,765 | | | 10,765 | 5,982 | | | 5,982 | 9,509 | | | 9,509 |
| Real estate expenses | | | | - | | | 11,901 | 11,901 | | | 13,454 | 13,454 |
| Investment expenses not included elsewhere | | | 28,551 | 28,551 | | | | - | | | | - |
| Aggregate write-ins for expenses | 449,708 | 3 | 141,290 | 591,001 | 107,858 | 3 | 221,615 | 329,276 | 55,919 | 1 | 246,837 | 302,757 |
| General expenses incurred | $ 3,142,997 | $ 1,065 | $ 442,250 | $ 3,586,252 | $ 2,560,174 | $ 412 | $ 399,977 | $ 2,960,563 | $ 1,974,058 | $ 158 | $ 453,802 | $ 2,428,018 |

DETAIL OF WRITE-INS

| | 2014 | | | | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life insurance | Accident & Health Insurance | Investment | Total | Life insurance | Accident & Health Insurance | Investment | Total | Life insurance | Accident & Health Insurance | Investment | Total |
| Contract Labor | $ 7,993 | $ 3 | $ 339 | $ 8,335 | $ 18,154 | $ 3 | | $ 18,157 | $ 15,778 | $ 1 | | $ 15,779 |
| Consulting | 425,762 | | 140,951 | 566,713 | 90,173 | | 221,615 | 311,788 | 30,825 | | 246,837 | 277,662 |
| Charitable Contribution | 15,953 | | | 15,953 | (669) | | | (669) | 9,316 | | | 9,316 |
| Totals | $ 449,708 | $ 3 | $ 141,290 | $ 591,001 | $ 107,858 | $ 3 | $ 221,615 | $ 329,276 | $ 55,919 | $ 1 | $ 246,837 | $ 302,757 |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## GENERAL EXPENSES (EXHIBIT 2)
## FYE 2014 - 2018

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 145,926 | $ 6 | | $ 145,932 | $ 207,132 | | | $ 207,132 |
| Salaries and wages | 1,873,114 | 63 | | 1,873,177 | 2,762,741 | | | 2,762,741 |
| Contributions for benefit plans for employees | 162,558 | 6 | | 162,564 | 300,000 | | | 300,000 |
| Other employee welfare | 7,528 | - | | 7,528 | 9,754 | | | 9,754 |
| Legal fees and expenses | 237,665 | 9 | | 237,674 | 478,311 | | | 478,311 |
| Medical examination fees | | | | - | 2,154 | | | 2,154 |
| Inspection report fees | 6,004 | - | | 6,004 | 43,469 | | | 43,469 |
| Fees of public accountants and consulting actuaries | 310,586 | 12 | | 310,598 | 251,448 | | | 251,448 |
| Expense of investigation and settlement of policy claims | | | | - | 2,884 | | | 2,884 |
| Traveling expenses | 139,140 | 6 | | 139,146 | 141,181 | | | 141,181 |
| Advertising | 63,916 | 3 | | 63,919 | 54,313 | | | 54,313 |
| Postage, express, telegraph and telephone | 88,167 | 4 | | 88,171 | 182,093 | | | 182,093 |
| Printing and stationery | 60,107 | 3 | | 60,110 | 51,541 | | | 51,541 |
| Cost or depreciation of furniture and equipment | 70,020 | 2 | | 70,022 | 127,809 | | | 127,809 |
| Rental of equipment | | | | - | | | | - |
| Cost or depreciation of EDP equipment and software | 246,147 | 8 | | 246,155 | 336,845 | | | 336,845 |
| Books and periodicals | 1,592 | - | | 1,592 | 14,862 | | | 14,862 |
| Bureau and association fees | 62,374 | 2 | | 62,376 | 22,360 | | | 22,360 |
| Insurance, except on real estate | 93,734 | 3 | | 93,737 | 60,614 | | | 60,614 |
| Miscellaneous losses | 3,397 | - | | 3,397 | | | | - |
| Collection and bank service charges | 53,620 | 2 | | 53,622 | 22,714 | | | 22,714 |
| Sundry general expenses | 413,278 | 12 | | 413,290 | 945,415 | | | 945,415 |
| Group service and administration fees | 331,864 | 7 | | 331,871 | 301,481 | | | 301,481 |
| Agency conferences other than local meetings | 14,721 | | | 14,721 | 8,750 | | | 8,750 |
| Real estate expenses | | | | - | | | | - |
| Investment expenses not included elsewhere | | | 775,950 | 775,950 | | | 1,413,060 | 1,413,060 |
| Aggregate write-ins for expenses | - | - | - | - | - | - | - | - |
| General expenses incurred | $ 4,385,458 | $ 148 | $ 775,950 | $ 5,161,556 | $ 6,327,871 | $ - | $ 1,413,060 | $ 7,740,931 |

**DETAIL OF WRITE-INS**

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Contract Labor | | | | $ - | | | | $ - |
| Consulting | | | | - | | | | - |
| Charitable Contribution | | | | - | | | | - |
| Totals | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

# APPENDIX C

## Colorado Bankers Life Insurance Company Annual Statement Information

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | $ 252,844,705 | $ 158,594,852 | $ 142,754,424 | $ 655,938,792 | $ 2,206,581,762 |
| non Stocks | - | - | - | 318,700 | 1,186,700 |
| h equivalents and short-term investments | 7,841,240 | 144,324,854 | 182,065,369 | 581,441,231 | 403,838,242 |
| .oans | 4,387,481 | 5,112,715 | 5,982,815 | 6,712,408 | 7,591,174 |
| es | - | - | - | - | 287,827 |
| es for securities | - | - | 21,496 | 6,578,601 | 6,100,000 |
| cash and invested assets | 265,073,426 | 308,032,421 | 330,824,104 | 1,250,989,732 | 2,625,585,705 |
| it income due and accrued | 2,414,527 | 1,429,619 | 7,206,453 | 13,658,892 | 26,958,990 |
| and considerations | | | | | |
| llected premiums and agents' balances in course of collection | 427,928 | 451,718 | 428,332 | 1,617,713 | 628,065 |
| red premiums, agents' balances and installments booked but red and not yet due | 11,134,727 | 9,889,897 | 10,016,785 | 9,599,712 | 9,653,509 |
| ce | | | | | |
| ınts recoverable from reinsurers | 107,262 | 132,542 | 523,044 | 89,887 | 56,989 |
| amounts receivable under reinsurance contracts | 175,702 | 26,472 | 1,037 | 40,671,888 | 2,345,475 |
| deral and foreign income tax recoverable and interest theron | - | - | - | - | 364,419 |
| ed tax asset | 4,394,956 | 4,424,961 | 4,722,997 | 1,616,072 | 11,180,571 |
| data processing equipment and software | 200,037 | - | - | - | - |
| es from parent, subsidiaries and affiliates | - | - | 331,524 | 196,164 | 312 |
| e and other amounts receivable | - | - | - | - | 5,485 |
| write-in for other than invested assets | 263,194 | 34,177 | - | 35,983 | 290,988 |
| | **$ 284,191,759** | **$ 324,421,807** | **$ 354,054,276** | **$ 1,318,476,043** | **$ 2,677,070,508** |
| **IL OF WRITE-INS** | | | | | |
| ous Receivable | 263,194 | 34,177 | - | 35,983 | 290,988 |
| | 263,194 | 34,177 | - | 35,983 | 290,988 |

| | 2014 | 2015 | 2016 | 2017 | 2 |
|---|---|---|---|---|---|
| serve for life contracts | $ 229,442,146 | $ 90,120,496 | $ 99,075,874 | $ 839,293,723 | $ 2,1 |
| serve for accident and health contracts | 1,686,134 | 1,223,444 | 1,165,049 | 1,069,764 | |
| posit-type contracts | 5,718,266 | 5,969,549 | 6,437,097 | 15,769,950 | |
| | 6,556,660 | 4,831,574 | 4,357,751 | 4,456,681 | |
| health | 424,749 | 361,854 | 447,594 | 310,650 | |
| d annuity considerations for life and A&H contracdts rec'd in advance | 164,237 | 195,230 | 185,632 | 162,763 | |
| ts payable on reinsurance | 355,481 | 308,030 | 313,811 | 951,467 | |
| enance Reserve | 749,901 | 319,531 | 340,399 | 2,116,257 | |
| to agents due or accrued | 14,461 | 14,602 | 14,233 | 33,336 | |
| nses due or accrued | 1,924,200 | 644,592 | 720,549 | 2,786 | |
| es and fees due or accrued, excluding federal income taxes | 289,603 | 249,074 | 248,990 | 339,385 | |
| al and foreign income taxes | 1,060,629 | 134,383 | 2,213,323 | - | |
| and items not allocated | 262,002 | 451,228 | 475,440 | 5,701,857 | |
| on reserve | 1,227,994 | 920,245 | 925,071 | 2,079,073 | |
| nder reinsurance treaties with unaffiliated and certified reinsurers | | 161,914,132 | 178,251,603 | 305,156,272 | 3 |
| rent, subsidiaries and affiliates | 333,667 | 1,241,424 | 373,733 | 104,128 | |
| ecurities | | | | 19,081,608 | |
| ite-ins for liablities | 86,932 | 79,816 | 19,494 | 108,613 | |
| s | 250,297,062 | 268,979,204 | 295,565,643 | 1,196,738,313 | 2,4 |
| | | | | | |
| ital stock | 2,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | |
| ital stock | | 1,000,000 | 1,000,000 | 1,000,000 | |
| ite-ins for other than special surplus funds | - | - | - | 11,087,114 | |
| ; | | 9,000,000 | 9,000,000 | 9,000,000 | |
| and contributed surplus | 20,487,531 | 26,026,087 | 26,026,087 | 74,791,166 | 2 |
| unds - surplus/(deficit) | 10,907,166 | 17,916,516 | 20,962,546 | 24,359,450 | ( |
| and surplus | **33,894,697** | **55,442,603** | **58,488,633** | **121,737,730** | **1** |
| **ies and surplus** | **$ 284,191,759** | **$ 324,421,807** | **$ 354,054,276** | **$ 1,318,476,043** | **$ 2,6** |

**DETAIL OF WRITE-INS**

| | 2014 | 2015 | 2016 | 2017 | 2 |
|---|---|---|---|---|---|
| s Liabilities | $ 86,932 | $ 79,816 | | | |
| operty | | | 19,494 | 108,613 | |
| | $ 86,932 | $ 79,816 | $ 19,494 | $ 108,613 | $ |
| | | | | | |
| n on Reinsurance | | | | $ 11,087,114 | $ |
| | $ - | $ - | $ - | $ 11,087,114 | $ |

ENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION

TEMENT OF INCOME

2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | |
| ms and annuity considerations for life and A&H contracts | $ 90,189,256 | $ (72,175,609) | $ 61,695,593 | $ 783,210,693 | $ 1,333,935,404 |
| estment income | 10,512,126 | 10,973,627 | 14,941,364 | 35,154,148 | 93,211,758 |
| ation of Interest Maintenance Reserve (IMR) | 177,701 | 544,494 | 75,808 | 125,228 | 1,608,632 |
| ssions and expense allocations on reinsurance ceded | | | 2,281,471 | 8,193,358 | 5,426,617 |
| s and fees for deposit-type contracts | | | | 52,195 | 54,848 |
| ate write-ins for miscellaneous income | 589,309 | 10,699,468 | 2,103,895 | 1,843,898 | 1,624,826 |
| | 101,468,392 | (49,958,020) | 81,098,131 | 828,579,520 | 1,435,862,085 |
| Benefits | 10,429,239 | 8,582,117 | 9,627,710 | 8,462,651 | 13,168,739 |
| benefits | 19,655,166 | 20,869,701 | 91,565 | 8,460,359 | 6,681,952 |
| ty benefits and benefits under A&H contracts | 2,748,672 | 2,180,826 | 2,797,511 | 2,835,891 | 3,095,446 |
| der benefits and withdrawals for life contracts | 2,466,118 | 2,584,497 | 2,777,204 | 3,529,111 | 65,189,448 |
| and adjustments on contract or deposit-type contract funds | 188,989 | 199,733 | 212,024 | 457,869 | 630,682 |
| nts on supplementary contracts with life contingencies | | | | 98,323 | 166,454 |
| e in aggregate reserves for life and A&H contracts | 23,322,054 | (138,802,945) | 8,896,983 | 732,068,205 | 1,273,300,817 |
| | 58,810,238 | (104,386,071) | 24,402,997 | 755,912,409 | 1,362,233,538 |
| ssions on premiums, annuity considerations, and deposit-type t funds (direct business only) | 20,949,531 | 21,417,043 | 23,678,587 | 26,665,808 | 61,867,833 |
| ssions and expense allocations on reinsurance assumed | 553,761 | (260,271) | 6,531 | 10,540,525 | (1,508,866) |
| l insurance expenses and fraternal expenses | 14,160,059 | 13,906,313 | 14,454,945 | 14,235,667 | 25,345,994 |
| ce taxes, licenses and fees, excluding federal income taxes | 2,646,836 | 2,529,797 | 2,406,093 | 2,853,048 | 3,115,179 |
| e in loading on deferred and uncollected premiums | 93,786 | 791,964 | (84,897) | (1,718,408) | 1,165,396 |
| ate write-ins for deductions | (142,204) | (35,332) | 9,115,664 | 4,794,655 | 9,982,340 |
| | 97,072,007 | (66,036,557) | 73,979,920 | 813,283,704 | 1,462,201,414 |
| n from operations before dividends to policyholders and federal taxes | 4,396,385 | 16,078,537 | 7,118,211 | 15,295,816 | (26,339,329) |
| l and foreign income taxes incurred (excluding tax on capital gains) | 839,856 | 3,696,810 | 2,161,267 | 10,507,839 | 21,576,302 |
| n from operations after dividends to policyholders, refunds to rs and federal income taxes and before realized capital gains or ) | 3,556,529 | 12,381,727 | 4,956,944 | 4,787,977 | (47,915,631) |
| lized capital gains (losses) (excluding gains (losses) transferred to R) | 310,997 | (2,802,560) | - | 9,760,039 | (2,872,152) |
| **ome (loss)** | **3,867,526** | **9,579,167** | **4,956,944** | **14,548,016** | **(50,787,783)** |

# TEMENT OF INCOME
## 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **AL & SURPLUS ACCOUNT** | | | | | |
| and surplus, December 31, prior year | 28,862,909 | 33,894,697 | 55,442,603 | 58,488,633 | 121,737,730 |
| ome (loss) | 3,867,526 | 9,579,167 | 4,956,944 | 14,548,016 | (50,787,783) |
| in net unrealized capital gains or (losses) | (965) | 936 | 16,560 | (16,560) | (385,542) |
| in Net unrealized foreign exchange capital gain (loss) | | | | (5,678,627) | (5,836,918) |
| in net deferred income tax | 490,263 | 1,404,521 | (2,535,261) | (3,435,320) | 28,719,296 |
| in nonadmitted assets | 1,067,096 | (1,048,276) | 2,798,944 | 365,329 | (19,205,344) |
| in reserve on account of change in valuation basis (increase) or se | 70,129 | (1,410,307) | | | |
| in asset valuation reserve | (462,267) | 307,749 | (4,826) | (1,154,001) | (4,943,049) |
| in surplus notes | - | 9,000,000 | - | - | - |
| | - | 5,538,556 | - | 48,765,079 | 130,184,854 |
| in surplus as a result of reinsurance | | 8,175,560 | | | |
| ds to stockholders | - | (10,000,000) | | | |
| ate write-in for gains and losses in surplus | - | - | (2,186,331) | 9,855,182 | (1,669,714) |
| inge in capital and surplus | 5,031,782 | 21,547,906 | 3,046,030 | 63,249,098 | 76,075,800 |
| and surplus as of statement date | **$ 33,894,691** | **$ 55,442,603** | **$ 58,488,633** | **$ 121,737,731** | **$ 197,813,530** |
| **:TAIL OF WRITE-INS** | | | | | |
| mmissions, Service & Issue Fees and Other | 589,309 | 10,699,468 | 588,643 | 611,966 | 628,142 |
| nortization of Surplus due to IMR | | | 1,515,252 | 1,231,932 | 996,684 |
| | 589,309 | 10,699,468 | 2,103,895 | 1,843,898 | 1,624,826 |
| dified Coinsurance Expense | (142,204) | (35,332) | 14,724 | 5,570 | (90,467) |
| einsurance funds withheld Investment Income | | | 9,100,940 | 4,789,085 | 10,072,169 |
| es and penalties | | | | | 638 |
| | (142,204) | (35,332) | 9,115,664 | 4,794,655 | 9,982,340 |
| nortization of IMR from Surplus | | | (1,515,252) | (1,231,932) | |
| rrection of Prior Period Funds Withheld on Reinsurance | | | (805,462) | | |
| x Change | | | 134,383 | | |
| ferred Gain on Reinsurance | | | | 11,087,114 | (1,669,714) |
| | - | - | (2,186,331) | 9,855,182 | (1,669,714) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ 569,099 | $ 17,601 | | $ 586,700 | $ 517,470 | $ 15,455 | | $ 532,925 | $ |
| | 5,422,590 | 249,575 | | 5,672,165 | 5,953,862 | 267,519 | | 6,221,381 | 4 |
| | 1,028,011 | 47,314 | | 1,075,325 | 993,917 | 44,659 | | 1,038,576 | |
| | 102,546 | 4,720 | | 107,266 | 98,681 | 4,434 | | 103,115 | |
| | 118,466 | 5,452 | | 123,918 | 58,598 | 2,633 | | 61,231 | |
| | 79,794 | | | 79,794 | 104,518 | | | 104,518 | |
| | 89,039 | | | 89,039 | 93,656 | | | 93,656 | |
| | 155,101 | 4,797 | | 159,898 | 201,719 | 6,025 | | 207,744 | |
| ıs | 62,967 | 2,898 | | 65,865 | 43,792 | 1,968 | | 45,760 | |
| | 69,806 | 2,159 | | 71,965 | 72,893 | 2,177 | | 75,070 | |
| | 1,775 | 55 | | 1,830 | 26,267 | 784 | | 27,051 | |
| | 266,425 | 8,240 | | 274,665 | 278,040 | 8,304 | | 286,344 | |
| | 192,832 | 8,604 | | 201,436 | 296,794 | 12,604 | | 309,398 | |
| | 86,002 | 3,958 | | 89,960 | 82,649 | 3,714 | | 86,363 | |
| | 505,420 | 23,262 | | 528,682 | 412,431 | 18,531 | | 430,962 | |
| | 147,043 | 6,768 | | 153,811 | 169,073 | 7,597 | | 176,670 | |
| | 2,445 | 76 | | 2,521 | 1,084 | 32 | | 1,116 | |
| | 85,759 | 2,652 | | 88,411 | 61,720 | 1,843 | | 63,563 | |
| | | | | - | | | | - | |
| | 533,845 | 16,511 | | 550,356 | 208,243 | 6,219 | | 214,462 | |
| | 563,989 | 17,454 | | 581,443 | 453,618 | 13,553 | | 467,171 | 1 |
| | | | | - | | | | - | |
| | 765,929 | 35,252 | | 801,181 | 929,527 | 41,766 | | 971,293 | |
| | | | | - | | | | - | |
| | | | 402,885 | 402,885 | | | 337,728 | 337,728 | |
| | 2,114,987 | 738,839 | - | 2,853,826 | 2,301,650 | 86,292 | - | 2,387,942 | 4 |
| | $ 12,963,870 | $ 1,196,187 | $ 402,885 | $ 14,562,942 | $ 13,360,202 | $ 546,109 | $ 337,728 | $ 14,244,039 | $ 14 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ 167,179 | $ 655,369 | | $ 822,548 | $ 1,239,014 | $ 44,492 | | $ 1,283,506 | $ 4 |
| | 1,538,579 | 70,813 | | 1,609,392 | 667,943 | 30,012 | | 697,955 | |
| | 94,660 | 2,928 | | 97,588 | 127,488 | 3,808 | | 131,296 | |
| | 314,569 | 9,729 | | 324,298 | 267,205 | 7,980 | | 275,185 | |
| | $ 2,114,987 | $ 738,839 | $ - | $ 2,853,826 | $ 2,301,650 | $ 86,292 | $ - | $ 2,387,942 | $ 4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | $ 258,545 | $ 778 | | $ 259,323 | $ 418,153 | $ 13,622 | | $ 431,775 |
| | 5,917,610 | 246,567 | | 6,164,177 | 9,379,583 | 253,370 | | 9,632,953 |
| | 657,791 | 27,408 | | 685,199 | 1,156,826 | 37,685 | | 1,194,511 |
| | 27,382 | 1,141 | | 28,523 | 53,282 | 1,736 | | 55,018 |
| | 273,375 | 11,391 | | 284,766 | 1,524,883 | 49,674 | | 1,574,557 |
| | 97,662 | - | | 97,662 | 161,829 | 5,272 | | 167,101 |
| | 196,573 | - | | 196,573 | 148,676 | 4,843 | | 153,519 |
| | 420,458 | 1,265 | | 421,723 | 668,277 | 21,770 | | 690,047 |
| ns | 17,178 | 716 | | 17,894 | 28,597 | 932 | | 29,529 |
| | 465,460 | 1,401 | | 466,861 | 472,828 | 15,403 | | 488,231 |
| | 7,711 | 23 | | 7,734 | 73,754 | 2,403 | | 76,157 |
| | 347,062 | 1,044 | | 348,106 | 415,355 | 13,531 | | 428,886 |
| | 270,904 | 11,206 | | 282,110 | 180,881 | 5,893 | | 186,774 |
| | 217,116 | 9,047 | | 226,163 | 3,231,990 | 105,284 | | 3,337,274 |
| | (1,696) | (71) | | (1,767) | | | | - |
| | 586,021 | 24,418 | | 610,439 | 955,444 | 31,124 | | 986,568 |
| | 5,040 | 15 | | 5,055 | 39,561 | 1,289 | | 40,850 |
| | 86,658 | 261 | | 86,919 | 62,428 | 2,034 | | 64,462 |
| | 296,158 | 891 | | 297,049 | 325,216 | 10,594 | | 335,810 |
| | 163,792 | 493 | | 164,285 | 276,360 | 9,003 | | 285,363 |
| | 1,480,663 | 20,326 | | 1,500,989 | 3,337,159 | 108,712 | | 3,445,871 |
| | 1,764,647 | 45,334 | | 1,809,981 | 1,677,294 | 54,638 | | 1,731,932 |
| | | | | - | 8,528 | 278 | | 8,806 |
| | | | | - | | | | - |
| | | | 2,780,858 | 2,780,858 | | | 12,784,912 | 12,784,912 |
| | 254,315 | 21,588 | - | 275,903 | - | - | - | - |
| | $ 13,810,425 | $ 425,242 | $ 2,780,858 | $ 17,016,525 | $ 24,596,904 | $ 749,090 | $ 12,784,912 | $ 38,130,906 |
| | | | | | | | | |
| | | | | $ - | | | | $ - |
| | | | | - | | | | - |
| | 254,315 | 21,588 | | 275,903 | | | | - |
| | | | | - | | | | - |
| | $ 254,315 | $ 21,588 | $ - | $ 275,903 | $ - | $ - | $ - | $ - |

# APPENDIX D

# Pavonia Life Insurance Company Annual Statement Information

| | | | | | | |
|---|---|---|---|---|---|---|
| | $ 921,028,417 | $ 958,522,161 | $ 859,967,093 | $ 948,008,233 | $ 987,181,606 | $ 969,032,122 |
| | 10,475,429 | 11,401,654 | - | - | - | - |
| ɿort-term investments | 42,087,569 | 19,184,724 | 124,903,189 | 95,498,661 | 51,377,319 | 44,064,788 |
| | 19,499,231 | 17,661,380 | 16,037,640 | 14,599,494 | 14,339,223 | 14,091,617 |
| | 42,755,991 | 15,113,867 | 5,048,763 | 16,685,352 | 18,565,055 | 20,525,986 |
| | 9,525,936 | 7,404 | 134,375 | 68,847 | 141,295 | 18,309 |
| assets | 1,045,372,573 | 1,021,891,189 | 1,006,091,060 | 1,074,860,587 | 1,071,604,498 | 1,047,732,822 |
| ccrued | 12,085,694 | 12,131,582 | 11,416,418 | 8,535,623 | 9,465,501 | 10,114,604 |
| ıd agents' balances in course of collection | 222,954 | 203,667 | 215,016 | 214,830 | 192,150 | 170,317 |
| ıts' balances and installments booked but | | | | | | |
| | 11,438,664 | 11,000,549 | 10,777,769 | 9,813,168 | 9,006,459 | 8,172,384 |
| n reinsurers | 1,179,680 | 110,036 | 562,424 | 624,371 | 476,916 | 323,671 |
| ed with reinsured companies | 148,943 | 106,315 | 79,049 | 50,802 | 40,595 | 39,466 |
| e under reinsurance contracts | 153,368 | 255,017 | 65,193 | 151,422 | 712,931 | 394,078 |
| come tax recoverable and interest theron | 7,465,254 | 2,068,752 | 1,370,011 | - | - | - |
| | 8,152,707 | 6,762,804 | 3,283,655 | 6,642,417 | 5,076,871 | 7,751,996 |
| liabilities due to foreign exchange rates | 19,622,591 | - | - | - | - | - |
| sidiaries and affiliates | 889,837 | 1,462,022 | - | 15,924 | - | - |
| an invested assets | 74,842 | 1,418,022 | 670,632 | 554,154 | 551,992 | 405,879 |
| | **$ 1,106,807,107** | **1,057,409,955** | **$ 1,034,531,227** | **$ 1,101,463,298** | **$ 1,097,127,913** | **$ 1,075,105,217** |
| n-Insurance Company | 74,842 | - | - | - | - | - |
| sit | - | 1,333,310 | 638,973 | 438,080 | 436,928 | 293,442 |
| ıle | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | 84,712 | 31,659 | 116,074 | 115,064 | 112,437 |
| | 74,842 | 1,418,022 | 670,632 | 554,154 | 551,992 | 405,879 |

| | | | | | |
|---|---|---|---|---|---|
| tracts | $ 903,234,965 | $ 894,737,491 | $ 885,333,409 | $ 876,638,275 | $ 864,657,048 |
| ıt and health contracts | 19,759,891 | 15,394,007 | 12,223,958 | 10,151,493 | 10,125,254 |
| acts | - | - | - | - | - |
| | 32,553,850 | 33,356,459 | 30,800,069 | 28,091,717 | 28,582,763 |
| | 5,317,707 | 3,435,814 | 1,986,482 | 1,309,493 | 892,292 |
| erations for life and A&H contracdts rec'd in advance | 46,554 | 19,267 | 26,471 | 16,495 | 22,234 |
| nsurance | 2,194,345 | 233,754 | 1,166,209 | 623,003 | 1,319,257 |
| | 39,829,296 | 33,361,602 | 27,694,263 | 99,650,075 | 97,121,140 |
| lowances payable on reinsurance assumed | - | - | - | - | - |
| rued | 2,074,617 | 2,586,465 | 2,229,314 | 872,255 | 837,644 |
| or accrued, excluding federal income taxes | 30,967 | 61,362 | 131,715 | - | - |
| come taxes | - | - | - | 2,503,178 | 756,570 |
| by company as agent or trustee | - | - | - | 205,092 | - |
| ocated | 1,035,626 | 973,098 | 622,383 | 178,771 | 337,744 |
| | 7,397,448 | 7,588,342 | 5,678,370 | 5,174,298 | 4,835,930 |
| and certified companies | | | | 128,392 | 130,968 |
| s and affiliates | 1,890,019 | 2,468,330 | - | 2,016,673 | 750,005 |
| | | | | | 10,351,304 |
| es | - | - | - | 147,827 | 149,110 |
| | **$ 1,015,365,285** | **$ 994,215,991** | **$ 967,892,642** | **$ 1,027,707,037** | **$ 1,020,869,263** |
| | | | | | |
| | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| plus | 315,038,989 | 84,780,085 | 84,780,085 | 84,780,085 | 84,780,085 |
| leficit) | (226,097,166) | (24,086,121) | (20,641,500) | (13,523,824) | (11,021,435) |
| | 91,441,823 | 63,193,964 | 66,638,585 | 73,756,261 | 76,258,650 |
| | **$ 1,106,807,107** | **$ 1,057,409,955** | **$ 1,034,531,227** | **$ 1,101,463,298** | **$ 1,097,127,913** |

**DETAIL OF WRITE-INS**

| | | | | | |
|---|---|---|---|---|---|
| | | | | 147,827 | 149,110 |
| | $ - | $ - | $ - | $ 147,827 | $ 149,110 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **JNDERWRITING INCOME** | | | | | | |
| ɔnsiderations for life and A&H contracts | $ 79,546,487 | $ 64,616,491 | $ 51,572,765 | $ 45,264,153 | $ 9,458,425 | $ 19,744, |
| ementary contracts with life contingencies | | | | | | |
| | 48,056,721 | 47,003,293 | 50,110,366 | 32,614,570 | 10,663,071 | 21,362, |
| /laintenance Reserve (IMR) | 7,727,545 | 4,968,409 | 5,363,051 | 8,428,763 | 2,542,159 | 4,993, |
| se allocations on reinsurance ceded | 1,517,649 | 1,086,448 | 852,728 | 792,162 | 174,174 | 342, |
| niscellaneous income | 331,089 | 155,781 | 222,239 | 861,206 | 95,713 | 402, |
| | 137,179,491 | 117,830,422 | 108,121,149 | 87,960,854 | 22,933,542 | 46,846, |
| | 61,027,205 | 56,648,850 | 50,531,976 | 43,587,722 | 12,531,873 | 23,109, |
| | 46,154,026 | 41,398,315 | 45,486,353 | 41,945,204 | 11,140,228 | 24,770, |
| enefits under A&H contracts | 4,893,648 | 3,778,961 | 1,789,297 | 1,355,771 | (44,850) | 113, |
| nual pure endownments and similar benefits | - | - | - | - | - | |
| /ithdrawals for life contracts | 1,358,741 | 1,751,134 | 1,103,265 | 696,742 | 107,593 | 341, |
| serves for life and A&H contracts | (8,305,667) | (12,550,290) | (12,616,793) | (98,348,516) | (12,016,187) | (17,346, |
| | 105,127,953 | 91,026,970 | 86,294,098 | (10,763,077) | 11,718,657 | 30,989, |
| ns, annuity considerations, and deposit-type | | | | | | |
| siness only) | 6,726,050 | 3,894,153 | 3,072,101 | 2,565,981 | 561,396 | 1,105, |
| se allocations on reinsurance assumed | 7,599,227 | 7,139,712 | 6,826,616 | 6,491,863 | 1,400,207 | 3,096, |
| ises and fraternal expenses | 13,737,451 | 11,262,553 | 9,898,947 | 14,580,573 | 5,158,504 | 13,227, |
| s and fees, excluding federal income taxes | 1,642,031 | 1,496,988 | 1,527,013 | 1,503,610 | 557,242 | 767, |
| eferred and uncollected premiums | (128,198) | (430,426) | (335,718) | 412,331 | 111,374 | 584, |
| eductions | 1,965,413 | 2,624,541 | (26,847) | 54,524 | (5,169) | 18, |
| | 136,669,927 | 117,014,491 | 107,256,210 | 14,845,805 | 19,502,211 | 49,789, |
| before dividends to policyholders and federal | | | | | | |
| | 509,564 | 815,931 | 864,939 | 73,115,049 | 3,431,331 | (2,943, |
| rs and refunds to members | - | - | - | - | - | |
| after dividends to policyholders, refunds to | | | | | | |
| eral income taxes | 509,564 | 815,931 | 864,939 | 73,115,049 | 3,431,331 | (2,943, |
| me taxes incurred (excluding tax on capital gains) | 5,190,511 | (1,384,697) | (193,385) | (136,481) | - | 31, |
| after dividends to policyholders, refunds to | (4,680,947) | 2,200,628 | 1,058,324 | 73,251,530 | 3,431,331 | (2,974, |
| s (losses) (excluding gains (losses) transferred to | 1,209,044 | 2,094,003 | 1,453,112 | 21,394,982 | - | 86, |
| **33 plus Line 34)** | **(3,471,903)** | **4,294,631** | **2,511,436** | **94,646,512** | **3,431,331** | **(2,888,** |

| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 | 6/30/2019-YT |
|---|---|---|---|---|---|---|
| **ACCOUNT** | | | | | | |
| ember 31, prior year | 118,513,139 | 55,410,374 | 63,193,964 | 66,638,585 | 73,756,261 | 73,756, |
| | (3,471,903) | 4,294,631 | 2,511,436 | 94,646,512 | 3,431,331 | (2,888, |
| l capital gains or (losses) | (32,938,133) | 961,581 | (603,508) | 1,607 | (360,213) | (213, |
| d foreign exchange capital gain (loss) | 8,132,714 | 4,182,398 | 3,091,586 | (3,640,675) | 658,448 | 1,482, |
| ncome tax | 5,600,453 | (2,076,174) | (26,840,669) | (14,636,166) | (78,546) | 1,695, |
| assets | (3,423,886) | 700,554 | 23,375,803 | 17,994,927 | (1,487,000) | (596, |
| nsurance in unauthorized and certified companies | - | - | - | (128,392) | - | 133, |
| count of change in valuation basis (increase) or | - | - | - | (87,624,208) | - | |
| n reserve | (3,202,974) | (279,401) | 1,909,973 | 504,071 | 338,369 | 143, |
| | - | - | - | - | - | (494, |
| | (1,100,012) | - | - | - | - | |
| | (293,424,400) | - | - | - | - | |
| | 296,756,824 | - | - | - | - | |
| 's | | | | | | |
| ins and losses in surplus | - | - | - | - | - | |
| d surplus | (27,071,317) | 7,783,589 | 3,444,621 | 7,117,676 | 2,502,389 | (736, |
| f statement date | **$ 91,441,822** | **$ 63,193,963** | **$ 66,638,585** | **$ 73,756,261** | **$ 76,258,650** | **$ 73,019,** |
| **-INS** | | | | | | |
| ce Reserve Adjustments | 326,681 | 154,562 | 219,484 | 120,910 | 95,669 | 176, |
| ne | 3,167 | 180 | 1,987 | 103,815 | | |
| ns | 1,241 | 1,039 | 768 | | 44 | |
| | | | | 636,033 | | 226, |
| rflow Page | | | | 448 | | |
| | 331,089 | 155,781 | 222,239 | 861,206 | 95,713 | 402, |
| xchange Loss | 1,963,450 | 533,633 | (29,686) | 48,245 | (5,869) | (5, |
| s | 1,902 | 9,137 | 2,476 | 6,279 | 700 | 24, |
| | 61 | - | | | | |
| Commuted Reinsurance | | 2,081,771 | - | | | |
| rflow Page | | | 363 | | | |
| | 1,965,413 | 2,624,541 | (26,847) | 54,524 | (5,169) | 18, |

| NERAL EXPENSES | 2015 Life Insurance | 2015 Accident & Health Insurance | 2015 Investment | 2015 Total | 2016 Life Insurance | 2016 Accident & Health Insurance | In |
|---|---|---|---|---|---|---|---|
| | $ 126,063 | $ 45,949 | $ - | $ 172,012 | $ 203,315 | $ 69,561 | $ |
| | 2,377,849 | 866,696 | | 3,244,545 | 4,782,997 | 1,636,425 | |
| : plans for employees | 455,194 | 165,912 | | 621,106 | - | - | |
| | 553,675 | 201,807 | | 755,482 | - | - | |
| | - | - | | - | 44,523 | 15,233 | |
| nts and consulting actuaries | 983,453 | 358,456 | - | 1,341,909 | 650,046 | 222,403 | |
| 1 and settlement of policy claims | 698,330 | 254,533 | - | 952,863 | 105,043 | 35,939 | |
| | 46,086 | 16,798 | - | 62,884 | 61,184 | 20,933 | |
| | - | - | | - | - | - | |
| raph and telephone | 49,169 | 17,921 | - | 67,090 | 81,364 | 27,837 | |
| | 15,030 | 5,478 | - | 20,508 | 31,692 | 10,843 | |
| 'urniture and equipment | - | - | - | - | 83,586 | 28,598 | |
| | 502 | 183 | - | 685 | - | - | |
| EDP equipment and software | 811,902 | 295,928 | - | 1,107,830 | 126,674 | 43,340 | |
| | 3,942 | 1,437 | - | 5,379 | 4,614 | 1,579 | |
| fees | 50,071 | 18,250 | | 68,321 | 13,864 | 4,743 | |
| al estate | 9,099 | 3,316 | | 12,415 | 33,561 | 11,483 | |
| vice charges | 305,040 | 111,183 | | 416,223 | 264,157 | 90,377 | |
| es | 95,892 | 34,951 | | 130,843 | 134,780 | 46,113 | |
| inistration fees | 3,249,959 | 1,184,572 | | 4,434,531 | 1,743,288 | 596,438 | |
| nce | - | - | | - | - | - | |
| ot included elsewhere | - | - | 1,607,741 | 1,607,741 | - | - | |
| expenses | 236,591 | 86,234 | - | 322,825 | 26,838 | 9,182 | |
| red | $ 10,067,847 | $ 3,669,604 | $ 1,607,741 | $ 15,345,192 | $ 8,391,526 | $ 2,871,027 | $ |
| **E-INS** | | | | | | | |
| expenses | $ 236,591 | $ 86,234 | $ - | $ 322,825 | $ 26,838 | $ 9,182 | $ |
| | | | | - | | | |
| | | | | - | | | |
| | $ 236,591 | $ 86,234 | $ - | $ 322,825 | $ 26,838 | $ 9,182 | $ |

| NERAL EXPENSES | 2017 Life Insurance | 2017 Accident & Health Insurance | 2017 Investment | 2017 Total | 2018 Life Insurance | 2018 Accident & Health Insurance | 2018 In |
|---|---|---|---|---|---|---|---|
| | $ - | $ - | $ - | $ - | $ 464,182 | $ 145,495 | $ |
| | 2,569,917 | 836,896 | | 3,406,813 | 3,498,815 | 1,096,685 | |
| : plans for employees | - | - | | - | 303,447 | 95,114 | |
| | 1,055,917 | 343,861 | | 1,399,778 | 558,064 | 174,922 | |
| | - | - | | - | - | - | |
| nts and consulting actuaries | 562,811 | 183,280 | - | 746,091 | 2,308,033 | 723,440 | |
| ı and settlement of policy claims | 670,939 | 218,492 | - | 889,431 | 419,513 | 131,494 | |
| | 5,971 | 1,944 | - | 7,915 | 198,729 | 62,291 | |
| | - | - | | - | 16,114 | 5,051 | |
| raph and telephone | 29,089 | 9,473 | - | 38,562 | 251,477 | 78,824 | |
| | 5,962 | 1,941 | - | 7,903 | 88,121 | 27,621 | |
| 'urniture and equipment | - | - | - | - | 272,969 | 85,561 | |
| | 486 | 158 | - | 644 | - | - | |
| EDP equipment and software | 976,201 | 317,901 | - | 1,294,102 | 1,470,493 | 460,918 | |
| | 12,336 | 4,017 | - | 16,353 | 33,794 | 10,593 | |
| fees | 14,372 | 4,680 | | 19,052 | 54,219 | 16,995 | |
| al estate | - | - | | - | 124,194 | 38,928 | |
| vice charges | 242,540 | 78,983 | | 321,523 | 256,662 | 80,449 | |
| es | 33,011 | 10,750 | | 43,761 | 87,617 | 27,463 | |
| inistration fees | 1,254,652 | 408,578 | | 1,663,230 | 516,421 | 161,869 | |
| nce | - | - | | - | 2,755 | 864 | |
| ot included elsewhere | - | - | 784,317 | 784,317 | - | - | |
| expenses | 33,032 | 10,757 | - | 43,789 | 175,399 | 54,978 | |
| red | $ 7,467,236 | $ 2,431,711 | $ 784,317 | $ 10,683,264 | $ 11,101,018 | $ 3,479,555 | $ |
| **E-INS** | | | | | | | |
| expenses | $ 33,032 | $ 10,757 | $ - | $ 43,789 | $ 40,170 | $ 12,591 | $ |
| | | | | - | 131,758 | 41,299 | |
| | | | | - | 3,471 | 1,088 | |
| | $ 33,032 | $ 10,757 | $ - | $ 43,789 | $ 175,399 | $ 54,978 | $ |

# APPENDIX E

## Southland National Insurance Corporation Annual Statement Information

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| | $ 148,126,174 | $ 207,833,327 | $ 175,611,615 | $ 163,226,791 | $ 236,247,880 | $ 256,20 |
| rred Stocks | 375,000 | 375,000 | 24,000,000 | 32,310,000 | 32,310,000 | 32,31 |
| non Stocks | 778,793 | 2,286,386 | 3,789,583 | 10,289,916 | 5,600 | |
| Loans on Real Estate | | | | | | |
| iens | 168,626 | - | 712,041 | 3,295,585 | 3,547,256 | 2,38 |
| te | | | | | | |
| erties held for the production of income | - | - | - | - | 739,918 | |
| erties held for sale | - | - | - | - | 308,180 | 37 |
| h equivalents and short-term investments | 14,201,790 | 94,836,871 | 82,839,812 | 110,840,968 | 67,431,075 | 37,25 |
| .oans | 112,915 | 5,673,320 | 109,840 | 495,880 | 798,447 | 36 |
| es | - | - | - | - | - | |
| ested assets | - | - | 9,000,000 | 9,000,000 | 9,000,000 | 9,00 |
| es for securities | - | - | 3,371 | - | 4,546,079 | 5,69 |
| cash and invested assets | 163,763,298 | 311,004,904 | 296,066,262 | 329,459,140 | 354,934,435 | 343,58 |
| it income due and accrued | 1,907,291 | 2,109,481 | 8,155,759 | 5,849,170 | 6,251,524 | 3,17 |
| and considerations | | | | | | |
| llected premiums and agents' balances in course of ction | 43,504 | 130,277 | 730,717 | 45,989,919 | 694,429 | 8 |
| rred premiums, agents' balances and installments ed but deferred and not yet due | 685,399 | 2,475,635 | 261,017 | 543,860 | 481,856 | 61 |
| ce | | | | | | |
| unts recoverable from reinsurers | 242,096 | - | 868,301 | 1,563,943 | 3,190,532 | 3,03 |
| s held by or deposited with reinsured companies | - | - | - | - | 44,408,947 | |
| amounts receivable under reinsurance contracts | 17,348 | 2,293 | 472,152 | 709,941 | 4,221,917 | 96 |
| deral and foreign income tax recoverable and interest | - | - | - | - | - | 1,54 |
| ed tax asset | 68,470 | 2,129,586 | 525,511 | 1,144,369 | 305,449 | 87 |
| funds receivable or on deposit | 214,351 | 218,613 | 114,927 | 105,790 | 48,889 | |
| data processing equipment and software | 27,867 | - | - | - | 19,862 | |
| es from parent, subsidiaries and affiliates | 4,236 | - | - | - | 2,792,533 | |
| e and other amounts receivable | - | 6,078 | 9,173 | 13,322 | 16,461 | |
| write-in for other than invested assets | 117,200 | 67,360 | 155,441 | 48,762 | 953,485 | 14 |
| | **$ 167,092,060** | **$ 318,144,227** | **$ 307,359,260** | **$ 385,428,216** | **$ 418,320,319** | **$ 354,00** |
| AIL OF WRITE-INS | | | | | | |
| Tax Offset | 117,200 | 67,360 | 55,441 | 48,762 | 46,976 | |
| eous Receivable | - | - | - | - | 824,705 | 8 |
| row for new acquisitions | - | - | 100,000 | - | - | |

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| ɔr life contracts | $ 149,657,789 | $ 278,745,427 | $ 114,535,391 | $ 195,883,019 | $ 230,838 |
| ɔr accident and health contracts | 157,738 | 110,793 | 74,540 | 72,896 | 7' |
| ype contracts | | | | | |
| | 1,261,366 | 1,315,580 | 980,705 | 963,337 | 1,489 |
| | 93,973 | 137,547 | 200,465 | 2,057 | |
| ds | | | 9 | 16,297 | 16 |
| olders' dividends and coupons payable in estimated amounts | | | | | |
| rtioned for payment | | | | | 92 |
| ity considerations for life and A&H contracdts rec'd in advance | 305,096 | 387,914 | 60,943 | 226,732 | 391 |
| ɔt included elsewhere | | | | 79,834 | 183 |
| ble on reinsurance | - | 301,368 | 1,769,942 | 4,339,009 | 5,534 |
| ɜ Reserve | 3,540,348 | 8,700,177 | 3,719,007 | 3,273,855 | 4,615 |
| ınts due or accrued | 1,675 | 820 | 611 | 392 | |
| xpense allowances payable on reinsurance assumed | | | 419,033 | 2,014,399 | 405 |
| ue or accrued | 291,982 | 306,533 | 434,516 | 570,116 | 93 |
| fees due or accrued, excluding federal income taxes | 206,425 | 220,379 | 115,619 | 113,402 | 53 |
| foreign income taxes | - | 1,900,961 | 3,853,811 | 348,429 | |
| ıt income | 1,276 | 35,433 | | 12,367 | 12 |
| retained by company as agent or trustee | 2,547 | 2,224 | (5,822) | (1,374) | |
| ns not allocated | (9,650) | (7,837) | (10,200) | (11,366) | 28 |
| rve | 1,254,186 | 2,576,442 | 5,662,669 | 2,349,868 | 2,703 |
| ıthorized and certified companies | 1,286 | | 525,545 | 114,829 | |
| insurance treaties with unaffiliated and certified reinsurers | | | 140,062,952 | 137,959,142 | 137,599 |
| ıbsidiaries and affiliates | 57,492 | 84,719 | 554,117 | 54,000 | |
| ıinsurance | 100,313 | | | | |
| for liablities | 698,913 | 438,906 | 422,480 | 406,370 | 390 |
| | 157,622,755 | 295,257,386 | 273,376,333 | 348,787,610 | 384,519 |

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| ck | 1,502,718 | 1,502,718 | 1,502,718 | 1,502,718 | 1,502 |
| for other than special surplus funds | - | - | - | 10,695,305 | 8,836 |
| | 3,000,000 | | | | |
| ɔntributed surplus | 7,838,042 | 31,238,042 | 31,348,042 | 31,348,042 | 65,283 |
| surplus (deficit) | (2,871,455) | (9,853,919) | 1,132,166 | (6,905,459) | (38,634 |
| :, at cost | | | | | |
| n | - | - | - | - | 3,186 |
| rplus | **9,469,305** | **22,886,841** | **33,982,926** | **36,640,606** | **33,801** |
| **ɪ surplus** | **$ 167,092,060** | **$ 318,144,227** | **$ 307,359,259** | **$ 385,428,216** | **$ 418,320** |

DETAIL OF WRITE-INS

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| ensation Liability | 670,441 | 438,906 | 422,480 | 406,370 | 390 |
| ɔn Sale of Bldg | 28,472 | | | | |
| ɹiability | | | | | |
| | $ 698,913 | $ 438,906 | $ 422,480 | $ 406,370 | $ 390 |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 20 |
|---|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | | |
| nnuity considerations for life and A&H contracts | $ 6,524,718 | $ 145,173,721 | $ (152,436,105) | $ 94,404,648 | $ 7,536,074 | $ (36, |
| ncome | 6,463,965 | 7,386,449 | 10,359,343 | 18,149,870 | 22,379,283 | 15, |
| nterest Maintenance Reserve (IMR) | 571,516 | 1,170,146 | 741,634 | 709,320 | 801,941 | |
| d expense allocations on reinsurance ceded | 17,752 | 13,882 | 25,979,165 | 6,603,236 | 7,337,609 | 7, |
| -ins for miscellaneous income | 571,411 | 45,975 | 6,860 | 13,892 | 325,915 | |
| | 14,149,362 | 153,790,173 | (115,349,103) | 119,880,966 | 38,380,822 | (12, |
| | 18,049,047 | 16,330,993 | 13,305,123 | 12,021,271 | 20,316,561 | 14, |
| ments (excl guaranteed annual pure endowments) | - | 32,739 | 15,905 | | | |
| | 17,108 | 39,849 | 14,752 | 1,334,565 | 5,500,349 | 4, |
| s and benefits under A&H contracts | 2,069,236 | 2,429,674 | 3,271,272 | 2,099,114 | 1,405,475 | 2, |
| nteed annual pure endownments and similar benefits | | | | | 24 | |
| its and withdrawals for life contracts | 181,367 | 207,534 | 118,272 | 216,590 | 1,164,495 | |
| stments on contract or deposit-type contract funds | | | | 16,287 | | |
| egate reserves for life and A&H contracts | (9,091,496) | 129,040,693 | (164,246,289) | 81,345,983 | (12,231,857) | (46, |
| | 11,225,262 | 148,081,482 | (147,520,965) | 97,033,810 | 16,155,047 | (23, |
| premiums, annuity considerations, and deposit-type irect business only) | 309,463 | 359,970 | 465,221 | 603,386 | 623,073 | |
| d expense allocations on reinsurance assumed | - | 6,187,000 | 5,152,317 | 8,057,863 | 6,063,870 | 3, |
| ce expenses and fraternal expenses | 2,987,276 | 3,429,118 | 8,304,579 | 4,636,021 | 11,191,945 | 9, |
| , licenses and fees, excluding federal income taxes | 292,457 | 221,747 | 250,663 | 299,220 | 655,124 | |
| ing on deferred and uncollected premiums | (211,337) | 1,583,963 | (1,788,302) | 414,024 | (223,718) | ( |
| -ins for deductions | - | - | - | 11,336,533 | 10,722,618 | 8, |
| | 14,603,121 | 159,863,280 | (135,136,487) | 122,380,857 | 45,187,959 | (1, |
| erations before dividends to policyholders and federal | (454,059) | (6,073,107) | 19,787,384 | (2,499,891) | (6,807,137) | (11, |
| icyholders and refunds to members | - | - | - | - | 97,364 | |
| erations after dividends to policyholders, refunds to efore federal income taxes | (454,059) | (6,073,107) | 19,787,384 | (2,499,891) | (6,904,501) | (11, |
| ign income taxes incurred (excluding tax on capital gains) | - | 1,900,961 | 3,849,143 | 348,429 | (1,480,395) | (1, |
| erations after dividends to policyholders, refunds to deral income taxes and before realized capital gains or | (454,059) | (7,974,068) | 15,938,241 | (2,848,320) | (5,424,106) | (9, |
| ital gains (losses) (excluding gains (losses) transferred to | 674,609 | 754,948 | 499,542 | 1,158,186 | (6,669) | ( |
| **ss)** | **220,550** | **(7,219,120)** | **16,437,783** | **(1,690,134)** | **(5,430,775)** | **(10,** |

| CAPITAL & SURPLUS ACCOUNT | 2013 | 2014 | 2015 | 2016 | 2017 | 20 |
|---|---|---|---|---|---|---|
| lus, December 31, prior year | 9,691,837 | 9,469,305 | 22,886,841 | 33,982,926 | 34,032,391 | 33, |
| s) | 220,550 | (7,219,120) | 16,437,783 | (1,690,134) | (5,430,775) | (10, |
| nrealized capital gains or (losses) | (628,402) | 185,011 | 1,800,427 | (2,505,690) | 414 | ( |
| eferred income tax | 756,180 | 2,107,641 | (6,492,358) | 1,885,827 | (2,716,659) | 3, |
| dmitted assets | (666,831) | (7,846) | 5,652,788 | (1,942,153) | 2,949,266 | (2, |
| ty for reinsurance in unauthorized and certified companies | 86,502 | 1,286 | (525,545) | 410,716 | 114,829 | ( |
| ve on account of change in valuation basis (increase) or | | | | | | |
| valuation reserve | 9,468 | (1,322,256) | (3,055,027) | 3,312,802 | (175,678) | |
| us notes | - | (3,000,000) | - | - | - | |
| | - | 23,400,000 | 110,000 | - | 7,348,429 | |
| ckholders | - | (727,180) | | | | |
| in for gains and losses in surplus | - | - | (2,831,983) | 3,186,312 | (2,321,211) | (1, |
| apital and surplus | (222,533) | 13,417,536 | 11,096,085 | 2,657,680 | (231,385) | (11, |
| lus as of statement date | **$ 9,469,304** | **$ 22,886,841** | **$ 33,982,926** | **$ 36,640,606** | **$ 33,801,006** | **$ 21,** |

**WRITE-INS**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 20 |
|---|---|---|---|---|---|---|
| ne | 33,475 | 33,475 | 6,860 | 13,892 | 325,915 | |
| me | 12,500 | 12,500 | | | | |
| | 45,975 | 45,975 | 6,860 | 13,892 | 325,915 | |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 20 |
|---|---|---|---|---|---|---|
| credits to reinsurers | | | | 11,336,533 | 10,722,618 | 8, |
| | - | - | - | 11,336,533 | 10,722,618 | 8, |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 20 |
|---|---|---|---|---|---|---|
| d Ceding Commission & Expense Allocation - SNRC | | | 4,991,119 | | | |
| lus-Reinsurance Assumed-North Carolina Mutual Life Ins Co. | | | (7,823,102) | | (788,003) | |
| g Commission STD RE Less Amort-SNRC/SNG/STD RE | | | | (667,499) | (1,533,208) | (1, |
| IT Expense reversal | | | | 3,853,811 | | |
| | - | - | (2,831,983) | 3,186,312 | (2,321,211) | (1, |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ 125,076 | $ 51,324 | | $ 176,400 | $ 20,846 | $ 8,554 | | $ 29,400 | $ |
| | 731,206 | 3,770 | | 734,976 | 637,794 | 2,872 | | 640,666 | |
| | 65,405 | 382 | | 65,787 | 54,508 | 397 | | 54,905 | |
| | 3,512 | 13 | | 3,525 | 2,208 | 5 | | 2,213 | |
| | 21,289 | - | 225 | 21,514 | 116,033 | 3 | | 116,036 | |
| | | | | - | | | | - | |
| | 50 | 1 | | 51 | | | | - | |
| | 550,783 | 5,959 | | 556,742 | 667,145 | 5,383 | | 672,528 | |
| ıs | 216 | 179 | | 395 | | 191 | | 191 | |
| | 6,763 | 11 | | 6,774 | 12,460 | 3 | | 12,463 | |
| | 2,455 | | | 2,455 | 1,200 | | | 1,200 | |
| | 63,501 | 63 | | 63,564 | 24,504 | 37 | | 24,541 | |
| | 33,281 | 178 | | 33,459 | 10,454 | 116 | | 10,570 | |
| | 2,286 | | | 2,286 | | | | - | |
| | 14,115 | | | 14,115 | 5,670 | | | 5,670 | |
| | 24,806 | 11 | | 24,817 | 5,307 | 2 | | 5,309 | |
| | 4,032 | 17 | 1,500 | 5,549 | 2,541 | | | 2,541 | |
| | 3,922 | 3 | | 3,925 | 9,152 | 3 | | 9,155 | |
| | 45,045 | | | 45,045 | 37,037 | | | 37,037 | |
| | 61,449 | 2 | | 61,451 | 10,514 | (3) | | 10,511 | |
| | 36,853 | - | | 36,853 | 34,410 | 1,983 | | 36,393 | |
| | 102,513 | 8 | | 102,521 | 47,102 | 30 | | 47,132 | |
| | 442,930 | 382,724 | | 825,654 | 780,440 | 489,591 | | 1,270,031 | 4 |
| | | | | - | | | | - | |
| | 19,746 | - | | 19,746 | | | | - | |
| | | | | - | | | | - | |
| | | | 374,427 | 374,427 | | | 393,861 | 393,861 | |
| | 180,492 | 906 | 2,683 | 184,081 | 440,316 | 310 | 2,700 | 443,326 | |
| | $ 2,541,726 | $ 445,551 | $ 378,835 | $ 3,366,112 | $ 2,919,641 | $ 509,477 | $ 396,561 | $ 3,825,679 | $ 7 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ 2,918 | | | $ 2,918 | $ 243 | | | $ 243 | |
| | (148,259) | | | (148,259) | 288,127 | | | 288,127 | |
| | 287,549 | 906 | 2,683 | 291,138 | 151,946 | 310 | 2,700 | 154,956 | |
| | 38,284 | | | 38,284 | | | | | |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | $ 180,492 | $ 906 | $ 2,683 | $ 184,081 | $ 440,316 | $ 310 | $ 2,700 | $ 443,326 | $ |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ - | $ 380,722 | | $ 4,204 | $ 384,926 | $ |
| | 145,653 | | | 145,653 | 4,283,788 | | - | 4,283,788 | 3 |
| | | | | - | 362,226 | | - | 362,226 | |
| | 356 | | | 356 | 18,091 | | - | 18,091 | |
| | 73,410 | | | 73,410 | 276,060 | | 71 | 276,131 | |
| | | | | - | 12,911 | | 309 | 13,220 | |
| | 2,145 | | | 2,145 | 2,264 | | - | 2,264 | |
| | 1,409,064 | 12,184 | | 1,421,248 | 753,823 | (1,217) | 5,656 | 758,262 | 1 |
| ns | 1 | 1,203 | | 1,204 | 5,565 | 2,338 | - | 7,903 | |
| | (8,045) | | | (8,045) | 330,700 | | 394 | 331,094 | |
| | 69 | 1 | | 70 | 4,894 | | 107 | 5,001 | |
| | 15,184 | 5 | | 15,189 | 155,379 | | 1,079 | 156,458 | |
| | 14,475 | | | 14,475 | 130,283 | | 456 | 130,739 | |
| | | | | - | 219,041 | | 961 | 220,002 | |
| | | | | - | - | | - | - | |
| | | | | - | 495,050 | | 407 | 495,457 | |
| | | | | - | 7,348 | | - | 7,348 | |
| | 18,360 | | | 18,360 | 43,916 | | - | 43,916 | |
| | 219,770 | | | 219,770 | 263,996 | | - | 263,996 | |
| | (44) | | | (44) | (2,988) | 5 | - | (2,983) | |
| | 65,258 | 8,042 | | 73,300 | 61,637 | 4,857 | - | 66,494 | |
| | 1,344 | 6 | | 1,350 | 1,906,707 | | - | 1,906,707 | |
| | 1,871,414 | 760,034 | | 2,631,448 | 1,081,685 | 222,826 | 689,290 | 1,993,801 | 2 |
| | | | | - | | | | - | |
| | | | | - | | | | - | |
| | | | | - | | | 23,315 | 23,315 | |
| | | | 576,509 | 576,509 | | | | - | |
| | 26,133 | - | - | 26,133 | 170,037 | - | 3,189 | 173,226 | |
| | $ 3,854,547 | $ 781,475 | $ 576,509 | $ 5,212,531 | $ 10,963,135 | $ 228,809 | $ 729,438 | $ 11,921,382 | $ 9 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ - | | | | $ - | |
| | | | | - | | | | - | |
| | 26,133 | | | 26,133 | 431 | | | 431 | |
| | | | | - | 124,224 | | | 124,224 | |
| | | | | - | 31,820 | | 1,852 | 33,672 | |
| | | | | - | 22,973 | | 1,337 | 24,310 | |
| | | | | - | (14) | | | (14) | |
| | | | | - | (45,933) | | | (45,933) | |
| | | | | | 31,785 | | | 31,785 | |
| | | | | - | 4,751 | | | 4,751 | |
| | $ 26,133 | $ - | $ - | $ 26,133 | $ 170,037 | $ - | $ 3,189 | $ 173,226 | $ |

# APPENDIX F

## Analysis of Direct and Ceded Premiums

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)
- Pavonia Life Insurance Company of Michigan (2016-2018)

Appendix F - Analysis of Direct and Ceded Premiums
Southland National Reinsurance Corporation

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **8,066,237** | **7,230,362** | **7,322,680** | **7,781,251** | **10,909,305** | **11,292,637** |
| **Assumed:** | | | | | | |
| North Carolina Mutual Life Ins Co | - | 114,187,555 | 7,019,154 | 7,003,521 | 6,385,553 | 5,597,687 |
| Atlantic Coast Life Ins Co | - | - | - | 46,419,218 | 1,825,026 | (43,119,362) |
| Investors Heritage Life Ins Co | - | - | - | 43,710,818 | 941,839 | 778,657 |
| Total Assumed | - | **114,187,555** | **7,019,154** | **97,133,557** | **9,152,418** | **(36,743,018)** |
| **Ceded:** | | | | | | |
| Affiliated: | | | | | | |
| Southland Natl Reins Corp | - | - | 162,927,063 | 7,326,860 | 6,584,769 | 6,053,934 |
| Bankers Life Insurance Co. | - | - | - | - | 1,078,457 | 2,096 |
| GBIG Holdings & Reinsurance Company Inc. | - | - | - | - | - | 35,660 |
| SNG Holdings & Reinsurance Company Inc. | - | - | 3,414,630 | 73,993 | - | - |
| Non-Affiliated: | | | | | | |
| Southern Financial Life Ins Co | 508,039 | 470,871 | 436,245 | 399,145 | 422,217 | 422,956 |
| Hannover Life Reassur Co of Amer | 1,033,481 | (24,226,675) | - | - | - | - |
| Optimum Re Ins Co | - | - | - | - | 198,187 | 146,901 |
| Standard Re (Malta) Limited | - | - | - | 2,710,163 | 4,242,021 | 3,938,762 |
| Total Ceded | **1,541,520** | **(23,755,804)** | **166,777,938** | **10,510,161** | **12,525,651** | **10,600,309** |
| **Net** | **6,524,717** | **145,173,721** | **(152,436,104)** | **94,404,647** | **7,536,072** | **(36,050,690)** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Colorado Bankers Life Insurance Company

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **89,435,676** | **93,247,071** | **96,488,202** | **283,795,964** | **1,446,974,043** |
| | | | | | |
| **Assumed:** | | | | | |
| ELI Global Affiliated: | | | | | |
| Bankers Life Ins Co | - | - | - | 364,411,609 | 76,596,446 |
| Conservatrix | - | - | - | 111,950,000 | - |
| Non-Affiliated: | | | | | |
| Dearborn Natl Life Ins Co | 4,293,738 | - | - | - | - |
| Security Life of Denver Ins Co | 3,163 | 3,018 | 2,177 | 2,007 | 2,278 |
| Allianz Life Ins Co of N Amer | 116,470 | 116,510 | 103,346 | 93,624 | 87,091 |
| Transamerica Premier Life Ins Co | - | - | - | 14,376 | 14,454 |
| Grange Life Ins Co | - | - | - | 55,211,271 | (53,799,669) |
| Motorists Life Ins Co | 24,478 | 15,208 | 17,848 | 117,260,459 | (106,965,358) |
| Total Assumed | **4,437,849** | **134,736** | **123,371** | **648,943,346** | **(84,064,758)** |
| | | | | | |
| **Ceded:** | | | | | |
| ELI Global Affiliated: | | | | | |
| Southland Natl Reins Corp | - | 161,914,132 | 31,011,992 | 28,633,569 | 25,428,909 |
| Bankers Reins Co | - | - | - | 117,469,111 | - |
| Non-Affiliated: | | | | | |
| Dearborn Natl Life Ins Co | 5,872 | 2,784 | - | - | - |
| Employers Reassur Corp | 130,274 | 109,609 | 108,129 | 101,700 | 93,062 |
| General Re Life Corp | 781,695 | 561,920 | 420,212 | 384,934 | 340,627 |
| SCOR Global Life USA Reins Co | 3,312 | - | (385) | - | - |
| Optimum Re Ins Co | 2,703,639 | 2,895,648 | 3,355,273 | 2,938,011 | 3,111,283 |
| RGA Reins Co | 785 | 854 | 926 | 791 | - |
| Scottish Re US Inc | 58,690 | 72,471 | 19,835 | 500 | - |
| Total Ceded | **3,684,267** | **165,557,418** | **34,915,982** | **149,528,616** | **28,973,881** |
| | | | | | |
| **Net** | **90,189,258** | **(72,175,611)** | **61,695,591** | **783,210,694** | **1,333,935,404** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Bankers Life Insurance Company

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **77,464,794** | **57,469,206** | **185,902,152** | **319,459,903** |
| | | | | |
| **Assumed:** | | | | |
| Southland Natl Reins Corp | | | 1,943,351 | 2,096 |
| Total Assumed | - | - | **1,943,351** | **2,096** |
| | | | | |
| **Ceded:** | | | | |
| Affiliated: | | | | |
| Colorado Bankers Life Ins Co | | | 364,411,610 | 76,596,446 |
| Non-Affiliated: | | | | |
| Government Personnel Mut Life Ins Co | 2,948 | 3,495 | 3,394 | 3,029 |
| Front Street Re (Cayman) Ltd | | | | (25,059,827) |
| General Reins Corp | 1,888 | 1,781 | 1,439 | |
| Total Ceded | **4,836** | **5,276** | **364,416,443** | **51,539,648** |
| | | | | |
| **Net** | **77,459,958** | **57,463,930** | **(176,570,940)** | **267,922,351** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Pavonia Life Insurance Company of Michigan

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| **Direct** | **45,828,161** | **35,124,987** | **29,143,601** |
| | | | |
| **Assumed:** | | | |
| American Bankers Life Assur Co of FL | 802,631 | 603,639 | 457,370 |
| Wilton Reassur Life Co of NY | 181,309 | 178,203 | 163,661 |
| First Allmerica Fin Life Ins Co | 1,694,112 | 1,674,242 | 1,247,031 |
| Fidelity & Guar Life Ins Co | 13,081,308 | 12,437,340 | 11,891,070 |
| Guarantee Trust Life Ins Co | 1,620,786 | 1,445,922 | 1,282,481 |
| Jefferson Natl Life Ins Co | 239,663 | 292,979 | 263,283 |
| Lincoln Natl Life Ins Co | 972,205 | 1,097,898 | 1,995,868 |
| Old Republic Life Ins Co | - | - | |
| Renaissance Life & Hlth Ins Co of Am | 107,129 | 99,772 | 93,234 |
| Union Security Life Ins Co of NY | 29,836 | 8,230 | 13,403 |
| United Natl Life Ins Co of Amer | 340,636 | 296,676 | 264,452 |
| USAA Life Ins Co | 56 | 44 | 7 |
| Canadian Premier Life Ins Co | 701,709 | 548,760 | 497,273 |
| Total Assumed | **19,771,380** | **18,683,705** | **18,169,133** |
| | | | |
| **Ceded:** | | | |
| Americo Fin Life & Ann Ins Co | 77,595 | 83,617 | 79,323 |
| Munich Amer Reassur Co | 1,879,838 | 1,522,961 | 1,457,916 |
| US Business of Canada Life Assur Co | (1,842,990) | - | - |
| SCOR Global Life Canada Branch | 778,652 | 621,447 | 507,886 |
| Swiss Re Life & Hlth Amer Inc | 82,875 | | |
| Union Fidelity Life Ins Co | 6,249 | 5,545 | 5,258 |
| Total Ceded | **982,219** | **2,233,570** | **2,050,383** |
| | | | |
| **Net** | **64,617,322** | **51,575,122** | **45,262,351** |

* Previously named Southland National Holdings, LLC

# APPENDIX G

## Analysis of General Insurance Expenses Per Annual Statement Exhibit 2 (Excludes Investment Expenses)

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
SUMMARY

**SOUTHLAND NATIONAL INSURANCE CORPORATION (Acquired May 1, 2014)**

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $ 2,987,277 | $ 3,429,118 | $ 8,304,578 | $ 4,636,022 | $11,191,944 | $ 9,842,842 |
| Dollar change over prior year | | $ 441,841 | $ 4,875,460 | $ (3,668,556) | $ 6,555,922 | $ (1,349,102) |
| Percentage change over prior year | | 14.79% | 142.18% | -44.18% | 141.41% | -12.05% |
| Dollar increase over 2013, year prior to acquisition | | $ 441,841 | $ 5,317,301 | $ 1,648,745 | $ 8,204,667 | $ 6,855,565 |
| Percentage increase over year of acquisition | | 14.79% | 178.00% | 55.19% | 274.65% | 229.49% |

**COLORADO BANKERS LIFE INSURANCE COMPANY (Acquired December 31, 2015)**

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $14,160,057 | $13,906,311 | $14,454,942 | $14,235,667 | $25,345,994 |
| Dollar change over prior year | | $ (253,746) | $ 548,631 | $ (219,275) | $11,110,327 |
| Percentage change over prior year | | -1.79% | 3.95% | -1.52% | 78.05% |
| Dollar change over 2015, year of acquisition | | | $ 548,631 | $ 329,356 | $11,439,683 |
| Percentage increase over year of acquisition | | | 3.95% | 2.37% | 82.26% |

**BANKERS LIFE INSURANCE COMPANY (Acquired December 15, 2016)**

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $ 2,560,586 | $ 1,974,216 | $ 4,385,606 | $ 6,327,871 |
| Dollar change over prior year | | $ (586,370) | $ 2,411,390 | $ 1,942,265 |
| Percentage change over prior year | | -22.90% | 122.14% | 44.29% |
| Dollar change over 2016, year of acquisition | | | $ 2,411,390 | $ 4,353,655 |
| Percentage increase over year of acquisition | | | 122.14% | 220.53% |

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
SOUTHLAND NATIONAL INSURANCE CORPORATION

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| Description | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Rent | $ 176,400 | $ 29,400 | $ - | $ - | $ 380,722 | $ 487,946 |
| Salaries and wages | 734,976 | 640,666 | 124,185 | 145,653 | 4,283,788 | 3,091,303 |
| Contributions for benefit plans for employees | 65,787 | 54,905 | 1,242 | - | 362,226 | 469,044 |
| Other employee welfare | 3,525 | 2,213 | 14,027 | 356 | 18,091 | 314,912 |
| Legal fees and expenses | 21,289 | 116,036 | 812,442 | 73,410 | 276,060 | - |
| Medical examination fees | - | - | - | - | 12,911 | 4,474 |
| Inspection report fees | 51 | - | 1,895 | 2,145 | 2,264 | - |
| Fees of public accountants and consulting actuaries | 556,742 | 672,528 | 1,661,855 | 1,421,248 | 752,606 | 1,717,375 |
| Expense of investigation and settlement of policy claims | 395 | 191 | 871 | 1,204 | 7,903 | 35,417 |
| Traveling expenses | 6,774 | 12,463 | 61,450 | (6,045) | 330,700 | 157,863 |
| Advertising | 2,455 | 1,200 | 21,591 | 70 | 4,894 | 32,898 |
| Postage, express, telegraph and telephone | 83,564 | 24,541 | 19,228 | 15,189 | 155,379 | 169,139 |
| Printing and stationery | 33,459 | 10,570 | 11,923 | 14,475 | 130,283 | 42,012 |
| Cost or depreciation of furniture and equipment | 2,266 | - | - | - | 219,041 | 181,314 |
| Rental of equipment | 14,115 | 5,670 | - | - | - | - |
| Cost or depreciation of EDP equipment and software | 24,817 | 5,309 | - | - | 495,050 | 436,798 |
| Books and periodicals | 4,049 | 2,541 | 6,445 | - | 7,348 | 20,226 |
| Bureau and association fees | 3,925 | 9,155 | 107,927 | 18,360 | 43,916 | 29,293 |
| Insurance, except on real estate | 45,045 | 37,037 | 52,705 | 219,770 | 263,996 | 123,033 |
| Miscellaneous losses | 61,451 | 10,511 | 10,994 | (44) | (2,983) | - |
| Collection and bank service charges | 36,853 | 36,393 | 43,084 | 73,300 | 66,494 | 81,934 |
| Sundry general expenses | 102,521 | 47,132 | 4,279 | 1,350 | 1,906,707 | 78,937 |
| Group service and administration fees | 825,654 | 1,270,031 | 5,278,337 | 2,631,448 | 1,304,511 | 2,360,707 |
| Agency expense allowance | - | - | - | - | - | 1,490 |
| Agency conferences other than local meetings | 19,746 | - | 2,229 | - | - | - |
| Depreciation-Leaseholder Improvements | 2,918 | 243 | - | - | - | - |
| Reinsurance Expense Net of Recoverable | (148,259) | 288,127 | - | - | - | - |
| EOP Expenses & Maintenance | 288,455 | 152,256 | 67,869 | 26,133 | 431 | - |
| New Company Set-up Fees/Office Service Expense | 38,284 | - | - | - | 124,224 | - |
| Computer Service Expense | - | - | - | - | 31,820 | - |
| Utilities & Miscellaneous | - | - | - | - | 22,973 | - |
| Admin Fee Allocaiton | - | - | - | - | (14) | - |
| Administrative Fee Expense Allocation | - | - | - | - | (45,933) | - |
| Computer Service Costs | - | - | | | 31,785 | - |
| Goodwill Amortization | - | - | | | | 90,950 |
| Interest and Penalties | - | - | | | | 2,976 |
| Miscellaneous | - | - | - | - | 4,751 | (87,199) |
| General Insurance expenses incurred | $ 2,987,277 | $ 3,429,118 | $ 8,304,578 | $ 4,636,022 | $11,191,944 | $ 9,842,842 |
| | | | | | | |
| **Dollar change over prior year** | | **$ 441,841** | **$ 4,875,460** | **$ (3,668,556)** | **$ 6,555,922** | **$ (1,349,102)** |
| **Percentage change over prior year** | | **14.79%** | **142.18%** | **-44.18%** | **141.41%** | **-12.05%** |
| | | | | | | |
| **Dollar increase over 2013, year prior to acquisition** | | **$ 441,841** | **$ 5,317,301** | **$ 1,648,745** | **$ 8,204,667** | **$ 6,855,565** |
| **Percentage increase over year of acquisition** | | **14.79%** | **178.00%** | **55.19%** | **274.65%** | **229.49%** |

NOTE: Southland disclosed that the decrease in expenses in 2016 related "primarily to Asset Management fees due to the segreagation of assets related to [Southland National Reinsurance Corporation]. The increase in 2017 was described as "related to the infrastructure buildout by Global Bankers and investment in technology."

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
COLORADO BANKERS LIFE INSURANCE COMPANY

| Description | 2014 | Owned by GBIG Holdings* 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Rent | $ 586,700 | $ 532,925 | $ 421,745 | $ 259,323 | $ 431,775 |
| Salaries and wages | 5,672,165 | 6,221,381 | 4,753,135 | 6,164,177 | 9,632,953 |
| Contributions for benefit plans for employees | 1,075,325 | 1,038,576 | 721,535 | 685,199 | 1,194,511 |
| Other employee welfare | 107,266 | 103,115 | 70,694 | 28,523 | 55,018 |
| Legal fees and expenses | 123,918 | 61,231 | 31,442 | 284,766 | 1,574,557 |
| Medical examination fees | 79,794 | 104,518 | 32,042 | 97,662 | 167,101 |
| Inspection report fees | 89,039 | 93,656 | 102,732 | 196,573 | 153,519 |
| Fees of public accountants and consulting actuaries | 159,898 | 207,744 | 502,238 | 421,723 | 690,047 |
| Expense of investigation and settlement of policy claims | 65,865 | 45,760 | 74,549 | 17,894 | 29,529 |
| Traveling expenses | 71,965 | 75,070 | 144,123 | 466,861 | 488,231 |
| Advertising | 1,830 | 27,051 | - | 7,734 | 76,157 |
| Postage, express, telegraph and telephone | 274,665 | 286,344 | 220,540 | 348,106 | 428,886 |
| Printing and stationery | 201,436 | 309,398 | 257,687 | 282,110 | 186,774 |
| Cost or depreciation of furniture and equipment | 89,960 | 86,363 | 74,645 | 226,163 | 3,337,274 |
| Rental of equipment | 528,682 | 430,962 | 492,163 | (1,767) | - |
| Cost or depreciation of EDP equipment and software | 153,811 | 176,670 | 184,307 | 610,439 | 986,568 |
| Books and periodicals | 2,521 | 1,116 | 4,616 | 5,055 | 40,850 |
| Bureau and association fees | 88,411 | 63,563 | 136,818 | 86,919 | 64,462 |
| Insurance, except on real estate | - | - | 54,109 | 297,049 | 335,810 |
| Collection and bank service charges | 550,356 | 214,462 | 170,892 | 164,285 | 285,363 |
| Sundry general expenses | 581,443 | 467,171 | 1,259,080 | 1,500,989 | 3,445,871 |
| Group service and administration fees | - | - | - | 1,809,981 | 1,731,932 |
| Agency conferences other than local meetings | 801,181 | 971,293 | (103,130) | - | 8,806 |
| Administrative expenses | 822,548 | 1,283,506 | 4,497,176 | - | - |
| Allocated expense | 1,609,392 | 697,955 | (158,939) | - | - |
| Office service expenses | 97,588 | 131,296 | 123,637 | 275,903 | - |
| IT Modernizatiton | 324,298 | 275,185 | 387,106 | - | - |
| General expenses incurred | $14,160,057 | $13,906,311 | $14,454,942 | $14,235,667 | $25,345,994 |
| **Dollar change over prior year** | | **$ (253,746)** | **$ 548,631** | **$ (219,275)** | **$11,110,327** |
| **Percentage change over prior year** | | **-1.79%** | **3.95%** | **-1.52%** | **78.05%** |
| **Dollar change over 2015, year of acquisition** | | | **$ 548,631** | **$ 329,356** | **$11,439,683** |
| **Percentage increase over year of acquisition** | | | **3.95%** | **2.37%** | **82.26%** |

NOTE: SNH acquired CBL on December 31, 2015.

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
BANKERS LIFE INSURANCE COMPANY

| Description | 2015 | Owned by GBIG Holdings* 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Rent | $ 89,395 | $ 63,689 | $ 145,932 | $ 207,132 |
| Salaries and wages | 1,374,093 | 937,381 | 1,873,177 | 2,762,741 |
| Contributions for benefit plans for employees | 117,477 | 65,949 | 162,564 | 300,000 |
| Other employee welfare | 107,106 | 79,897 | 7,528 | 9,754 |
| Legal fees and expenses | 58,360 | 58,789 | 237,674 | 478,311 |
| Medical examination fees | - | - | - | 2,154 |
| Inspection report fees | - | - | 6,004 | 43,469 |
| Fees of public accountants and consulting actuaries | 284,928 | 331,324 | 310,598 | 251,448 |
| Expense of investigation and settlement of policy claims | - | - | - | 2,884 |
| Traveling expenses | 23,932 | 16,255 | 139,146 | 141,181 |
| Advertising | 49,167 | 23,714 | 63,919 | 54,313 |
| Postage, express, telegraph and telephone | 47,743 | 57,138 | 88,171 | 182,093 |
| Printing and stationery | 21,691 | 16,556 | 60,110 | 51,541 |
| Cost or depreciation of furniture and equipment | 72,661 | 125,140 | 70,022 | 127,809 |
| Rental of equipment | 138,461 | 62,526 | - | - |
| Cost or depreciation of EDP equipment and software | - | - | 246,155 | 336,845 |
| Books and periodicals | 2,817 | 6,007 | 1,592 | 14,862 |
| Bureau and association fees | 51,496 | 35,234 | 62,376 | 22,360 |
| Insurance, except on real estate | 23,525 | 16,096 | 93,737 | 60,614 |
| Miscellaneous losses | - | - | 3,397 | - |
| Collection and bank service charges | 12,346 | 10,344 | 53,622 | 22,714 |
| Sundry general expenses | (28,255) | 2,748 | 413,290 | 945,415 |
| Group service and administration fees | - | - | 331,871 | 301,481 |
| Agency conferences other than local meetings | 5,982 | 9,509 | 14,721 | 8,750 |
| Contract Labor | 18,157 | 15,779 | | |
| Consulting | 90,173 | 30,825 | - | - |
| Charitable Contribution | (669) | 9,316 | - | - |
| General expenses incurred | $ 2,560,586 | $ 1,974,216 | $ 4,385,606 | $ 6,327,871 |
| **Dollar change over prior year** | | **$ (586,370)** | **$ 2,411,390** | **$ 1,942,265** |
| **Percentage change over prior year** | | **-22.90%** | **122.14%** | **44.29%** |
| **Dollar change over 2016, year of acquisition** | | | **$ 2,411,390** | **$ 4,353,655** |
| **Percentage increase over year of acquisition** | | | **122.14%** | **220.53%** |

**NOTE:** SNH acquired BL on December 15, 2016.

* Previously named Southland National Holdings, LLC

# APPENDIX H

## Analysis of Investment Expenses Per Annual Statement
## Exhibit 2

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
SUMMARY

**SOUTHLAND NATIONAL INSURANCE CORPORATION (Acquired May 1, 2014)**

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 378,835 | $ 396,561 | $ 718,159 | $ 576,509 | $ 729,438 | $ 1,971,820 |
| Dollar change over prior year | | $ 17,726 | $ 321,598 | $ (141,650) | $ 152,929 | $ 1,242,382 |
| Percentage change over prior year | | 4.68% | 81.10% | -19.72% | 26.53% | 170.32% |
| Dollar increase over 2013, year prior to acquisition | | $ 17,726 | $ 339,324 | $ 197,674 | $ 350,603 | $ 1,592,985 |
| Percentage increase over year of acquisition | | 4.68% | 89.57% | 52.18% | 92.55% | 420.50% |

**COLORADO BANKERS LIFE INSURANCE COMPANY (Acquired December 31, 2015)**

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 402,885 | $ 337,728 | $ 422,897 | $ 2,780,858 | $12,784,912 |
| Dollar change over prior year | | $ (65,157) | $ 85,169 | $ 2,357,961 | $10,004,054 |
| Percentage change over prior year | | -16.17% | 25.22% | 557.57% | 359.75% |
| Dollar change over 2015, year of acquisition | | | $ 85,169 | $ 2,443,130 | $12,447,184 |
| Percentage increase over year of acquisition | | | 25.22% | 723.40% | 3685.56% |

**BANKERS LIFE INSURANCE COMPANY (Acquired December 15, 2016)**

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 399,977 | $ 453,802 | $ 775,950 | $ 1,413,060 |
| Dollar change over prior year | | $ 53,825 | $ 322,148 | $ 637,110 |
| Percentage change over prior year | | 13.46% | 70.99% | 82.11% |
| Dollar change over 2016, year of acquisition | | | $ 322,148 | $ 959,258 |
| Percentage increase over year of acquisition | | | 70.99% | 211.38% |

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
SOUTHLAND NATIONAL INSURANCE CORPORATION

| Description | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| | | Owned by GBIG Holdings* | | | | |
| Rent | | | | | $ 4,204 | |
| Legal fees and expenses | 225 | | 4,000 | | 71 | |
| Medical examination fees | | | | | 309 | |
| Fees of public accountants and consulting actuaries | | | | | 5,656 | |
| Traveling expenses | | | | | 394 | |
| Advertising | | | | | 107 | |
| Postage, express, telegraph and telephone | | | | | 1,079 | |
| Printing and stationery | | | | | 456 | |
| Cost or depreciation of furniture and equipment | | | | | 961 | |
| Cost or depreciation of EDP equipment and software | | | | | 407 | |
| Books and periodicals | 1,500 | | | | | |
| Collection and bank service charges | | | 500 | | | |
| Group service and administration fees | | | | | 689,290 | |
| Investment expenses not included elsewhere | 374,427 | 393,861 | 713,434 | 576,509 | 23,315 | 1,971,820 |
| EDP Expenses & Maintenance | 2,683 | 2,700 | 225 | | | |
| Computer Service Expense | | | | | 1,852 | |
| Utilities & Miscellaneous | | | | | 1,337 | |
| General Investment expenses incurred | $ 378,835 | $ 396,561 | $ 718,159 | $ 576,509 | $ 729,438 | $ 1,971,820 |
| | | | | | | |
| **Dollar change over prior year** | | **$ 17,726** | **$ 321,598** | **$ (141,650)** | **$ 152,929** | **$ 1,242,382** |
| **Percentage change over prior year** | | **4.68%** | **81.10%** | **-19.72%** | **26.53%** | **170.32%** |
| | | | | | | |
| **Dollar increase over 2013, year prior to acquisition** | | **$ 17,726** | **$ 339,324** | **$ 197,674** | **$ 350,603** | **$ 1,592,985** |
| **Percentage increase over year of acquisition** | | **4.68%** | **89.57%** | **52.18%** | **92.55%** | **420.50%** |

**NOTE:** Southland disclosed that the decrease in expenses in 2016 related "primarily to Asset Management fees due to the segreagation of assets related to [Southland National Reinsurance Corporation]. The increase in 2017 was described as "related to the infrastructure buildout by Global Bankers and investment in technology."

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
COLORADO BANKERS LIFE INSURANCE COMPANY

| Description | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | | Owned by GBIG Holdings* | | | |
| Investment expenses not included elsewhere | 402,885 | 337,728 | 422,897 | 2,780,858 | 12,784,912 |
| General Investment expenses incurred | $ 402,885 | $ 337,728 | $ 422,897 | $ 2,780,858 | $12,784,912 |
| **Dollar change over prior year** | | **$ (65,157)** | **$ 85,169** | **$ 2,357,961** | **$10,004,054** |
| **Percentage change over prior year** | | **-16.17%** | **25.22%** | **557.57%** | **359.75%** |
| **Dollar change over 2015, year of acquisition** | | | **$ 85,169** | **$ 2,443,130** | **$12,447,184** |
| **Percentage increase over year of acquisition** | | | **25.22%** | **723.40%** | **3685.56%** |

NOTE: SNH acquired CBL on December 31, 2015.

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
BANKERS LIFE INSURANCE COMPANY

| Description | 2015 | Owned by GBIG Holdings* 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Rent | $ 2,209 | $ 6,470 | | |
| Salaries and wages | 128,379 | 123,315 | | |
| Contributions for benefit plans for employees | 6,843 | 5,374 | | |
| Other employee welfare | 3,020 | 7,451 | | |
| Traveling expenses | 2,644 | 2,484 | | |
| Postage, express, telegraph and telephone | 2,786 | 3,964 | | |
| Printing and stationery | 47 | 307 | | |
| Cost or depreciation of furniture and equipment | 26,325 | 42,309 | | |
| Insurance, except on real estate | 1,467 | 1,837 | | |
| Group service and administration fees | (7,259) | | | |
| Real estate expenses | 11,901 | 13,454 | | |
| Investment expenses not included elsewhere | - | - | 775,950 | 1,413,060 |
| Consulting | 221,615 | 246,837 | | |
| General Investment expenses incurred | $ 399,977 | $ 453,802 | $ 775,950 | $ 1,413,060 |
| **Dollar change over prior year** | | **$ 53,825** | **$ 322,148** | **$ 637,110** |
| **Percentage change over prior year** | | **13.46%** | **70.99%** | **82.11%** |
| **Dollar change over 2016, year of acquisition** | | | **$ 322,148** | **$ 959,258** |
| **Percentage increase over year of acquisition** | | | **70.99%** | **211.38%** |

**NOTE:** SNH acquired BL on December 15, 2016.

* Previously named Southland National Holdings, LLC

# APPENDIX I

## Analysis of Total General Expenses Per Annual Statement Exhibit 2

- Pavonia Life Insurance Company of Michigan

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Expenses Per Exhibit 2

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| Description | 2016 | 2017 | 2018 |
| Rent | $ 272,876 | $ - | $ 609,677 |
| Salaries and wages | 6,419,422 | 3,406,813 | 4,595,500 |
| Contributions for benefit plans for employees | - | - | 398,561 |
| Other employee welfare | - | 1,399,778 | 732,986 |
| Inspection report fees | 59,756 | - | - |
| Fees of public accountants and consulting actuaries | 872,449 | 746,091 | 3,031,473 |
| Expense of investigation and settlement of policy claims | 140,982 | 889,431 | 551,007 |
| Traveling expenses | 82,117 | 7,915 | 261,020 |
| Advertising | - | - | 21,165 |
| Postage, express, telegraph and telephone | 109,201 | 38,562 | 330,301 |
| Printing and stationery | 42,535 | 7,903 | 115,742 |
| Cost or depreciation of furniture and equipment | 112,184 | - | 358,530 |
| Rental of equipment | - | 644 | - |
| Cost or depreciation of EDP equipment and software | 170,014 | 1,294,102 | 1,931,411 |
| Books and periodicals | 6,193 | 16,353 | 44,387 |
| Bureau and association fees | 18,607 | 19,052 | 71,214 |
| Insurance, except on real estate | 45,044 | - | 163,122 |
| Collection and bank service charges | 354,534 | 321,523 | 337,111 |
| Sundry general expenses | 180,893 | 43,761 | 115,080 |
| Group service and administration fees | 2,339,726 | 1,663,230 | 678,290 |
| Agency expense allowance | - | - | 3,619 |
| Investment expenses not included elsewhere | 2,091,726 | 784,317 | 1,571,249 |
| Other general & admin expenses | 36,020 | 43,789 | 52,761 |
| Goodwill Amortization | - | - | 173,057 |
| Other Interest | - | - | 4,559 |
| Total General expenses incurred | $ 13,354,279 | $ 10,683,264 | $ 16,151,822 |
| **Dollar change over prior year** | | **$ (2,671,015)** | **$ 5,468,558** |
| **Percentage change over prior year** | | **-20.00%** | **51.19%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 5,468,558** |
| **Percentage increase over year of acquisition** | | | **51.19%** |

**NOTE:** SNH acquired Pavonia on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Insurance Expenses (Excluding Investment Expenses)

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| Description | 2016 | 2017 | 2018 |
| Rent | $ 272,876 | $ - | $ 609,677 |
| Salaries and wages | 6,419,422 | 3,406,813 | 4,595,500 |
| Contributions for benefit plans for employees | - | - | 398,561 |
| Other employee welfare | - | 1,399,778 | 732,986 |
| Inspection report fees | 59,756 | - | - |
| Fees of public accountants and consulting actuaries | 872,449 | 746,091 | 3,031,473 |
| Expense of investigation and settlement of policy claims | 140,982 | 889,431 | 551,007 |
| Traveling expenses | 82,117 | 7,915 | 261,020 |
| Advertising | - | - | 21,165 |
| Postage, express, telegraph and telephone | 109,201 | 38,562 | 330,301 |
| Printing and stationery | 42,535 | 7,903 | 115,742 |
| Cost or depreciation of furniture and equipment | 112,184 | - | 358,530 |
| Rental of equipment | - | 644 | - |
| Cost or depreciation of EDP equipment and software | 170,014 | 1,294,102 | 1,931,411 |
| Books and periodicals | 6,193 | 16,353 | 44,387 |
| Bureau and association fees | 18,607 | 19,052 | 71,214 |
| Insurance, except on real estate | 45,044 | - | 163,122 |
| Collection and bank service charges | 354,534 | 321,523 | 337,111 |
| Sundry general expenses | 180,893 | 43,761 | 115,080 |
| Group service and administration fees | 2,339,726 | 1,663,230 | 678,290 |
| Agency expense allowance | - | - | 3,619 |
| Other general & admin expenses | 36,020 | 43,789 | 52,761 |
| Goodwill Amortization | - | - | 173,057 |
| Other Interest | - | - | 4,559 |
| General insurance expenses incurred | $ 11,262,553 | $ 9,898,947 | $ 14,580,573 |
| **Dollar change over prior year** | | **$ (1,363,606)** | **$ 4,681,626** |
| **Percentage change over prior year** | | **-12.11%** | **47.29%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 4,681,626** |
| **Percentage increase over year of acquisition** | | | **47.29%** |

**NOTE:** SNH acquired BL on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Insurance Expenses (Excluding Investment Expenses)

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| Description | 2016 | 2017 | 2018 |
| Total General Insurance expenses incurred | $ 11,262,553 | $ 9,898,947 | $ 14,580,573 |
| Management Agreement expenses per Annual Statement, footnote 10F. | $ 9,993,577 | $ 6,023,116 | $ 13,969,682 |
| Non-management agreement expenses | 1,268,976 | 3,875,831 | 610,891 |

| Management Agreement expenses per Annual Statement, foonote 10F. | | |
|---|---|---|
| **Dollar change over prior year** | **$ (3,970,461)** | **$ 7,946,566** |
| **Percentage change over prior year** | **-39.73%** | **131.93%** |

| Non-management agreement expenses | | |
|---|---|---|
| **Dollar change over prior year** | **$ 2,606,855** | **$ (3,264,940)** |
| **Percentage change over prior year** | **205.43%** | **-84.24%** |

**NOTE:** SNH acquired Pavonia on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Management Fee Expenses

| **Excess as of September 30, 2019** | |
|---|---|
| GBIG Service Co management expenses charged: | |
| 12 months ended 12/31/18 | $ 10,704,742 |
| 9 months ended 9/30/19 | 14,745,252 |
| Total charged in 21 months | $ 25,449,994 |
| Management agreement expenses based upon 2017: | |
| 12 months ended 12/31/18 | $ 6,023,116 |
| 9 months ended 9/30/19 | 4,517,337 |
| Total - 21 months | $ 10,540,453 |
| **Excess fees charged** | |
| **2018 & 2019 through 9/30/19** | **$ 14,909,541** |

| **Excess as of December 31, 2019** | |
|---|---|
| GBIG Service Co management expenses charged: | |
| 12 months ended 12/31/18 | $ 10,704,742 |
| 12 months ended 12/31/19 | 18,200,914 |
| Total charged in 21 months | $ 28,905,656 |
| Management agreement expenses based upon 2017: | |
| 12 months ended 12/31/18 | $ 6,023,116 |
| 12 months ended 12/31/19 | 6,023,116 |
| Total - 21 months | $ 12,046,232 |
| **Excess fees charged in** | |
| **2018 & 2019 through 12/31/19** | **$ 16,859,424** |

APPENDIX I - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Investment Expenses

| Description | 2016 | Owned by GBIG Holdings* 2017 | Owned by GBIG Holdings* 2018 |
|---|---|---|---|
| Investment expenses not included elsewhere | 2,091,726 | 784,317 | 1,571,249 |
| General Investment expenses incurred | $ 2,091,726 | $ 784,317 | $ 1,571,249 |
| **Dollar change over prior year** | | **$ (1,307,409)** | **$ 786,932** |
| **Percentage change over prior year** | | **-62.50%** | **100.33%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 786,932** |
| **Percentage increase over year of acquisition** | | | **100.33%** |

**NOTE:** SNH acquired BL on December 29, 2017.

* Previously named Southland National Holdings, LLC

# APPENDIX J

## Annual Statement Footnote No. 12: Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- Southland National Insurance Corporation (2018)
- Colorado Bankers Life Insurance Company (2016-2017)
- Pavonia Life Insurance Company of Michigan (2018)

**SOUTHLAND NATIONAL INSURANCE CORPORATION:**

***2018***

G. Consolidated Holding Company Plans

The Company has no employees. The Company is managed by employees of Global Bankers Insurance Group, LLC an affiliate ("GBIG").

**COLORADO BANKERS LIFE INSURANCE COMPANY:**

***2016 (Year after acquisition)***

H. Effective October 1, 2016, all employees of the Company were transferred to Colorado Benefits Administrators, Inc. and therefore, there are no post-retirement or Paid Time Off obligations outstanding for the Company as of the reporting date.

***2017***

H. Effective October 1, 2016, all employees of the Company were transferred Global Bankers Insurance Group, LLC and therefore, there are no post-retirement or Paid Time Off obligations outstanding for the Company as of the reporting date.

**BANKERS LIFE INSURANCE COMPANY:**

None

**PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN:**

***2018 (Year after acquisition)***

G. Consolidated/Holding Company Plans

The Company has no employees. The Company is managed by employees of GBIG.

# Exhibit "A"

## *New NC Reports*

STATE OF NORTH CAROLINA

WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
19 CV 008664

FILED

2019 NOV 20 P 2:42

| | | |
|---|---|---|
| MIKE CAUSEY, COMMISSIONER OF INSURANCE OF NORTH CAROLINA, Petitioner, v. SOUTHLAND NATIONAL INSURANCE CORPORATION, SOUTHLAND NATIONAL REINSURANCE CORPORATION, BANKERS LIFE INSURANCE COMPANY, COLORADO BANKERS LIFE INSURANCE COMPNAY North Carolina Domiciled Insurance Companies, Respondents. | ) | REHABILITATOR'S QUARTERLY REPORT |

NOW COMES the Commissioner of Insurance of State of North Carolina, in his capacity as Court appointed Rehabilitator of Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company (Rehabilitator), and hereby makes this report pursuant to North Carolina General Statute § 58-30-80(b) and the Order of this Court dated June 27, 2019, which requires the Rehabilitator, until further order of this Court, to make a quarterly report to the Court including a statement of receipts and disbursements to date and a statement of financial position (balance sheet). Attached hereto and incorporated herein by reference as Exhibits A - D, are the quarterly reports of activity of the Rehabilitator as of September 30, 2019, and a balance sheet, summary of operations and statement of cash flow and schedule of affiliated investments as of September 30, 2019, of Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company, as prepared by the Special Deputy Rehabilitator on behalf of the Rehabilitator.

This the 20 day of November, 2019.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,

Heather H. Freeman

Heather H. Freeman
Assistant Attorney General
N. C. State Bar No. 28272
N. C. Department of Justice
P. O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610
hfreeman@ncdoj.gov

## CERTIFICATE OF SERVICE

I, the undersigned attorney, do certify that a copy of the foregoing pleading or paper was served as follows:

Honorable A. Graham Shirley, II
Wake County Superior Court
Post Office Box 351
Raleigh, NC 27602-0351

Zachary H. Smith
Hillary B. Crabtree
Julia A. May
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003

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

Mark A. Finkelstein
Stephen W. Petersen
Fox Rothschild LLP
434 Fayetteville St. Suite 2800
Raleigh, NC 27601-2943

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

in the following manner:

(xx) by United States mail, first class postage prepaid, as provided by Rule 5(b) of the North Carolina Rules of Civil Procedure, or

( ) by facsimile transmission to the facsimile number set out above, as provided by Rule 5 of the North Carolina Rules of Civil Procedure.

This the 20 day of November, 2019.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,

Heather H. Freeman

Heather H. Freeman
Assistant Attorney General
N. C. State Bar No. 28272
N. C. Department of Justice
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hfreeman@ncdoj.gov

**SOUTHLAND NATIONAL INSURANCE CORPORATION**

**NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR**

**AS OF SEPTEMBER 30, 2019,**

**A BALANCE SHEET**

**AS OF SEPTEMBER 30, 2019**

**A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW**

**THROUGH SEPTEMBER 30, 2019**

**AND**

**A SCHEDULE OF AFFILIATED INVESTMENTS**

**AS OF SEPTEMBER 30, 2019**

## INTRODUCTION

### BACKGROUND

Southland National Insurance Corporation (hereinafter," SNIC" or "Company") was originally formed in 1950 as an Alabama mutual aid association under the name of Southland National Insurance Company. In January 1969, the Company was incorporated in Alabama under the name Southland National Insurance Company. In 1988, the Company adopted its current name Southland National Insurance Corporation. In December 2015, the Company redomesticated to North Carolina. On June 27, 2019, the Wake County Superior Court (hereinafter, the "Court") issued an Order of Rehabilitation (hereinafter, "Order") against the Company and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the "Rehabilitator"). On June 27, 2019, the Court also entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter "Moratorium").

The Company is part of a group of insurance companies known as Global Bankers Insurance Group (hereinafter, "GBIG"). GBIG is part of a larger group of companies known as Eli Global. Eli Global is owned by Greg Lindberg.

### PURPOSE OF THIS REPORT

The purpose of this report is to provide a quarterly update to the Court, as required by the Order, on the work that the Rehabilitator and his staff have carried out since the issuance of the Order, to set out the present situation of the Company, and to provide a balance sheet and schedule of affiliated investments as of September 30, 2019, and a summary of operations and statement of cash flow through September 30, 2019.

### LIMITATIONS

This report is based only on the knowledge that the Rehabilitator and his staff have gained from the work performed since the issuance of the Order. Facts may exist that the Rehabilitator is unaware of that may have a material effect on the information provided in this report. The Rehabilitator will update the information in future quarterly reports as additional facts are discovered.

## SUMMARY

### COMPANY PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of the Company.
- The Rehabilitator is currently evaluating the Company's in-force business and reinsurance programs in furtherance of determining the feasibility of a successful rehabilitation.

### INVESTMENT PORTFOLIO

The goal of the Rehabilitator is to reduce the amount of affiliated investments and to increase long-term liquidity. The non-affiliated investments are invested in publicly traded securities. The Rehabilitator is working with the management team of the Eli Global non-insurance operating companies on a plan to repay the affiliated investments.

- The Company has approximately 65% of its assets invested in affiliated investments as of September 30, 2019.
- Affiliated assets represent 101% of surplus.
- As of September 30, 2019, the Company wrote off its investments and loans to the various Agera Energy., LLC entities as Agera Energy, LLC and its affiliates filed for chapter 11 bankruptcy in October. The investments and loans were made through various financing companies and asset management companies. Agera Energy, LLC was considered an affiliated investment. The total amount of the write off was $3.4m.
- The Company received $3.8m for one of its zero-coupon bonds. This bond was sold at a gain of $326,000.
- As part of the initial proceeds from the sale of Pavonia Life Insurance Company of Michigan, the Company received $6m.

**REINSURANCE**

The Company had assumed approximately $34m of policy reserves from Investors Heritage Life Insurance Company that was recaptured effective July 1, 2019.

The Company had ceded approximately $134m of policy reserves to Southland National Reinsurance Corporation, an affiliate, that was recaptured effective July 1, 2019.

**EXPENSE REDUCTIONS**

- The Rehabilitator is evaluating the Company's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts.

**LITIGATION**

To the Rehabilitator's knowledge, at the time of the Order, the Company is a party to the following lawsuits:

***Ehmann, Schiffli and Throneberg v. Medflow, Inc., Medflow Holdings, LLC, Southland National Insurance Corporation, et al.*; Case No. 15 CVS 3098, Superior Court of North Carolina, Mecklenburg County**

The case was filed on February 8, 2019, alleging misrepresentation, fraudulent suppression, breach of fiduciary duty, negligence, negligent hiring/training/supervision, and conspiracy regarding sale of life insurance policies.

Mediation in April 2019 was unsuccessful. A bifurcated trial of some of the issues occurred in late-April to early-May of 2019. The trial resulted in a mistrial of certain issues and did not resolve the matter.

The parties filed post-trial motions which remain pending. On July 23, 2019, the Court unsevered the case, declared a mistrial on some of the issues tried, and took judicial notice of SNIC's status in Rehabilitation. On October 11, 2019, Counsel for the Rehabilitator filed a motion to vacate the order entered by the Superior Court of Wake County modifying the automatic stay provided in the Order of Rehabilitation which allows this case to proceed.

***Claritte Lumar nee Smith and the Succession of Byron Smith v. Lafourche Life Insurance Company and Southland National Insurance Corporation;*** **Case No. C-73440, 40th Judicial District Court, Parish of St. John the Baptist, State of Louisiana**

The case was filed on May 8, 2019, which appealed a denied accidental death claim and petitioned for payment of insurance proceeds.

A response was filed in early June 2019. The case remains pending.

**OTHER MATTERS**

- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against the Company's policies until such time as the Court approves lifting of the moratorium.
- In accordance with the Moratorium Order, the Rehabilitator has adopted and implemented a policy to provide substitute benefits in lieu of the contractual obligations of the Company for annuity benefits and cash withdrawals for policyholders who petition for payment under claims of legitimate hardship. As of November 6, 2019, 5 hardship cases have been received. 1 was approved and 4 were denied due to insufficient information.

**CONTINUATION OF BUSINESS**

- The Company has ceased writing all new business as of the date of the Order and is only renewing business that it is obligated to renew. A final decision as to the course of action to take with the Company has not yet been determined.

# INTRODUCTION TO SOUTHLAND NATIONAL INSURANCE CORPORATION FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

Introduction and Basis of Presentation: The Company is a North Carolina domiciled life, accident and health insurance company that was placed in rehabilitation by the Wake County Superior Court on June 27, 2019. The Company is under the control of the Commissioner of Insurance of the State of North Carolina, in his capacity as Court appointed Rehabilitator. It is the Rehabilitator's responsibility to take possession of the assets of the Company and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by the Company's staff for the period of April 1, 2019, to June 26, 2019, and subsequent to the Order under the direct supervision of the Rehabilitator's staff, as of September 30, 2019. The financial statements have been prepared in accordance with Statutory Accounting Principles promulgated by the National Association of Insurance Commissioners, except as noted in the following paragraph.

On July 26, 2019, the Governor of North Carolina signed into law, House Bill 220. This bill amends N.C. Gen. Stat §58-19-10(b), which limits the amount of investments in affiliates and subsidiaries to the lessor of ten percent (10%) of the insurer's admitted assets or fifty percent (50%) of the insurer's policyholders' surplus, provided that after those investments, the insurer's policyholders' surplus will be reasonable in relation to the insurers' outstanding liabilities and adequate to its financial needs. The excess amount of affiliated investments should be non-admitted. As of September 30, 2019, the Company has $188m of excess affiliated investments. Should this amount be non-admitted, the Company would have a negative surplus of $190m.

# ASSETS

| | Current Statement Date | | | 4 |
|---|---|---|---|---|
| | 1<br>Assets | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets (Cols. 1 - 2) | December 31 Prior Year Net Admitted Assets |
| 1. Bonds | 174,205,856 | | 174,205,856 | 256,201,649 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | 43,469,636 | | 43,469,636 | 32,310,000 |
| 2.2 Common stocks | 6,030 | 271 | 5,759 | 4,990 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | 1,073,645 | | 1,073,645 | 2,380,170 |
| 3.2 Other than first liens | | | | |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ ........ encumbrances) | | | | |
| 4.2 Properties held for the production of income (less $ ........ encumbrances) | | | | |
| 4.3 Properties held for sale (less $ ........ encumbrances) | 170,930 | | 170,930 | 376,913 |
| 5. Cash ($ 37,556,313 ), cash equivalents ($ 19,887,871 ) and short-term investments ($ ........ ) | 57,444,184 | | 57,444,184 | 37,252,738 |
| 6. Contract loans (including $ ........ premium notes) | 5,311,491 | | 5,311,491 | 364,213 |
| 7. Derivatives | | | | |
| 8. Other invested assets | 9,000,000 | 9,000,000 | | 9,000,000 |
| 9. Receivables for securities | 315,303 | | 315,303 | 5,690,080 |
| 10. Securities lending reinvested collateral assets | | | | |
| 11. Aggregate write-ins for invested assets | | | | |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 290,997,075 | 9,000,271 | 281,996,804 | 343,580,752 |
| 13. Title plants less $ ........ charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 4,929,513 | | 4,929,513 | 3,170,301 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 370,592 | | 370,592 | 80,615 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ........ earned but unbilled premiums) | 1,845,561 | | 1,845,561 | 610,244 |
| 15.3 Accrued retrospective premiums ($ ........ ) and contracts subject to redetermination ($ ........ ) | | | | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 28,159 | | 28,159 | 3,037,144 |
| 16.2 Funds held by or deposited with reinsured companies | | | | |
| 16.3 Other amounts receivable under reinsurance contracts | 353,946 | | 353,946 | 961,232 |
| 17. Amounts receivable relating to uninsured plans | | | | |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 651,004 | | 651,004 | 1,547,515 |
| 18.2 Net deferred tax asset | 9,874,321 | 9,874,321 | | 672,246 |
| 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. Receivables from parent, subsidiaries and affiliates | 1,858 | | 1,858 | 250 |
| 24. Health care ($ ........ ) and other amounts receivable | 6,716 | 6,716 | | 550 |
| 25. Aggregate write-ins for other-than-invested assets | (2,783) | | (2,783) | 145,131 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 309,066,262 | 18,881,308 | 290,184,954 | 354,007,180 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 309,066,262 | 18,881,308 | 290,184,954 | 354,007,180 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | | | | |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | |
| 2501. Ceded Insurance Premium-Asset | | | | |
| 2502. Prepaid Expense Deposit & Returned Checks | | | | |
| 2503. Miscellaneous Receivable | 57,066 | | 57,066 | 83,013 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | (59,849) | | (59,849) | 63,118 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | (2,783) | | (2,783) | 146,131 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1<br>Current Statement Date | 2<br>December 31 Prior Year |
|---|---|---|
| 1. Aggregate reserve for life contracts $ 278,591,592 less $ ____ included in Line 6.3 (including $ ____ Modco Reserve) | 278,591,592 | 164,078,945 |
| 2. Aggregate reserve for accident and health contracts (including $ ____ Modco Reserve) | 94,482 | 87,280 |
| 3. Liability for deposit-type contracts (including $ ____ Modco Reserve) | | |
| 4. Contract claims: | | |
| 4.1 Life | 2,776,094 | 1,227,266 |
| 4.2 Accident and health | 581,450 | 573,103 |
| 5. Policyholders' dividends/refunds to members $ ____ and coupons $ ____ due and unpaid | | |
| 6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year—estimated amounts: | | |
| 6.1 Policyholders' dividends and refunds to members apportioned for payment (including $ ____ Modco) | 177,574 | 92,349 |
| 6.2 Policyholders' dividends and refunds to members not yet apportioned (including $ ____ Modco) | | |
| 6.3 Coupons and similar benefits (including $ ____ Modco) | | |
| 7. Amount provisionally held for deferred dividend policies not included in Line 6 | | |
| 8. Premiums and annuity considerations for life and accident and health contracts received in advance less $ ____ discount; including $ ____ accident and health premiums | 371,246 | 289,742 |
| 9. Contract liabilities not included elsewhere: | | |
| 9.1 Surrender values on canceled contracts | | |
| 9.2 Provision for experience rating refunds, including the liability of $ ____ accident and health experience rating refunds of which $ ____ is for medical loss ratio rebate per the Public Health Service Act | | |
| 9.3 Other amounts payable on reinsurance, including $ 46,139 assumed and $ ____ ceded | 46,139 | 4,058,433 |
| 9.4 Interest Maintenance Reserve | 7,338,229 | 3,307,086 |
| 10. Commissions to agents due or accrued-life and annuity contracts $ ____, accident and health $ ____ and deposit-type contract funds $ ____ | 8 | |
| 11. Commissions and expense allowances payable on reinsurance assumed | 338,179 | 428,933 |
| 12. General expenses due or accrued | 181,700 | 59,613 |
| 13. Transfers to Separate Accounts due or accrued (net) (including $ ____ accrued for expense allowances recognized in reserves, net of reinsured allowances) | | |
| 14. Taxes, licenses and fees due or accrued, excluding federal income taxes | | |
| 15.1 Current federal and foreign income taxes, including $ ____ on realized capital gains (losses) | | |
| 15.2 Net deferred tax liability | | |
| 16. Unearned investment income | 38,104 | 3,841 |
| 17. Amounts withheld or retained by reporting entity as agent or trustee | 2,392 | 7,374 |
| 18. Amounts held for agents' account, including $ ____ agents' credit balances | | |
| 19. Remittances and items not allocated | 190,937 | 364,589 |
| 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 Asset valuation reserve | 217,934 | 2,957,080 |
| 24.02 Reinsurance in unauthorized and certified ($ ____) companies | | 749,284 |
| 24.03 Funds held under reinsurance treaties with unauthorized and certified ($ ____) reinsurers | | 153,007,438 |
| 24.04 Payable to parent, subsidiaries and affiliates | 638,892 | 1,345,457 |
| 24.05 Drafts outstanding | | |
| 24.06 Liability for amounts held under uninsured plans | | |
| 24.07 Funds held under coinsurance | | |
| 24.08 Derivatives | | |
| 24.09 Payable for securities | 200,254 | |
| 24.10 Payable for securities lending | | |
| 24.11 Capital notes $ ____ and interest thereon $ ____ | | |
| 25. Aggregate write-ins for liabilities | 375,131 | 365,586 |
| 26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) | 292,058,217 | 332,103,479 |
| 27. From Separate Accounts statement | | |
| 28. Total liabilities (Lines 26 and 27) | 292,058,217 | 332,103,479 |
| 29. Common capital stock | 1,502,718 | 1,502,718 |
| 30. Preferred capital stock | | |
| 31. Aggregate write-ins for other than special surplus funds | 7,382,942 | 5,379,354 |
| 32. Surplus notes | | |
| 33. Gross paid in and contributed surplus | 65,283,086 | 65,203,086 |
| 34. Aggregate write-ins for special surplus funds | | |
| 35. Unassigned funds (surplus) | (76,042,009) | (47,075,257) |
| 36. Less treasury stock, at cost: | | |
| 36.1 ____ shares common (value included in Line 29 $ ____) | | 3,156,200 |
| 36.2 ____ shares preferred (value included in Line 30 $ ____) | | |
| 37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including $ ____ in Separate Accounts Statement) | (3,375,981) | 20,400,983 |
| 38. Totals of Lines 29, 30 and 37 | (1,873,263) | 21,903,701 |
| 39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) | 290,184,954 | 354,007,180 |
| DETAILS OF WRITE-INS | | |
| 2501. Deferred Compensation Liability | 375,131 | 355,371 |
| 2502. Miscellaneous liabilities | | 10,215 |
| 2503. | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 375,131 | 365,586 |
| 3101. Deferred Reinsurance Gain | 7,382,942 | 5,379,354 |
| 3102. | | |
| 3103. | | |
| 3198. Summary of remaining write-ins for Line 31 from overflow page | | |
| 3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above) | 7,382,942 | 5,379,354 |
| 3401. Common Stock Retired | | |
| 3402. | | |
| 3403. | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | | |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | | |

# SUMMARY OF OPERATIONS

| | 1<br>Current Year To Date | 2<br>Prior Year Year to Date | 3<br>Prior Year Ended December 31 |
|---|---|---|---|
| 1. Premiums and annuity considerations for life and accident and health contracts | 114,496,904 | (38,259,114) | (36,050,690) |
| 2. Considerations for supplementary contracts with life contingencies | | | |
| 3. Net investment income | 11,797,317 | 12,944,077 | 15,337,603 |
| 4. Amortization of Interest Maintenance Reserve (IMR) | 716,178 | 552,893 | 728,807 |
| 5. Separate Accounts net gain from operations excluding unrealized gains or losses | | | |
| 6. Commissions and expense allowances on reinsurance ceded | (1,307,167) | 5,253,711 | 7,321,170 |
| 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 | 5,502 | 3,054 | 18,074 |
| 9. Totals (Lines 1 to 8.3) | 125,710,734 | (19,505,379) | (12,644,836) |
| 10. Death benefits | 13,824,783 | 12,038,957 | 14,999,472 |
| 11. Matured endowments (excluding guaranteed annual pure endowments) | 193 | | |
| 12. Annuity benefits | 2,004,899 | 3,600,973 | 4,715,768 |
| 13. Disability benefits and benefits under accident and health contracts | 3,975,346 | 1,197,564 | 2,252,911 |
| 14. Coupons, guaranteed annual pure endowments and similar benefits | | 55 | (98) |
| 15. Surrender benefits and withdrawals for life contracts | 617,881 | 649,670 | 914,532 |
| 16. Group conversions | | | |
| 17. Interest and adjustments on contract or deposit-type contract funds | | (16,287) | |
| 18. Payments on supplementary contracts with life contingencies | | | |
| 19. Increase in aggregate reserves for life and accident and health contracts | 94,519,648 | (51,301,335) | (46,743,601) |
| 20. Totals (Lines 10 to 19) | 114,942,050 | (33,830,402) | (23,861,016) |
| 21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 5,780 | 507,903 | 685,061 |
| 22. Commissions and expense allowances on reinsurance assumed | 3,233,985 | 2,291,741 | 3,436,475 |
| 23. General insurance expenses and fraternal expenses | 10,438,324 | 7,583,522 | 9,842,842 |
| 24. Insurance taxes, licenses and fees, excluding federal income taxes | 491,845 | 337,246 | 681,386 |
| 25. Increase in loading on deferred and uncollected premiums | 959,225 | (56,571) | (125,809) |
| 26. Net transfers to or (from) Separate Accounts net of reinsurance | | | |
| 27. Aggregate write-ins for deductions | 3,952,457 | 6,370,460 | 8,110,864 |
| 28. Totals (Lines 20 to 27) | 134,024,566 | (16,796,098) | (1,248,197) |
| 29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) | (8,313,832) | (2,709,282) | (11,396,639) |
| 30. Dividends to policyholders and refunds to members | 155,235 | 76,267 | 78,511 |
| 31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30) | (8,469,067) | (2,785,549) | (11,475,150) |
| 32. Federal and foreign income taxes incurred (excluding tax on capital gains) | | (793,100) | (1,543,694) |
| 33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) | (8,469,067) | (1,992,450) | (9,931,456) |
| 34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ (895,385) (excluding taxes of $ (185,700) transferred to the IMR) | (3,404,249) | (90,406) | (450,210) |
| 35. Net income (Line 33 plus Line 34) | (11,873,316) | (2,082,857) | (10,381,666) |
| **CAPITAL AND SURPLUS ACCOUNT** | | | |
| 36. Capital and surplus, December 31, prior year | 21,903,701 | 33,801,008 | 33,801,008 |
| 37. Net income (Line 35) | (11,873,316) | (2,082,857) | (10,381,666) |
| 38. Change in net unrealized capital gains (losses) less capital gains tax of $ | (70,957) | (57,618) | (101,221) |
| 39. Change in net unrealized foreign exchange capital gain (loss) | | | |
| 40. Change in net deferred income tax | 4,271,855 | 1,777,349 | 3,182,529 |
| 41. Change in nonadmitted assets | (15,585,826) | (1,495,542) | (2,571,814) |
| 42. Change in liability for reinsurance in unauthorized and certified companies | 749,363 | | (749,363) |
| 43. Change in reserve on account of change in valuation basis, (increase) or decrease | | | |
| 44. Change in asset valuation reserve | 1,839,177 | (258,969) | 646,324 |
| 45. Change in treasury stock | | | |
| 46. Surplus (contributed to) withdrawn from Separate Accounts during period | | | |
| 47. Other changes in surplus in Separate Accounts Statement | | | |
| 48. Change in surplus notes | | | |
| 49. Cumulative effect of changes in accounting principles | | | |
| 50. Capital changes: | | | |
| 50.1 Paid in | | | |
| 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 | (5,110,648) | | |
| 52. Dividends to stockholders | | | |
| 53. Aggregate write-ins for gains and losses in surplus | 2,003,586 | (1,318,170) | (1,922,096) |
| 54. Net change in capital and surplus (Lines 37 through 53) | (23,776,964) | (3,435,897) | (11,897,307) |
| 55. Capital and surplus as of statement date (Lines 36 + 54) | (1,873,263) | 30,365,199 | 21,903,701 |
| **DETAILS OF WRITE-INS** | | | |
| 08.301. Other Income | 5,502 | 3,054 | 18,074 |
| 08.302. | | | |
| 08.303. | | | |
| 08.398. Summary of remaining write-ins for Line 8.3 from overflow page | | | |
| 08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above) | 5,502 | 3,054 | 18,074 |
| 2701. Investment Credits to Reinsurers | 3,942,348 | 6,370,460 | 8,110,864 |
| 2702. Fines and Penalties | 10,109 | | |
| 2703. | | | |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | | | |
| 2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above) | 3,952,457 | 6,370,460 | 8,110,864 |
| 5301. Initial Ceding Commission STD RE Loss Amortization - SNRC/SNG/STD RE | 2,003,586 | | (1,922,096) |
| 5302. Adj to Surplus-Reinsurance Assumed-North Carolina Mutual Life Ins Company | | (1,318,170) | |
| 5303. | | | |
| 5398. Summary of remaining write-ins for Line 53 from overflow page | | | |
| 5399. Totals (Lines 5301 through 5303 plus 5398) (Line 53 above) | 2,003,586 | (1,318,170) | (1,922,096) |

# CASH FLOW

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **Cash from Operations** | | | |
| 1. Premiums collected net of reinsurance | 112,703,075 | 5,370,220 | (32,306,497) |
| 2. Net investment income | 9,772,415 | 16,656,652 | 17,836,506 |
| 3. Miscellaneous income | (1,301,665) | 3,065 | 7,339,244 |
| 4. Total (Lines 1 to 3) | 121,173,825 | 22,429,937 | (7,130,747) |
| 5. Benefit and loss related payments | 19,869,235 | 16,746,576 | (20,330,994) |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 18,091,050 | 12,488,987 | 22,753,695 |
| 8. Dividends paid to policyholders | 70,010 | 76,267 | 94,810 |
| 9. Federal and foreign income taxes paid (recovered) net of $ ______ tax on capital gains (losses) | | | 3,821 |
| 10. Total (Lines 5 through 9) | 38,030,295 | 29,311,830 | 2,521,332 |
| 11. Net cash from operations (Line 4 minus Line 10) | 83,143,530 | (6,881,893) | (9,652,079) |
| **Cash from Investments** | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 130,303,474 | 157,593,161 | 209,182,302 |
| 12.2 Stocks | 132,606 | | |
| 12.3 Mortgage loans | 1,292,064 | 863,628 | 882,799 |
| 12.4 Real estate | 218,079 | 699,000 | 699,000 |
| 12.5 Other invested assets | | | |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 1 | | (12,075) |
| 12.7 Miscellaneous proceeds | 5,593,264 | 494,645 | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 137,540,388 | 159,650,434 | 210,752,026 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 53,800,846 | 200,109,406 | 229,368,032 |
| 13.2 Stocks | 11,626,672 | | |
| 13.3 Mortgage loans | | 29,014 | 29,014 |
| 13.4 Real estate | | 2,036 | 2,006 |
| 13.5 Other invested assets | | | |
| 13.6 Miscellaneous applications | | (3,842,172) | 1,146,002 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 65,427,518 | 196,298,254 | 230,563,053 |
| 14. Net increase (or decrease) in contract loans and premium notes | | (392,272) | (434,234) |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 72,112,870 | (36,255,548) | (19,376,793) |
| **Cash from Financing and Miscellaneous Sources** | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | | | |
| 16.2 Capital and paid in surplus, less treasury stock | | | |
| 16.3 Borrowed funds | | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | | |
| 16.5 Dividends to stockholders | | (16,299) | |
| 16.6 Other cash provided (applied) | (135,064,954) | (1,148,422) | (1,149,463) |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | (135,064,954) | (1,132,123) | (1,149,463) |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 20,191,446 | (44,269,564) | (30,178,335) |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 37,252,738 | 67,431,072 | 67,431,073 |
| 19.2 End of period (Line 18 plus Line 19.1) | 57,444,184 | 23,161,508 | 37,252,738 |

**SOUTHLAND NATIONAL INSURANCE CORPORATION**
**SCHEDULE OF AFFILIATED INVESTMENTS**
**JUNE 30, 2019 AND SEPTEMBER 30, 2019 COMPARISON**

| Trust account | CUSIP Identification | Description | Actual Cost | Book/ Adjusted Carrying Value June 30, 2019 | Book/ Adjusted Carrying Value September 30, 2019 | Change |
|---|---|---|---|---|---|---|
| NC Mutual | 994132BT5 | Academy Financial Assets, LLC | $ 4,026,081 | $ 4,026,081 | $ 4,026,081 | $ - |
| NC Mutual | 04686@AA9 | Augusta Asset Management, LLC | 5,125,769 | 5,125,769 | 5,125,769 | - |
| N/A | 05777@AA6 | Baldwin Asset Management, LLC | 8,561,868 | 8,656,221 | 8,561,868 | (94,353) |
| NC Mutual | 06367UAA5 | BANK MONTREAL MEDIUM TERM SR BK NTS BOOK ENTRY 144 | 10,000,000 | 10,000,000 | 10,000,000 | - |
| N/A | 06625@126 | BANKERS LIFE INSURANCE COMPANY | 8,310,000 | 8,310,000 | 8,310,000 | - |
| N/A | 06739FJM4 | BARCLAYS BANK PLC | 10,000,000 | 10,000,000 | 10,000,000 | - |
| N/A | 13973@AA2 | CAPITAL ASSETS FUND I LLC | 6,375,572 | 6,375,572 | 6,375,572 | - |
| NC Mutual | 9941317T1 | CAPITAL ASSETS FUND II, LLC | 5,258,038 | 5,592,468 | 5,258,038 | (334,430) |
| NC Mutual | 9941317V6 | CAPITAL ASSETS FUND IV, LLC | 5,236,750 | 6,436,517 | 5,236,750 | (1,199,767) |
| NC Mutual | 9941317U8 | CAPITAL ASSETS FUND V, LLC | 5,800,589 | 6,436,517 | 5,800,589 | (635,928) |
| NC Mutual | 9941318T3 | Capital Assets Management II, LLC | 1,775,937 | 1,775,937 | 1,775,937 | (0) |
| N/A | 9941318T3 | Capital Assets Management II, LLC | 1,775,938 | 1,775,937 | 1,775,938 | 1 |
| N/A | 19633@129 | COLORADO BANKERS LIFE INSURANCE COMPANY, INC. | 24,000,000 | 24,000,000 | 24,000,000 | - |
| N/A | 19633@AA1 | COLORADO BANKERS LIFE INSURANCE COMPANY, INC. | 9,000,000 | 9,000,000 | - | (9,000,000) |
| NC Mutual | 9944639X1 | CV Investments, LLC | 2,055,028 | 2,055,028 | 2,055,028 | - |
| NC Mutual | 23570*AA0 | Damascus Asset Management, LLC | 5,020,727 | 5,020,728 | 5,020,727 | (1) |
| N/A | 23570*AA0 | Damascus Asset Management, LLC | 1,882,773 | 1,882,773 | 1,882,773 | 0 |
| NC Mutual | 29412#AA5 | Ephesus Asset Management, LLC | 3,261,153 | 3,278,858 | 3,261,153 | (17,706) |
| N/A | 29412#AA5 | Ephesus Asset Management, LLC | 6,179,026 | 6,212,574 | 6,179,026 | (33,548) |
| NC Mutual | 34610#AA5 | Forest Park Asset Management, LLC | 4,311,615 | 4,311,615 | 4,311,615 | 0 |
| N/A | 34610#AA5 | Forest Park Asset Management, LLC | 3,593,012 | 3,593,012 | 3,593,012 | (0) |
| N/A | 35472MAA4 | FRANKLIN STR 2018-1 LLC | 6,153,762 | 9,997,989 | 6,153,762 | (3,844,227) |
| NC Mutual | 84447*AA3 | GBIG Holdings, Inc. | - | 4,834,998 | - | (4,834,998) |
| N/A | 84447*AA4 | GBIO Holdings, Inc. | - | 1,208,776 | - | (1,208,776) |
| NC Mutual | 9942228W1 | Gilford Asset Management, LLC | 294,695 | 294,695 | 294,695 | - |
| NC Mutual | 40905#AA6 | Hampton Asset Management, LLC | 3,629,545 | 3,629,545 | 3,629,545 | (0) |
| N/A | 40905#AA6 | Hampton Asset Management, LLC | 3,484,364 | 3,484,364 | 3,484,364 | 0 |
| N/A | HPCSP_SENIOR | HPCSP INVESTMENTS | 1,084,395 | 1,084,395 | 1,084,395 | - |
| NC Mutual | 9941557U3 | HPCSP Investments, LLC | 1,168,035 | 1,168,035 | 1,168,035 | - |
| NC Mutual | 46275@AA7 | Iron City Asset Management, LLC | 2,964,896 | 3,423,272 | 2,964,896 | (458,376) |
| NC Mutual | 46563@AA8 | ITECH FUNDING LLC | 3,223,492 | 3,223,492 | 3,223,492 | 0 |
| N/A | 46563@AA8 | ITECH FUNDING LLC | 4,244,796 | 4,244,796 | 4,244,796 | (0) |
| NC Mutual | 46662#AA6 | Jackson Asset Management, LLC | 3,048,617 | 3,048,617 | 3,048,617 | - |
| N/A | 63873DAA1 | NATIXIS SA | - | 3,429,100 | - | (3,429,100) |
| NC Mutual | 9947669V1 | NIH Capital, LLC | 949,042 | 949,041 | 949,042 | 1 |
| N/A | 9947669V1 | NIH Capital, LLC | 949,042 | 949,041 | 949,042 | 1 |
| NC Mutual | 65532NAA7 | NOM GB 2018 I LLC | 9,472,165 | 9,467,816 | 9,466,965 | (851) |
| N/A | G6846#AA2 | PBX Bermuda Holdings, LTD. | 200,203 | 200,308 | 200,335 | 27 |
| NC Mutual | 72083RAA7 | PIERRE MENDES LLC | 8,999,999 | 9,000,000 | 8,999,999 | (1) |
| NC Mutual | 78013GSS5 | ROYAL BK CDA | 1,627,500 | 1,627,500 | 1,627,500 | - |
| N/A | 78013GSS5 | ROYAL BK CDA | 3,797,500 | 3,797,500 | 3,797,500 | - |
| N/A | 86576#AA7 | Summerville Asset Management, LLC | 7,358,541 | 7,963,789 | 7,358,541 | (605,248) |
| NC Mutual | 87339#AA3 | TAC INVESTMENTS LLC | 3,233,263 | 3,233,263 | 3,233,263 | - |
| | | Total Affiliated Investments | $ 197,433,728 | $ 214,125,939 | $ 188,428,659 | $ (25,697,280) |

| Summary of activity (rounded to hundred-thousands) | |
|---|---|
| OTTI write-off due to Agera exposure. | $ (3,400,000) |
| Pavonia Life Insurance Company of Michigan proceeds | (6,000,000) |
| CBL Surplus note is non-admitted in the September Financials | (9,000,000) |
| Move Natixis SA zero-coupon bond to unaffiliated | (3,400,000) |
| Franklin St zero-coupon proceeds | (3,800,000) |
| Total | $ (25,600,000) |

**SOUTHLAND NATIONAL REINSURANCE CORPORATION**

**NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR**

**AS OF SEPTEMBER 30, 2019,**

**A BALANCE SHEET**

**AS OF SEPTEMBER 30, 2019**

**A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW**

**THROUGH SEPTEMBER 30, 2019**

## INTRODUCTION

### BACKGROUND

Southland National Reinsurance Corporation (hereinafter, "Company") was created as a pure captive insurance company on December 3, 2014, in North Carolina under the Captive Insurance Act of 2013, as amended. On June 27, 2019, the Wake County Superior Court (hereinafter, the "Court") issued an Order of Rehabilitation (hereinafter, "Order") against the Company and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the "Rehabilitator"). On June 27, 2019, the Court also entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter "Moratorium").

The Company is part of a group of insurance companies known as Global Bankers Insurance Group (hereinafter, "GBIG"). GBIG is part of a larger group of companies known as Eli Global. Eli Global is owned by Greg Lindberg.

The Company has no active business and only reinsures business from other GBIG insurance companies.

### PURPOSE OF THIS REPORT

The purpose of this report is to provide a quarterly update to the Court, as required by the Order, on the work that the Rehabilitator and his staff have carried out since the issuance of the Order, to set out the present situation of the Company, and to provide a balance sheet and schedule of affiliated investments as of September 30, 2019, and a summary of operations and statement of cash flow through September 30, 2019.

### LIMITATIONS

This report is based only on the knowledge that the Rehabilitator and his staff have gained from the work performed since the issuance of the Order. Facts may exist that the Rehabilitator is unaware of that may have a material effect on the information provided in this report. The Rehabilitator will update the information in future quarterly reports as additional facts are discovered.

## SUMMARY

### COMPANY PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of the Company.

### REINSURANCE

The Company had assumed approximately $134m of policy reserves from Southland National Insurance Corporation, an affiliate, that was recaptured as of July 1, 2019.

The Company had assumed approximately $200m of policy reserves from Colorado Bankers Life Insurance Company, an affiliate, that was recaptured as of July 1, 2019.

**LITIGATION**
To the Rehabilitator's knowledge, at the time of the Order, the Company is not a party to any lawsuits.

**OTHER MATTERS**
- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against the Company's policies until such time as the Court approves lifting of the moratorium.
- Since all reinsurance agreements were recaptured as of July 1, 2019, the Company no longer has any business on its books. Remaining assets and liabilities are in the process of being liquidated.

**CONTINUATION OF BUSINESS**
A final decision as to the course of action to take with the Company has not yet been determined.

## INTRODUCTION TO SOUTHLAND NATIONAL REINSURANCE CORPORATION FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

Introduction and Basis of Presentation: The Company is a North Carolina domiciled pure captive insurance company that was placed in rehabilitation by the Wake County Superior Court on June 27, 2019. The Company is under the control of the Commissioner of Insurance of the State of North Carolina in his capacity as Court appointed Rehabilitator. It is the Rehabilitator's responsibility to take possession of the assets of the Company and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by the Company's staff for the period of April 1, 2019, to June 26, 2019, and subsequent to the Order under the direct supervision of the Rehabilitator's staff, as of September 30, 2019. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

Southland National Reinsurance Corporation
Balance Sheet
Septmeber 30, 2019

| | Sep-19 |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Checking/Savings | |
| Regions- Trust- 3191 | 6,410 |
| Regions- Trust- 3208 | 190 |
| Regions Bank- Custodial Account | 1,105 |
| Fifth Third Bank - 5666 | 1,127,290 |
| Wells Fargo | - |
| Total Checking/Savings | 1,134,995 |
| Other Current Assets | |
| Settlement Receivable- CBL | 404,101 |
| Settlement Receivable- NCM | 293,048 |
| Settlement Receivable-SNIC | (276,507) |
| Total Other Current Assets | 420,642 |
| Total Current Assets | 1,555,637 |
| Other Assets | |
| Deferred Acquisition Cost- NCM | - |
| Deferred Tax Asset | (186,305) |
| Funds Withheld- CBL | |
| Unrealized Gain/(Loss) | - |
| Funds Withheld- CBL - Other | - |
| Total Funds Withheld- CBL | - |
| Funds Withheld- NCM | |
| Unrealized Gain/(Loss) | - |
| Funds Withheld- NCM - Other | - |
| Total Funds Withheld- NCM | - |
| Funds Withheld- SNIC | |
| Unrealized Gain/(Loss) | - |
| Funds Withheld- SNIC - Other | - |
| Total Funds Withheld- SNIC | - |
| Total Other Assets | (186,305) |
| TOTAL ASSETS | 1,369,332 |
| **LIABILITIES & EQUITY** | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| Accounts Payable | - |
| Total Accounts Payable | - |
| Other Current Liabilities | |
| Due to Affiliates | |
| Due to ELI Research LLC | 7,005 |
| Due to SNH | (0) |
| Due to GBIG | 6,414,454 |
| Due to Eli Global | - |
| Total Due to Affiliates | 6,421,459 |
| Accrued Expenses | - |
| Advance Premium- NCM | - |
| Advance Premium- SNIC | - |
| Federal Income Taxes Payable | (5,504,022) |
| Premium Taxes Payable | - |
| Reserve for Life Policies- CBL | - |
| Reserve for Life Policies- NCM | - |
| Reserve for Life Policies- SNIC | - |
| Total Other Current Liabilities | 917,437 |
| Total Current Liabilities | 917,437 |
| Long Term Liabilities | |
| Deferred Reinsurance Gain | - |
| Total Long Term Liabilities | - |
| Total Liabilities | 917,437 |
| Equity | |
| Capital Stock | 100 |
| Additional Paid in Capital | 19,851,565 |
| Retained Earnings | (5,990,168) |
| Net Income | (12,409,602) |
| Total Equity | 451,895 |
| TOTAL LIABILITIES & EQUITY | 1,369,332 |

Southland National Reinsurance Corporation
Income Statement
Nine months ended Septmeber 30, 2019

| | Jan - Sep 19 |
|---|---|
| Ordinary Income/Expense | |
| Income | |
| Change in Due & Deferred- NCM | (41,965.85) |
| Change in Due & Deferred- SNIC | 13,580.65 |
| Change in Policy Loans- NCM | 238,552.65 |
| Gain on Reinsurance | 5,115,816.70 |
| Premium- CBL | (189,306,344.03) |
| Premium- NCM | |
| Policy Loans Assumed | - |
| Premium- NCM - Other | (97,894,984.59) |
| Total Premium- NCM | (97,894,984.59) |
| Premium- SNIC | (30,453,933.04) |
| Total Income | (312,333,277.51) |
| Expense | |
| Bank Service Charges | 225.03 |
| Benefit Payments- CBL | 13,162,671.54 |
| Benefit Payments- NCM | 4,069,442.35 |
| Benefit Payments- SNIC | 2,426,902.25 |
| Board of Director Fees | - |
| Change in Agg Reserves- CBL | (195,774,138.00) |
| Change in Agg Reserves- NCM | (90,585,065.00) |
| Change in Agg. Reserves- SNIC | (30,311,445.00) |
| Change in DAC- NCM | 4,684,074.20 |
| Change in DAC- SNIC | - |
| Commission Allowance | - |
| Expense Allowance- CBL | 2,285,509.30 |
| Expense Allowance- SNIC | 3,213,559.50 |
| Premium Tax Expense | 3,101.54 |
| Admin Fee- GBIG | 3,241,867.91 |
| Professional Fees | |
| Accounting | (80,000.03) |
| Actuarial | - |
| Consulting | - |
| Legal | - |
| Professional Fees - Other | - |
| Total Professional Fees | (80,000.03) |
| Travel Expense | - |
| Total Expense | (283,663,294.41) |
| Net Ordinary Income | (28,669,983.10) |
| Other Income/Expense | |
| Other Income | |
| Investment Income | |
| Unrealized Gain on Funds Held | 4,686,619.56 |
| Income- Funds Withheld- CBL | 8,826,851.78 |
| Income- Funds Withheld- NCM | 3,630,181.83 |
| Income-Funds Withheld-SNIC | 1,060,534.81 |
| Interest Income | 496.61 |
| Management Fees- GBIG | (446,521.87) |
| Management Fees- SNH | - |
| Total Investment Income | 17,758,164.72 |
| Total Other Income | 17,758,164.72 |
| Other Expense | |
| Federal Income Taxes- Current | - |
| Federal Income Taxes- Deferred | 1,497,784.00 |
| Total Other Expense | 1,497,784.00 |
| Net Other Income | 16,260,380.72 |
| Net Income | (12,409,602.38) |

**Southland National Reinsurance Corporation**
**Statement of Cash Flows**
**Nine months ended Septmeber 30, 2019**

| | Nine Months Ended 30-Sep-19 |
|---|---|
| Cash flows from operating activities: | |
| Net income | (12,409,602) |
| | |
| Adjustments to reconcile net income to net cash | |
| Deferred tax | 1,497,784 |
| Deferred gain on reinsurance | (5,750,555) |
| Unrealized Gain on Funds Held | (55,300) |
| | |
| Cash flows from changes in: | |
| Receivables from affiliates | 270,958 |
| Deferred acquisition costs | 4,684,074 |
| Future policy benefits | (316,670,648) |
| Unearned premium | (143,473) |
| Accrued expenses | (85,000) |
| Federal income tax receivable | 1,900,000 |
| Net cash provided by operating expenses | (326,761,761) |
| | |
| Cash flows from investing activities: | |
| Funds held by affiliates | 321,958,944 |
| Policy loans | 5,076,599 |
| Net cash used in investing activities | 327,035,543 |
| | |
| Net decrease in cash | 273,782 |
| | |
| Cash beginning of year | 861,213 |
| | |
| Cash end of period | 1,134,995 |

**BANKERS LIFE INSURANCE COMPANY**

**NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR**

**AS OF SEPTEMBER 30, 2019,**

**A BALANCE SHEET**

**AS OF SEPTEMBER 30, 2019**

**A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW**

**THROUGH SEPTEMBER 30, 2019**

**AND**

**A SCHEDULE OF AFFILIATED INVESTMENTS**

**AS OF SEPTEMBER 30, 2019**

## INTRODUCTION

### BACKGROUND

Bankers Life Insurance Company (hereinafter, "Company") was originally incorporated under the laws of the State of Florida as a stock life insurance company on May 9, 1973. On December 15, 2016, the Company redomesticated to North Carolina. On June 27, 2019, the Wake County Superior Court (hereinafter, the "Court") issued an Order of Rehabilitation (hereinafter, "Order") against the Company and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the "Rehabilitator"). On June 27, 2019, the Court also entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter "Moratorium").

The Company is part of a group of insurance companies known as Global Bankers Insurance Group (hereinafter, "GBIG"). GBIG is part of a larger group of companies known as Eli Global. Eli Global is owned by Greg Lindberg.

### PURPOSE OF THIS REPORT

The purpose of this report is to provide a quarterly update to the Court, as required by the Order, on the work that the Rehabilitator and his staff have carried out since the issuance of the Order, to set out the present situation of the Company, and to provide a balance sheet and schedule of affiliated investments as of September 30, 2019, and a summary of operations and statement of cash flow through September 30, 2019.

### LIMITATIONS

This report is based only on the knowledge that the Rehabilitator and his staff have gained from the work performed since the issuance of the Order. Facts may exist that the Rehabilitator is unaware of that may have a material effect on the information provided in this report. The Rehabilitator will update the information in future quarterly reports as additional facts are discovered.

## SUMMARY

### COMPANY PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of the Company.
- The Rehabilitator is currently evaluating the Company's in-force business and reinsurance programs in furtherance of determining the feasibility of a successful rehabilitation.

### INVESTMENT PORTFOLIO

The goal of the Rehabilitator is to reduce the amount of affiliated investments and to increase long-term liquidity. The non-affiliated investments are invested in publicly traded securities. The Rehabilitator is working with the management team of the Eli Global non-insurance operating companies on a plan to repay the affiliated investments.

- The Company has approximately 17% of its assets invested in affiliated investments as of September 30, 2019.

- Affiliated assets represent 236% of surplus.
- As of September 30, 2019, the Company wrote off its investments and loans to the various Agera Energy, LLC entities as Agera Energy, LLC and its affiliates filed for chapter 11 bankruptcy in October. The investments and loans were made through various financing companies and asset management companies. Agera Energy, LLC was considered an affiliated investment. The total amount of the write off was $1.6m.
- The Company received $2m for one of its zero-coupon bonds. This bond was sold at a gain of $172,000.

**EXPENSE REDUCTIONS**

- The Rehabilitator is evaluating the Company's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts.

**LITIGATION**

To the Rehabilitator's knowledge, at the time of the Order, the Company is not a party to any lawsuits.

**OTHER MATTERS**

- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against the Company's policies until such time as the Court approves lifting of the moratorium.
- In accordance with the Moratorium Order, the Rehabilitator has adopted and implemented a policy to provide substitute benefits in lieu of the contractual obligations of the Company for annuity benefits and cash withdrawals for policyholders who petition for payment under claims of legitimate hardship. As of November 6, 2019, 77 hardship cases have been received. 18 were approved, 13 were denied due to insufficient information, 22 were denied due to not meeting the hardship qualifications and 24 are in process.

**CONTINUATION OF BUSINESS**

The Company reduced writing the majority of new business in October 2018 and ceased all new business as of the date of the Order. A final decision as to the course of action to take with the Company has not yet been determined.

## INTRODUCTION TO BANKERS LIFE INSURANCE COMPANY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

Introduction and Basis of Presentation: The Company is a North Carolina domiciled life, accident and health insurance company that was placed in rehabilitation by the Wake County Superior Court on June 27, 2019. The Company is under the control of the Commissioner of Insurance of the State of North Carolina, in his capacity as Court appointed Rehabilitator. It is the Rehabilitator's responsibility to take possession of the assets of the Company and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by the Company's staff for the period of April 1, 2019 to June 26, 2019, and subsequent to the Order under the direct supervision of the Rehabilitator's staff, as of September 30, 2019. The financial statements have been prepared in accordance with Statutory Accounting Principles promulgated by the National Association of Insurance Commissioners.

On July 26, 2019, the Governor of North Carolina signed into law, House Bill 220. This bill amends N.C. Gen. Stat §58-19-10(b), which limits the amount of investments in affiliates and subsidiaries to the lessor of ten percent (10%) of the insurer's admitted assets or fifty percent (50%) of the insurer's policyholders' surplus, provided that after those investments, the insurer's policyholders' surplus will be reasonable in relation to the insurers' outstanding liabilities and adequate to its financial needs. The excess amount of affiliated investments should be non-admitted. As of September 30, 2019, the Company has $52m of excess affiliated investments. Should this amount be non-admitted, the Company would have a negative surplus of $24m.

# ASSETS

| | Current Statement Date 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 December 31 Prior Year Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds | 277,297,114 | | 277,297,114 | 296,024,422 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | 5,243,409 | | 5,243,409 | 0 |
| 2.2 Common stocks | 357,700 | | 357,700 | 402,700 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ ........ encumbrances) | | | 0 | 0 |
| 4.2 Properties held for the production of income (less $ ........ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less $ ........ encumbrances) | | | 0 | 0 |
| 5. Cash ($ 6,427,166 ), cash equivalents ($ 73,383,771 ) and short-term investments ($ 3,999,660 ) | 83,810,597 | | 83,810,597 | 78,316,450 |
| 6. Contract loans (including $ ........ premium notes) | 891 | | 891 | 41,759 |
| 7. Derivatives | 0 | | 0 | 0 |
| 8. Other invested assets | 0 | | 0 | 0 |
| 9. Receivables for securities | 24,897 | | 24,897 | 13 |
| 10. Securities lending reinvested collateral assets | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 366,734,608 | 0 | 366,734,608 | 374,785,344 |
| 13. Title plants less $ ........ charged off (for Title insurers only) | | | 0 | 0 |
| 14. Investment income due and accrued | 4,362,868 | | 4,362,868 | 3,515,345 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | | | 0 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ........ earned but unbilled premiums) | | | 0 | 470 |
| 15.3 Accrued retrospective premiums ($ ........ ) and contracts subject to redetermination ($ ........ ) | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 10,272,627 | | 10,272,627 | 16,108,622 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | 0 | 0 |
| 18.2 Net deferred tax asset | 7,209,802 | 3,823,641 | 3,386,161 | 2,973,336 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software | | | 0 | 0 |
| 21. Furniture and equipment, including health care delivery assets ($ ........ ) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 24,988 | | 24,988 | 0 |
| 24. Health care ($ ........ ) and other amounts receivable | | | 0 | 0 |
| 25. Aggregate write-ins for other-than-invested assets | 1,257,558 | 1,237,452 | 20,106 | 20,111 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 389,862,451 | 5,061,093 | 384,801,358 | 397,403,227 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 389,862,451 | 5,061,093 | 384,801,358 | 397,403,227 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. Miscellaneous Receivables | 20,106 | | 20,106 | 20,111 |
| 2502. Negative Interest Maintenance Reserve | 1,237,452 | 1,237,452 | 0 | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 1,257,558 | 1,237,452 | 20,106 | 20,111 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1<br>Current<br>Statement Date | 2<br>December 31<br>Prior Year |
|---|---|---|
| 1. Aggregate reserve for life contracts $ ........ less $ ........ included in Line 6.3 (including $ ........ Modco Reserve) | 346,960,170 | 356,702,874 |
| 2. Aggregate reserve for accident and health contracts (including $ ........ Modco Reserve) | | 0 |
| 3. Liability for deposit-type contracts (including $ ........ Modco Reserve) | 5,241,377 | 4,730,744 |
| 4. Contract claims: | | |
| 4.1 Life | 384,005 | 242,728 |
| 4.2 Accident and health | | 0 |
| 5. Policyholders' dividends/refunds to members $ ........ and coupons $ ........ due and unpaid | | 0 |
| 6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year—estimated amounts: | | |
| 6.1 Policyholders' dividends and refunds to members apportioned for payment (including $ ........ Modco) | | 0 |
| 6.2 Policyholders' dividends and refunds to members not yet apportioned (including $ ........ Modco) | | 0 |
| 6.3 Coupons and similar benefits (including $ ........ Modco) | | 0 |
| 7. Amount provisionally held for deferred dividend policies not included in Line 6 | | 0 |
| 8. Premiums and annuity considerations for life and accident and health contracts received in advance less $ ........ discount; including $ ........ accident and health premiums | | 0 |
| 9. Contract liabilities not included elsewhere: | | |
| 9.1 Surrender values on canceled contracts | | 0 |
| 9.2 Provision for experience rating refunds, including the liability of $ ........ accident and health experience rating refunds of which $ ........ is for medical loss ratio rebate per the Public Health Service Act | | 0 |
| 9.3 Other amounts payable on reinsurance, including $ ........ assumed and $ ........ ceded | 27,379 | 25,612 |
| 9.4 Interest Maintenance Reserve | 0 | 144,227 |
| 10. Commissions to agents due or accrued-life and annuity contracts $ ........, accident and health $ ........ and deposit-type contract funds $ ........ | | 0 |
| 11. Commissions and expense allowances payable on reinsurance assumed | | 0 |
| 12. General expenses due or accrued | 45,769 | 39,794 |
| 13. Transfers to Separate Accounts due or accrued (net) (including $ ........ accrued for expense allowances recognized in reserves, net of reinsured allowances) | | 0 |
| 14. Taxes, licenses and fees due or accrued, excluding federal income taxes | | 0 |
| 15.1 Current federal and foreign income taxes, including $ ........ on realized capital gains (losses) | 452,650 | 437,662 |
| 15.2 Net deferred tax liability | | 0 |
| 16. Unearned investment income | | 304 |
| 17. Amounts withheld or retained by reporting entity as agent or trustee | 340,528 | 292,714 |
| 18. Amounts held for agents' account, including $ ........ agents' credit balances | | 0 |
| 19. Remittances and items not allocated | 327,871 | 158,455 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | 0 |
| 21. Liability for benefits for employees and agents if not included above | | 0 |
| 22. Borrowed money $ ........ and interest thereon $ ........ | | 0 |
| 23. Dividends to stockholders declared and unpaid | | 0 |
| 24. Miscellaneous liabilities: | | |
| 24.01 Asset valuation reserve | 1,079,743 | 1,939,775 |
| 24.02 Reinsurance in unauthorized and certified ($ ........) companies | | 0 |
| 24.03 Funds held under reinsurance treaties with unauthorized and certified ($ ........) reinsurers | | 0 |
| 24.04 Payable to parent, subsidiaries and affiliates | 74,484 | 109,015 |
| 24.05 Drafts outstanding | | 0 |
| 24.06 Liability for amounts held under uninsured plans | | 0 |
| 24.07 Funds held under coinsurance | | 0 |
| 24.08 Derivatives | 0 | 0 |
| 24.09 Payable for securities | 1,714,952 | 0 |
| 24.10 Payable for securities lending | | 0 |
| 24.11 Capital notes $ ........ and interest thereon $ ........ | | 0 |
| 25. Aggregate write-ins for liabilities | 0 | 120 |
| 26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) | 356,648,728 | 364,824,024 |
| 27. From Separate Accounts statement | | 0 |
| 28. Total liabilities (Lines 26 and 27) | 356,648,728 | 364,824,024 |
| 29. Common capital stock | 2,176,504 | 2,176,504 |
| 30. Preferred capital stock | 823,496 | 823,496 |
| 31. Aggregate write-ins for other than special surplus funds | 6,071 | 24,541 |
| 32. Surplus notes | 3,000,000 | 3,000,000 |
| 33. Gross paid in and contributed surplus | 41,623,795 | 41,623,795 |
| 34. Aggregate write-ins for special surplus funds | 0 | 0 |
| 35. Unassigned funds (surplus) | (19,477,236) | (15,069,133) |
| 36. Less treasury stock, at cost: | | |
| 36.1 ........ shares common (value included in Line 29 $ ........) | | 0 |
| 36.2 ........ shares preferred (value included in Line 30 $ ........) | | 0 |
| 37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including $ ........ in Separate Accounts Statement) | 25,152,630 | 29,579,203 |
| 38. Totals of Lines 29, 30 and 37 | 28,152,630 | 32,579,203 |
| 39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) | 384,801,358 | 397,403,227 |
| **DETAILS OF WRITE-INS** | | |
| 2501. Unclaimed Property | | 120 |
| 2502. | | |
| 2503. | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 0 | 120 |
| 3101. Deferred Gain on Ceded Reinsurance | 6,071 | 24,541 |
| 3102. | | |
| 3103. | | |
| 3198. Summary of remaining write-ins for Line 31 from overflow page | 0 | 0 |
| 3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above) | 6,071 | 24,541 |
| 3401. | | |
| 3402. | | |
| 3403. | | |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | 0 | 0 |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | 0 | 0 |

# SUMMARY OF OPERATIONS

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>Year to Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| 1. Premiums and annuity considerations for life and accident and health contracts | 261,177 | 218,346,841 | 267,922,351 |
| 2. Considerations for supplementary contracts with life contingencies | | 0 | 0 |
| 3. Net investment income | 14,250,082 | 8,640,705 | 13,036,213 |
| 4. Amortization of Interest Maintenance Reserve (IMR) | (31,653) | 89,716 | 100,537 |
| 5. Separate Accounts net gain from operations excluding unrealized gains or losses | | 0 | 0 |
| 6. Commissions and expense allowances on reinsurance ceded | 71,009 | 1,932,862 | 1,941,191 |
| 7. Reserve adjustments on reinsurance ceded | | 0 | 0 |
| 8. Miscellaneous Income: | | | |
| 8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts | | 0 | 0 |
| 8.2 Charges and fees for deposit-type contracts | 42,334 | 120,642 | 123,336 |
| 8.3 Aggregate write-ins for miscellaneous income | 15,749 | 19,952 | 28,639 |
| 9. Totals (Lines 1 to 8.3) | 14,608,698 | 229,150,719 | 283,152,267 |
| 10. Death benefits | 124,128 | 144,124 | 238,564 |
| 11. Matured endowments (excluding guaranteed annual pure endowments) | | 0 | 0 |
| 12. Annuity benefits | 181,046 | 27,522 | 43,524 |
| 13. Disability benefits and benefits under accident and health contracts | | 0 | 0 |
| 14. Coupons, guaranteed annual pure endowments and similar benefits | | 0 | 0 |
| 15. Surrender benefits and withdrawals for life contracts | 18,721,104 | 12,333,576 | 20,573,519 |
| 16. Group conversions | | 0 | 0 |
| 17. Interest and adjustments on contract or deposit-type contract funds | 153,286 | 201,143 | 249,571 |
| 18. Payments on supplementary contracts with life contingencies | 168,010 | 184,211 | 294,349 |
| 19. Increase in aggregate reserves for life and accident and health contracts | (9,742,704) | 212,500,686 | 257,752,188 |
| 20. Totals (Lines 10 to 19) | 9,604,980 | 225,391,262 | 279,151,715 |
| 21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 2,441 | 7,747,323 | 9,250,594 |
| 22. Commissions and expense allowances on reinsurance assumed | | 0 | 0 |
| 23. General insurance expenses and fraternal expenses | 5,750,948 | 3,696,353 | 6,327,869 |
| 24. Insurance taxes, licenses and fees, excluding federal income taxes | 498,917 | 875,791 | 691,412 |
| 25. Increase in loading on deferred and uncollected premiums | (630) | 0 | 0 |
| 26. Net transfers to or (from) Separate Accounts net of reinsurance | | 0 | 0 |
| 27. Aggregate write-ins for deductions | 63,908 | 1,014,115 | 1,140,270 |
| 28. Totals (Lines 20 to 27) | 15,920,464 | 238,724,844 | 296,561,770 |
| 29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) | (1,311,766) | (9,574,126) | (13,409,503) |
| 30. Dividends to policyholders and refunds to members | 0 | 0 | 0 |
| 31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30) | (1,311,766) | (9,574,126) | (13,409,503) |
| 32. Federal and foreign income taxes incurred (excluding tax on capital gains) | | 269,035 | 524,766 |
| 33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) | (1,311,766) | (9,843,161) | (13,934,269) |
| 34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 0 (excluding taxes of $ 375,696 transferred to the IMR) | (2,374,781) | 24,517 | 34,202 |
| 35. Net income (Line 33 plus Line 34) | (3,686,547) | (9,818,644) | (13,900,068) |
| **CAPITAL AND SURPLUS ACCOUNT** | | | |
| 36. Capital and surplus, December 31, prior year | 32,579,202 | 35,728,324 | 35,728,324 |
| 37. Net income (Line 35) | (3,686,547) | (9,818,644) | (13,900,068) |
| 38. Change in net unrealized capital gains (losses) less capital gains tax of $ | (367,176) | (63,555) | 11,203 |
| 39. Change in net unrealized foreign exchange capital gain (loss) | | 0 | (390,784) |
| 40. Change in net deferred income tax | 368,391 | 2,096,827 | 3,584,125 |
| 41. Change in nonadmitted assets | (1,582,803) | (331,591) | (1,528,482) |
| 42. Change in liability for reinsurance in unauthorized and certified companies | | 0 | 0 |
| 43. Change in reserve on account of change in valuation basis, (increase) or decrease | | 0 | 0 |
| 44. Change in asset valuation reserve | 660,033 | (526,335) | (675,031) |
| 45. Change in treasury stock | | 0 | 0 |
| 46. Surplus (contributed to) withdrawn from Separate Accounts during period | | 0 | 0 |
| 47. Other changes in surplus in Separate Accounts Statement | | 0 | 0 |
| 48. Change in surplus notes | | 0 | 0 |
| 49. Cumulative effect of changes in accounting principles | | 0 | 0 |
| 50. Capital changes: | | | |
| 50.1 Paid in | | 0 | 0 |
| 50.2 Transferred from surplus (Stock Dividend) | | 0 | 0 |
| 50.3 Transferred to surplus | | 0 | 0 |
| 51. Surplus adjustment: | | | |
| 51.1 Paid in | | 10,000,000 | 10,000,000 |
| 51.2 Transferred to capital (Stock Dividend) | | 0 | 0 |
| 51.3 Transferred from capital | | 0 | 0 |
| 51.4 Change in surplus as a result of reinsurance | | 0 | 0 |
| 52. Dividends to stockholders | | 0 | 0 |
| 53. Aggregate write-ins for gains and losses in surplus | (18,470) | (241,765) | (250,085) |
| 54. Net change in capital and surplus (Lines 37 through 53) | (4,426,572) | 1,114,937 | (3,149,122) |
| 55. Capital and surplus as of statement date (Lines 36 + 54) | 28,152,630 | 36,843,261 | 32,579,202 |
| **DETAILS OF WRITE-INS** | | | |
| 08.301. Administrative and Service Fee Income | 15,749 | 19,952 | 28,639 |
| 08.302. | | | |
| 08.303. | | | |
| 08.398. Summary of remaining write-ins for Line 8.3 from overflow page | 0 | 0 | 0 |
| 08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above) | 15,749 | 19,952 | 28,639 |
| 2701. Reinsurance Funds Withheld Investment Income | | 1,014,115 | 1,140,270 |
| 2702. | | | |
| 2703. Miscellaneous Expenses | 62,280 | | |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | 1,628 | 0 | 0 |
| 2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above) | 63,908 | 1,014,115 | 1,140,270 |
| 5301. Deferred Gain on Ceded Reinsurance | (18,470) | (241,765) | (250,085) |
| 5302. | | | |
| 5303. | | | |
| 5398. Summary of remaining write-ins for Line 53 from overflow page | 0 | 0 | 0 |
| 5399. Totals (Lines 5301 through 5303 plus 5398) (Line 53 above) | (18,470) | (241,765) | (250,085) |

# CASH FLOW

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **Cash from Operations** | | | |
| 1. Premiums collected net of reinsurance | 262,277 | 218,354,540 | 267,929,580 |
| 2. Net investment income | 13,104,051 | 6,747,173 | 10,609,368 |
| 3. Miscellaneous income | 129,092 | 2,073,456 | 2,093,166 |
| 4. Total (Lines 1 to 3) | 13,495,421 | 227,175,169 | 280,632,113 |
| 5. Benefit and loss related payments | 13,368,545 | 34,621,173 | 59,936,646 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | 0 | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 6,356,008 | 13,299,529 | 17,490,280 |
| 8. Dividends paid to policyholders | 0 | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses) | 0 | (4,578) | 0 |
| 10. Total (Lines 5 through 9) | 19,724,553 | 47,916,124 | 77,426,926 |
| 11. Net cash from operations (Line 4 minus Line 10) | (6,229,132) | 179,259,045 | 203,205,187 |
| **Cash from Investments** | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 75,534,931 | 137,034,253 | 148,809,301 |
| 12.2 Stocks | 111,303 | 0 | 0 |
| 12.3 Mortgage loans | 0 | 14,754,982 | 14,754,982 |
| 12.4 Real estate | 0 | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 810 | (18,246) | (18,164) |
| 12.7 Miscellaneous proceeds | 5,080,103 | 5,970,749 | 4,623,211 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 80,727,147 | 157,741,738 | 168,169,330 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 61,059,048 | 269,374,969 | 329,596,380 |
| 13.2 Stocks | 5,477,963 | 0 | 0 |
| 13.3 Mortgage loans | 0 | 14,754,982 | 14,754,982 |
| 13.4 Real estate | 0 | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 | 0 |
| 13.6 Miscellaneous applications | 3,203,052 | 13,611 | 262,611 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 69,740,064 | 284,143,562 | 344,613,972 |
| 14. Net increase (or decrease) in contract loans and premium notes | (40,868) | (1,669) | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 11,027,952 | (126,400,155) | (176,444,642) |
| **Cash from Financing and Miscellaneous Sources** | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | 0 | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | 0 | 10,000,000 | 10,000,000 |
| 16.3 Borrowed funds | 0 | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | 510,633 | 1,241,162 | 1,294,600 |
| 16.5 Dividends to stockholders | 0 | 0 | 0 |
| 16.6 Other cash provided (applied) | 184,695 | (31,802,506) | (58,224,264) |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | 695,329 | (20,561,344) | (46,929,664) |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 5,494,146 | 32,297,546 | (20,169,120) |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 78,316,451 | 98,485,571 | 98,485,571 |
| 19.2 End of period (Line 18 plus Line 19.1) | 83,810,598 | 130,783,117 | 78,316,451 |

# OVERFLOW PAGE FOR WRITE-INS

LQ004 Additional Aggregate Lines for Page 04 Line 27.
*SUMOPS

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| 2704. Fines & Penalties | 1,626 | | |
| 2797. Summary of remaining write-ins for Line 27 from Page 04 | 1,626 | 0 | 0 |

**BANKERS LIFE INSURANCE COMPANY**
**SCHEDULE OF AFFILIATED INVESTMENTS**
**JUNE 30, 2019 AND SEPTEMBER 30, 2019 COMPARISON**

| Trust Account | CUSIP Identification | Description | Actual Cost | Book/ Adjusted Carrying Value June 30, 2019 | Book/ Adjusted Carrying Value September 30, 2019 | Change |
|---|---|---|---|---|---|---|
| N/A | 9947669V1 | NIH CAPITAL, LLC | 759,233 | 759,233 | 759,233 | - |
| N/A | 9944639X1 | CV INVESTMENTS, LLC | 1,102,461 | 1,102,461 | 1,102,461 | - |
| N/A | 9942228W1 | GILFORD ASSET MANAGEMENT, LLC | 147,347 | 147,347 | 147,347 | - |
| N/A | 9941557U3 | HPCSP INVESTMENTS, LLC | 584,018 | 584,018 | 584,018 | - |
| N/A | 9941328T5 | ACADEMY FINANCIAL ASSETS, LLC | 2,013,040 | 2,013,040 | 2,013,040 | - |
| N/A | 9941318T3 | CAPITAL ASSETS MANAGEMENT II, LLC | 1,365,633 | 1,365,633 | 1,365,633 | - |
| N/A | 9941317V6 | CAPITAL ASSETS FUND IV, LLC | 3,491,012 | 4,291,011 | 3,491,012 | (799,999) |
| N/A | 9941317U8 | CAPITAL ASSETS FUND V, LLC | 3,867,012 | 4,291,011 | 3,867,012 | (423,999) |
| N/A | 9941317T1 | CAPITAL ASSETS FUND II, LLC | 2,627,968 | 2,796,219 | 2,627,968 | (168,251) |
| N/A | 87339#AA3 | TAC INVESTMENTS LLC | 5,444,304 | 5,444,304 | 5,444,304 | - |
| N/A | 86576#AA7 | SUMMERVILLE ASSET MANAGEMENT, LLC | 1,005,189 | 1,089,065 | 1,005,189 | (83,877) |
| N/A | 78013GSS5 | ROYAL BK CDA | 2,170,000 | 2,170,000 | 2,170,000 | - |
| N/A | 72083RAA7 | PIERRE MENDES LLC | 5,999,999 | 6,000,000 | 5,999,999 | (1) |
| N/A | 65532NAA7 | NOM GB 2018 I LLC | 1,819,285 | 1,818,471 | 1,818,308 | (163) |
| N/A | 46662#AA6 | JACKSON ASSET MANAGEMENT, LLC | 762,154 | 762,154 | 762,154 | 0 |
| N/A | 46563@AA8 | ITECH FUNDING LLC | 1,021,304 | 1,021,304 | 1,021,304 | - |
| N/A | 46275@AA7 | IRON CITY ASSET MANAGEMENT, LLC | 741,186 | 855,818 | 741,186 | (114,632) |
| N/A | 40905#AA6 | HAMPTON ASSET MANAGEMENT, LLC | 871,091 | 871,091 | 871,091 | - |
| N/A | 37940*AA3 | Academy Financial Assets, LLC | 3,136,069 | 3,146,257 | 3,136,069 | (10,188) |
| N/A | 37562#AA6 | Gilford Asset Management, LLC | 4,495,895 | 4,495,895 | 4,495,895 | - |
| N/A | 35472MAA4 | FRANKLIN STR 2018-1 LLC | 3,073,128 | 4,992,897 | 3,073,128 | (1,919,769) |
| N/A | 13973@AA2 | CAPITAL ASSETS FUND I LLC | 3,187,786 | 3,187,786 | 3,187,786 | - |
| N/A | 06739FJM4 | BARCLAYS BANK PLC | 6,022,186 | 6,021,984 | 6,022,138 | 154 |
| N/A | 06367UAA5 | BANK MONTREAL MEDIUM TERM SR BK NTS BOOK ENTRY 14- | 5,000,000 | 5,000,000 | 5,000,000 | - |
| N/A | 05777@AA6 | BALDWIN ASSET MANAGEMENT, LLC | 1,051,309 | 1,062,928 | 1,051,309 | (11,619) |
| N/A | 04686@AA9 | AUGUSTA ASSET MANAGEMENT, LLC | 4,271,474 | 4,271,474 | 4,271,474 | - |
| | | Total Affiliated Investments | 66,030,084 | 69,561,402 | 66,029,059 | (3,532,343) |

| **Summary of activity (rounded to hundred-thousands)** | |
|---|---|
| OTTI write-off due to Agera exposure. | $ (1,600,000) |
| Franklin St zero-coupon proceeds | (2,000,000) |
| Total | $ (3,600,000) |

# COLORADO BANKERS LIFE INSURANCE COMPANY

NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR

AS OF SEPTEMBER 30, 2019,

A BALANCE SHEET

AS OF SEPTEMBER 30, 2019

A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW

THROUGH SEPTEMBER 30, 2019

AND

A SCHEDULE OF AFFILIATED INVESTMENTS

AS OF SEPTEMBER 30, 2019

## INTRODUCTION

### BACKGROUND

Colorado Bankers Life Insurance Company (hereinafter, "Company") was originally incorporated under the laws of the State of Colorado as a stock life insurance company on May 28, 1974. On December 14, 2015, the Company redomesticated to North Carolina. On June 27, 2019, the Wake County Superior Court (hereinafter, the "Court") issued an Order of Rehabilitation (hereinafter, "Order") against the Company and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the "Rehabilitator"). On June 27, 2019, the Court also entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter "Moratorium").

The Company is part of a group of insurance companies known as Global Bankers Insurance Group (hereinafter, "GBIG"). GBIG is part of a larger group of companies known as Eli Global. Eli Global is owned by Greg Lindberg.

### PURPOSE OF THIS REPORT

The purpose of this report is to provide a quarterly update to the Court, as required by the Order, on the work that the Rehabilitator and his staff have carried out since the issuance of the Order, to set out the present situation of the Company, and to provide a balance sheet and schedule of affiliated investments as of September 30, 2019, and a summary of operations and statement of cash flow through September 30, 2019.

### LIMITATIONS

This report is based only on the knowledge that the Rehabilitator and his staff have gained from the work performed since the issuance of the Order. Facts may exist that the Rehabilitator is unaware of that may have a material effect on the information provided in this report. The Rehabilitator will update the information in future quarterly reports as additional facts are discovered.

## SUMMARY

### COMPANY PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of the Company.
- The Rehabilitator is currently evaluating the Company's in-force business and reinsurance programs in furtherance of determining the feasibility of a successful rehabilitation.

### INVESTMENT PORTFOLIO

The goal of the Rehabilitator is to reduce the amount of affiliated investments and to increase long-term liquidity. The non-affiliated investments are invested in publicly traded securities. The Rehabilitator is working with the management team of the Eli Global non-insurance operating companies on a plan to repay the affiliated investments.

- The Company has approximately 40% of its assets invested in affiliated investments as of September 30, 2019.

- Affiliated assets represent 918% of surplus.
- As of September 30, 2019, the Company wrote off its investments and loans to the various Agera Energy, LLC entities as Agera Energy, LLC and its affiliates filed for bankruptcy in October. The investments and loans were made through various financing companies and asset management companies. Agera Energy, LLC was considered an affiliated investment. The total amount of the write off was $43.4m.
- The Company received $41.8m in proceeds from sale of affiliated investments, Medical Physics and Finanzen.
- The Company received $18.5m for one of its zero-coupon bonds. This bond was sold at a gain of $1.6m.
- As part of the initial proceeds from the sale of Pavonia Life Insurance Company of Michigan, the Company received approximately $15m.
- In June 2019, the Company extended a $40m line of credit (LOC) to American Financial Academy, LLC, an affiliate, for liquidity purposes. As of September 30, 2019, $39.9m had been advanced. The LOC requires monthly interest payments and matures on June 27, 2020.

**REINSURANCE**
The Company had ceded approximately $200m of policy reserves to Southland National Reinsurance Corporation, an affiliate, that was recaptured effective July 1, 2019.

**EXPENSE REDUCTIONS**

- The Rehabilitator is evaluating the Company's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts.

**LITIGATION**
To the Rehabilitator's knowledge, at the time of the Order, the Company is a party to the following lawsuits:

***Nathan Safford v. Colorado Bankers Life Insurance Company, Benefits for America, William Maxwell McMullen, et al.,*** **Case No. CV-17-900014, Circuit Court for Bullock County, State of Alabama**

The case was filed on February 7, 2019, alleging misrepresentation, fraudulent suppression, breach of fiduciary duty, negligence, negligent hiring/training/supervision, and conspiracy regarding sale of life insurance policies.

Plaintiff filed a second amended complaint on February 7, 2019, along with written discovery. The complaint joined new party defendants. Those new defendants were Greg Lindberg; Southland National Holdings, Inc.; Global Bankers Insurance Group, LLC; SNA Capital, LLC; and Bankers Reinsurance Company Ltd. The newly joined defendants, including Southland National Holdings, Inc., moved to dismiss the complaint on March 18. This motion remains pending.

On September 4, 2019, the Court entered an order staying the action and moving it to the Administrative docket.

***Harry Smith v. Colorado Bankers Life Insurance Company, Benefits for America, William Maxwell McMullen, et al.,* Case No. CV-17-000485, Circuit Court for Montgomery County, State of Alabama**

The case was filed on February 8, 2019, alleging misrepresentation, fraudulent suppression, breach of fiduciary duty, negligence, negligent hiring/training/supervision, and conspiracy regarding sale of life insurance policies.

Plaintiff filed a second amended complaint on February 7, 2019, along with written discovery. The complaint joined new party defendants. Those new defendants were Greg Lindberg; Southland National Holdings, Inc.; Global Bankers Insurance Group, LLC; SNA Capital, LLC; and Bankers Reinsurance Company Ltd. The newly joined defendants, including Southland National Holdings, Inc., moved to dismiss the complaint on March 18. This motion was denied on April 2, 2019.

On September 9, 2019, the Court entered an order staying the action and setting a status conference for September 15, 2020.

***Colorado Bankers Life Insurance Company v. Avalon by the Sea AC, LLC, et al.,* Case no. 18-SM-cv-00144, Superior Court of California, Los Angeles County**

The case was filed on October 17, 2018. The Company sued Avalon, alleging default on credit facility for rehab facilities in Southern California. Alpine Capital is the agent/servicer.

Appointed receiver is attempting to maximize value and ultimately sell assets of Avalon.

On October 3, 2019, the Court held a status conference and ordered the parties to show cause as to why the case was not yet dismissed. CBLI and the appointed receiver requested an extension of time for the receiver to maximize value and sell the facility. A status conference and hearing Order to Show Cause will be held on January 16, 2020.

***In re Marriage of Alice C. Lager v. Howard E. Lager and Global Bankers Insurance Group (potential joinder of Colorado Bankers Life Insurance Company),* Case No. 18WHFL00213, Superior Court of California, County of Los Angeles**

The case was filed on May 22, 2019. Divorce proceeding in which Petitioner alleges an interest in the Colorado Bankers Life Insurance Company's policies of Respondent.

Joinder was filed adding GBIG, LLC as defendant in divorce proceeding on May 22, 2019. Defendant/Husband is a policyholder of Colorado Bankers Life Insurance Company.

Plaintiff's counsel agreed to stay the action as it relates to GBIG, LLC because GBIG, LLC is in rehabilitation under the control of the Michigan Department of Insurance.

**OTHER MATTERS**

- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against the Company's policies until such time as the Court approves lifting of the moratorium.
- In accordance with the Moratorium Order, the Rehabilitator has adopted and implemented a policy to provide substitute benefits in lieu of the contractual obligations of the Company for annuity benefits and cash withdrawals for policyholders who petition for payment under claims of legitimate hardship. As of November 6, 2019, 447 hardship cases have been received. 191 were approved, 109 were denied due to insufficient information, 43 were denied due to not meeting the hardship qualifications and 104 are in process.

**CONTINUATION OF BUSINESS**

The Company reduced writing the majority of new business in October 2018 and ceased all new business as of the date of the Order. A final decision as to the course of action to take with the Company has not yet been determined.

## INTRODUCTION TO COLORADO BANKERS LIFE INSURANCE COMPANY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

Introduction and Basis of Presentation: The Company is a North Carolina domiciled life, accident and health insurance company that was placed in rehabilitation by the Wake County Superior Court on June 27, 2019. The Company is under the control of the Commissioner of Insurance of the State of North Carolina, in his capacity as Court appointed Rehabilitator. It is the Rehabilitator's responsibility to take possession of the assets of the Company and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by the Company's staff for the period of April 1, 2019, to June 26, 2019, and subsequent to the Order under the direct supervision of the Rehabilitator's staff, as of September 30, 2019. The financial statements have been prepared in accordance with Statutory Accounting Principles promulgated by the National Association of Insurance Commissioners.

On July 26, 2019, the Governor of North Carolina signed into law, House Bill 220. This bill amends N.C. Gen. Stat §58-19-10(b), which limits the amount of investments in affiliates and subsidiaries to the lessor of ten percent (10%) of the insurer's admitted assets or fifty percent (50%) of the insurer's policyholders' surplus, provided that after those investments, the insurer's policyholders' surplus will be reasonable in relation to the insurers' outstanding liabilities and adequate to its financial needs. The excess amount of affiliated investments should be non-admitted. As of September 30, 2019, the Company has $973m of excess affiliated investments. Should this amount be non-admitted, the Company would have a negative surplus of $860m.

# ASSETS

| | Current Statement Date 1 Assets | Current Statement Date 2 Nonadmitted Assets | Current Statement Date 3 Net Admitted Assets (Cols. 1 - 2) | 4 December 31 Prior Year Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds | 1,972,016,999 | | 1,972,016,999 | 2,206,501,752 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | 67,412,313 | | 67,412,313 | 0 |
| 2.2 Common stocks | 2,409,400 | | 2,409,400 | 1,186,700 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ ........ encumbrances) | 5,970,400 | | 5,970,400 | 0 |
| 4.2 Properties held for the production of income (less $ ........ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less $ ........ encumbrances) | | | 0 | 0 |
| 5. Cash ($ 30,427,630 ), cash equivalents ($ 366,683,474 ) and short-term investments ($ 46,161,655 ) | 454,936,575 | | 454,936,575 | 409,894,420 |
| 6. Contract loans (including $ ........ premium notes) | 8,076,746 | | 8,076,746 | 7,591,174 |
| 7. Derivatives | 1,300,438 | | 1,300,438 | 287,927 |
| 8. Other invested assets | 0 | | 0 | 0 |
| 9. Receivables for securities | 24,362,789 | | 24,362,789 | 6,100,000 |
| 10. Securities lending reinvested collateral assets | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 2,536,485,650 | 0 | 2,536,485,650 | 2,626,641,883 |
| 13. Title plants less $ ........ charged off (for Title insurers only) | | | 0 | 0 |
| 14. Investment income due and accrued | 43,568,818 | | 43,568,818 | 25,409,206 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 485,870 | 11,437 | 474,433 | 528,065 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ........ earned but unbilled premiums) | 9,087,111 | | 9,087,111 | 9,653,509 |
| 15.3 Accrued retrospective premiums ($ ........ ) and contracts subject to redetermination ($ ........ ) | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 316,244 | 84,522 | 231,722 | 56,980 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | 158,662 | | 158,662 | 2,345,475 |
| 17. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 3,238,239 | | 3,238,239 | 965,067 |
| 18.2 Net deferred tax asset | 52,677,877 | 41,597,022 | 11,080,855 | 11,198,457 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software | | | 0 | 0 |
| 21. Furniture and equipment, including health care delivery assets ($ ........ ) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 120,255 | | 120,255 | 312 |
| 24. Health care ($ ........ ) and other amounts receivable | (120,807) | | (120,807) | 5,485 |
| 25. Aggregate write-ins for other-than-invested assets | 10,989,795 | 10,489,795 | 500,000 | 290,988 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 2,657,016,724 | 52,182,876 | 2,604,833,848 | 2,677,105,437 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 2,657,016,724 | 52,182,876 | 2,604,833,848 | 2,677,105,437 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | 0 | 0 |
| 1102. | | | 0 | 0 |
| 1103. | | | 0 | 0 |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. Miscellaneous Receivables | 500,000 | | 500,000 | 290,988 |
| 2502. Negative Interest Maintenance Reserve | 10,489,795 | 10,489,795 | 0 | 0 |
| 2503. | | | 0 | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 10,989,795 | 10,489,795 | 500,000 | 290,988 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | 1<br>Current Statement Date | 2<br>December 31 Prior Year |
|---|---|---|
| 1. Aggregate reserve for life contracts $ ........ less $ ........ included in Line 6.3 (including $ ........ Modco Reserve) | 2,327,193,471 | 2,112,238,757 |
| 2. Aggregate reserve for accident and health contracts (including $ ........ Modco Reserve) | 817,401 | 1,034,240 |
| 3. Liability for deposit-type contracts (including $ ........ Modco Reserve) | 12,139,032 | 13,910,151 |
| 4. Contract claims: | | |
| 4.1 Life | 9,397,555 | 21,276,062 |
| 4.2 Accident and health | 159,766 | 287,206 |
| 5. Policyholders' dividends/refunds to members $ ........ and coupons $ ........ due and unpaid | | 0 |
| 6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year—estimated amounts: | | |
| 6.1 Policyholders' dividends and refunds to members apportioned for payment (including $ ........ Modco) | | 0 |
| 6.2 Policyholders' dividends and refunds to members not yet apportioned (including $ ........ Modco) | | 0 |
| 6.3 Coupons and similar benefits (including $ ........ Modco) | | 0 |
| 7. Amount provisionally held for deferred dividend policies not included in Line 6 | | 0 |
| 8. Premiums and annuity considerations for life and accident and health contracts received in advance less $ ........ discount; including $ ........ accident and health premiums | 669,841 | 1,569,622 |
| 9. Contract liabilities not included elsewhere: | | |
| 9.1 Surrender values on canceled contracts | | 0 |
| 9.2 Provision for experience rating refunds, including the liability of $ ........ accident and health experience rating refunds of which $ ........ is for medical loss ratio rebate per the Public Health Service Act | | 0 |
| 9.3 Other amounts payable on reinsurance, including $ ........ assumed and $ ........ ceded | 10,743,800 | 571,164 |
| 9.4 Interest Maintenance Reserve | 0 | 3,161,398 |
| 10. Commissions to agents due or accrued-life and annuity contracts $ ........, accident and health $ ........ and deposit-type contract funds $ ........ | 10,470 | 8,439 |
| 11. Commissions and expense allowances payable on reinsurance assumed | | 0 |
| 12. General expenses due or accrued | 37,494 | 139,484 |
| 13. Transfers to Separate Accounts due or accrued (net) (including $ ........ accrued for expense allowances recognized in reserves, net of reinsured allowances) | | 0 |
| 14. Taxes, licenses and fees due or accrued, excluding federal income taxes | 1,173,116 | 2,238,141 |
| 15.1 Current federal and foreign income taxes, including $ ........ on realized capital gains (losses) | | 0 |
| 15.2 Net deferred tax liability | | 0 |
| 16. Unearned investment income | | 0 |
| 17. Amounts withheld or retained by reporting entity as agent or trustee | 65,062 | 0 |
| 18. Amounts held for agents' account, including $ ........ agents' credit balances | | 0 |
| 19. Remittances and items not allocated | 2,569,835 | 1,179,638 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | 0 |
| 21. Liability for benefits for employees and agents if not included above | | 0 |
| 22. Borrowed money $ ........ and interest thereon $ ........ | | 0 |
| 23. Dividends to stockholders declared and unpaid | | 0 |
| 24. Miscellaneous liabilities: | | |
| 24.01 Asset valuation reserve | 85,510 | 6,610,196 |
| 24.02 Reinsurance in unauthorized and certified ($ ........) companies | | 0 |
| 24.03 Funds held under reinsurance treaties with unauthorized and certified ($ ........) reinsurers | 114,350,011 | 313,351,251 |
| 24.04 Payable to parent, subsidiaries and affiliates | 3,479,382 | 2,604,674 |
| 24.05 Drafts outstanding | | 0 |
| 24.06 Liability for amounts held under uninsured plans | | 0 |
| 24.07 Funds held under coinsurance | | 0 |
| 24.08 Derivatives | 0 | 0 |
| 24.09 Payable for securities | 8,418,058 | 0 |
| 24.10 Payable for securities lending | | 0 |
| 24.11 Capital notes $ ........ and interest thereon $ ........ | | 0 |
| 25. Aggregate write-ins for liabilities | 291,512 | 360,084 |
| 26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) | 2,491,922,276 | 2,482,521,209 |
| 27. From Separate Accounts statement | | 0 |
| 28. Total liabilities (Lines 26 and 27) | 2,491,922,276 | 2,482,521,209 |
| 29. Common capital stock | 1,500,000 | 1,500,000 |
| 30. Preferred capital stock | 1,000,000 | 1,000,000 |
| 31. Aggregate write-ins for other than special surplus funds | 8,569,513 | 9,417,399 |
| 32. Surplus notes | 9,000,000 | 9,000,000 |
| 33. Gross paid in and contributed surplus | 204,970,021 | 204,976,020 |
| 34. Aggregate write-ins for special surplus funds | 0 | 0 |
| 35. Unassigned funds (surplus) | (112,153,962) | (31,309,191) |
| 36. Less treasury stock, at cost: | | |
| 36.1 ........ shares common (value included in Line 29 $ ........) | | 0 |
| 36.2 ........ shares preferred (value included in Line 30 $ ........) | | 0 |
| 37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including $ ........ in Separate Accounts Statement) | 110,411,572 | 192,084,228 |
| 38. Totals of Lines 29, 30 and 37 | 112,911,572 | 194,584,228 |
| 39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) | 2,604,833,848 | 2,677,105,437 |
| **DETAILS OF WRITE-INS** | | |
| 2501. Unclaimed Property | 291,512 | 360,084 |
| 2502. | | 0 |
| 2503. | | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 291,512 | 360,084 |
| 3101. Deferred Gain on Reinsurance | 8,569,513 | 9,417,399 |
| 3102. | | 0 |
| 3103. | | 0 |
| 3198. Summary of remaining write-ins for Line 31 from overflow page | 0 | 0 |
| 3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 above) | 8,569,513 | 9,417,399 |
| 3401. | | 0 |
| 3402. | | 0 |
| 3403. | | 0 |
| 3498. Summary of remaining write-ins for Line 34 from overflow page | 0 | 0 |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) | 0 | 0 |

# SUMMARY OF OPERATIONS

| | 1<br>Current Year To Date | 2<br>Prior Year Year to Date | 3<br>Prior Year Ended December 31 |
|---|---|---|---|
| 1. Premiums and annuity considerations for life and accident and health contracts | 252,614,070 | 1,206,478,158 | 1,333,805,404 |
| 2. Considerations for supplementary contracts with life contingencies | 112,198 | 0 | 0 |
| 3. Net investment income | 97,855,467 | 67,449,000 | 82,304,866 |
| 4. Amortization of Interest Maintenance Reserve (IMR) | 96,020 | 1,260,025 | 1,606,632 |
| 5. Separate Accounts net gain from operations excluding unrealized gains or losses | | 0 | 0 |
| 6. Commissions and expense allowances on reinsurance ceded | 2,173,626 | 3,773,414 | 5,423,817 |
| 7. Reserve adjustments on reinsurance ceded | | 0 | 0 |
| 8. Miscellaneous Income: | | | |
| 8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts | | 0 | 0 |
| 8.2 Charges and fees for deposit-type contracts | | 50,778 | 51,448 |
| 8.3 Aggregate write-ins for miscellaneous income | 1,025,449 | 1,203,338 | 1,624,826 |
| 9. Totals (Lines 1 to 8.3) | 353,547,734 | 1,285,260,709 | 1,434,865,192 |
| 10. Death benefits | 8,438,282 | 5,195,715 | 13,156,739 |
| 11. Matured endowments (excluding guaranteed annual pure endowments) | | 0 | 0 |
| 12. Annuity benefits | 2,510,172 | 3,302,726 | 5,681,852 |
| 13. Disability benefits and benefits under accident and health contracts | 4,086,139 | 2,227,647 | 3,065,445 |
| 14. Coupons, guaranteed annual pure endowments and similar benefits | | 0 | 0 |
| 15. Surrender benefits and withdrawals for life contracts | 70,049,401 | 49,101,613 | 65,783,448 |
| 16. Group conversions | | 0 | 0 |
| 17. Interest and adjustments on contract or deposit-type contract funds | 255,632 | 484,483 | 630,922 |
| 18. Payments on supplementary contracts with life contingencies | 60,039 | 124,083 | 165,454 |
| 19. Increase in aggregate reserves for life and accident and health contracts | 214,572,768 | 1,159,693,712 | 1,273,096,361 |
| 20. Totals (Lines 10 to 19) | 301,351,802 | 1,222,424,225 | 1,392,020,192 |
| 21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 39,897,645 | 49,760,090 | 61,867,833 |
| 22. Commissions and expense allowances on reinsurance assumed | 457,219 | 1,919,798 | (1,504,500) |
| 23. General insurance expenses and fraternal expenses | 27,597,425 | 15,324,105 | 25,050,066 |
| 24. Insurance taxes, licenses and fees, excluding federal income taxes | 2,649,714 | 2,321,424 | 4,270,170 |
| 25. Increase in loading on deferred and uncollected premiums | (1,330,008) | 923,820 | 1,895,390 |
| 26. Net transfers to or (from) Separate Accounts net of reinsurance | | 0 | 0 |
| 27. Aggregate write-ins for deductions | 7,348,081 | 9,357,586 | 9,982,540 |
| 28. Totals (Lines 20 to 27) | 369,979,938 | 1,301,111,548 | 1,463,465,820 |
| 29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) | 13,670,626 | (20,902,897) | (28,510,858) |
| 30. Dividends to policyholders and refunds to members | | 0 | 0 |
| 31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30) | 13,670,626 | (20,902,807) | (28,510,850) |
| 32. Federal and foreign income taxes incurred (excluding tax on capital gains) | 0 | 16,958,312 | 21,038,694 |
| 33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) | 13,670,626 | (38,861,149) | (49,548,212) |
| 34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 0 (excluding taxes of $ (4,031,358) transferred to the IMR) | (80,169,507) | (2,570,049) | (2,872,152) |
| 35. Net income (Line 33 plus Line 34) | (66,498,880) | (42,431,189) | (52,418,464) |
| **CAPITAL AND SURPLUS ACCOUNT** | | | |
| 36. Capital and surplus, December 31, prior year | 194,584,226 | 121,737,730 | 121,737,730 |
| 37. Net income (Line 35) | (66,498,881) | (42,431,189) | (52,418,464) |
| 38. Change in net unrealized capital gains (losses) less capital gains tax of $ | 1,536,626 | 0 | (386,542) |
| 39. Change in net unrealized foreign exchange capital gain (loss) | (4,744,211) | (4,061,112) | (6,236,349) |
| 40. Change in net deferred income tax | 12,704,972 | 24,875,321 | 28,676,039 |
| 41. Change in nonadmitted assets | (28,389,981) | (16,190,236) | (19,174,192) |
| 42. Change in liability for reinsurance in unauthorized and certified companies | | 0 | 0 |
| 43. Change in reserve on account of change in valuation basis, (increase) or decrease | | 0 | 0 |
| 44. Change in asset valuation reserve | 8,624,557 | (3,682,638) | (6,651,129) |
| 45. Change in treasury stock | | 0 | 0 |
| 46. Surplus (contributed to) withdrawn from Separate Accounts during period | | 0 | 0 |
| 47. Other changes in surplus in Separate Accounts Statement | | 0 | 0 |
| 48. Change in surplus notes | | 0 | 0 |
| 49. Cumulative effect of changes in accounting principles | | 0 | 0 |
| 50. Capital changes: | | | |
| 50.1 Paid in | | 0 | 0 |
| 50.2 Transferred from surplus (Stock Dividend) | | 0 | 0 |
| 50.3 Transferred to surplus | | 0 | 0 |
| 51. Surplus adjustment: | | | |
| 51.1 Paid in | | 76,526,317 | 130,164,054 |
| 51.2 Transferred to capital (Stock Dividend) | | 0 | 0 |
| 51.3 Transferred from capital | | 0 | 0 |
| 51.4 Change in surplus as a result of reinsurance | (4,037,777) | 0 | 0 |
| 52. Dividends to stockholders | | 0 | 0 |
| 53. Aggregate write-ins for gains and losses in surplus | (527,885) | (1,252,285) | (1,089,714) |
| 54. Net change in capital and surplus (Lines 37 through 53) | (81,672,656) | 33,859,235 | 72,846,496 |
| 55. Capital and surplus as of statement date (Lines 36 + 54) | 112,911,572 | 155,597,065 | 194,584,226 |
| DETAILS OF WRITE-INS | | | |
| 08.301. Commissions, Service & Issue Fees and Other | 434,591 | 455,825 | 526,142 |
| 08.302. Amortization of Surplus due to IRR | 590,877 | 747,513 | 1,098,684 |
| 08.303. | | 0 | 0 |
| 08.398. Summary of remaining write-ins for Line 8.3 from overflow page | 0 | 0 | 0 |
| 08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above) | 1,025,468 | 1,203,338 | 1,624,826 |
| 2701. Modified Coinsurance Expense | (211,400) | (335,789) | (90,467) |
| 2702. Reinsurance funds withheld investment income | 8,177,359 | 9,705,375 | 10,073,169 |
| 2703. Fines and penalties | 23,061 | 0 | 838 |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | 20,037 | 0 | 0 |
| 2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above) | 7,348,081 | 9,357,586 | 9,982,540 |
| 5301. Deferred Gain on Reinsurance | (309,877) | (747,513) | (1,089,714) |
| 5302. Deferred Gain on Reinsurance | (217,988) | (504,773) | 0 |
| 5303. | | 0 | 0 |
| 5398. Summary of remaining write-ins for Line 53 from overflow page | 0 | 0 | 0 |
| 5399. Totals (Lines 5301 through 5303 plus 5398) (Line 53 above) | (527,885) | (1,252,286) | (1,089,714) |

# CASH FLOW

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| **Cash from Operations** | | | |
| 1. Premiums collected net of reinsurance | 64,524,497 | 1,236,971,664 | 1,373,434,134 |
| 2. Net investment income | 80,100,391 | 58,025,977 | 78,646,994 |
| 3. Miscellaneous income | 3,196,997 | 6,281,555 | 7,106,291 |
| 4. Total (Lines 1 to 3) | 147,823,885 | 1,296,278,196 | 1,459,186,419 |
| 5. Benefit and loss related payments | 88,525,319 | 81,825,535 | 72,716,389 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | 0 | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 50,820,066 | 77,256,535 | 98,260,815 |
| 8. Dividends paid to policyholders | 0 | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of $ ........ tax on capital gains (losses) | 2,800,000 | 0 | 10,000,000 |
| 10. Total (Lines 5 through 9) | 142,146,385 | 139,082,060 | 180,977,204 |
| 11. Net cash from operations (Line 4 minus Line 10) | 5,678,500 | 1,157,196,127 | 1,278,209,214 |
| **Cash from Investments** | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 752,333,105 | 824,477,680 | 967,408,963 |
| 12.2 Stocks | 17,135,229 | 0 | 0 |
| 12.3 Mortgage loans | 0 | 0 | 0 |
| 12.4 Real estate | 0 | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | (177,208) | 189,544 | 2,957,045 |
| 12.7 Miscellaneous proceeds | 5,706,208 | 4,040,020 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 774,997,334 | 828,706,244 | 970,366,008 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 621,507,415 | 2,241,906,869 | 2,490,867,439 |
| 13.2 Stocks | 98,282,020 | 868,000 | 868,000 |
| 13.3 Mortgage loans | 0 | 0 | 0 |
| 13.4 Real estate | 3,100,000 | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 | 0 |
| 13.6 Miscellaneous applications | 10,226,552 | 11,753,912 | 19,461,632 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 731,116,987 | 2,254,527,651 | 2,510,197,071 |
| 14. Net increase (or decrease) in contract loans and premium notes | 0 | 794,476 | 878,766 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 43,871,367 | (1,426,524,116) | (1,540,708,820) |
| **Cash from Financing and Miscellaneous Sources** | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | 0 | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | 0 | 64,000,000 | 90,000,000 |
| 16.3 Borrowed funds | 0 | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | (1,771,119) | (1,376,324) | (1,659,799) |
| 16.5 Dividends to stockholders | 0 | 0 | 0 |
| 16.6 Other cash provided (applied) | 3,263,407 | 59,087,681 | 5,913,603 |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | 1,492,288 | 121,711,357 | 93,953,804 |
| **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 51,042,155 | (147,616,631) | (177,546,811) |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year | 403,894,420 | 581,441,231 | 581,441,231 |
| 19.2 End of period (Line 18 plus Line 19.1) | 454,936,575 | 433,824,600 | 403,894,420 |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

| | | | |
|---|---|---|---|
| 20.0001. Settlement of PY FIT payable through surplus contribution | | 0 | 0 |
| 20.0002. Settlement of CY FIT payable through surplus contribution | | 12,526,317 | 12,526,317 |
| 20.0003. Capital Contribution in the form of bonds | | 0 | 20,858,537 |
| 20.0004. Transfer of premiums related to affiliated reinsurance recapture | 201,532,451 | 0 | 0 |
| 20.0005. | | 0 | 0 |
| 20.0006. | | 0 | 0 |
| 20.0007. | | 0 | 0 |
| 20.0008. | | 0 | 0 |
| 20.0009 | | 0 | 0 |
| 20.0010. | | 0 | 0 |

# OVERFLOW PAGE FOR WRITE-INS

LQ004 Additional Aggregate Lines for Page 04 Line 27.
*SUMOPS

| | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| 2704. Other miscellaneous expenses | 20,037 | | |
| 2797. Summary of remaining write-ins for Line 27 from Page 04 | 20,037 | 0 | 0 |

**COLORADO BANKERS LIFE INSURANCE COMPANY
SCHEDULE OF AFFILIATED INVESTMENTS
JUNE 30, 2019 AND SEPTEMBER 30, 2019 COMPARISON**

| Trust Account | CUSIP Identification | Description | Actual Cost | Book/ Adjusted Carrying Value June 30, 2019 | Book/ Adjusted Carrying Value September 30, 2019 | Change |
|---|---|---|---|---|---|---|
| N/A | 00405@AA7 | ACADEMY FINANCIAL ASSETS | $ 19,698,000 | $ 19,698,000 | $ 19,634,178 | $ (63,822) |
| N/A | 37940*AA3 | ACADEMY FINANCIAL ASSETS | 8,462,891 | 8,463,093 | 8,435,725 | (27,368) |
| N/A | AFAREVOLVER | ACADEMY FINANCIAL ASSETS - REVOLVER | 39,905,524 | 15,000,000 | 39,905,524 | 24,905,524 |
| N/A | 994132ST5 | ACADEMY FINANCIAL ASSETS FKA AFI PROMISSO | 24,196,820 | 24,196,820 | 24,196,820 | - |
| N/A | 00856#AD3 | AGERA ENERGY LLC | 35,000,000 | 1 | 1 | - |
| N/A | 994126SZ6 | ALPHARETTA - ABS | 2,097,465 | 2,097,465 | 1,979,348 | (118,117) |
| N/A | 00224#AA4 | AR PURCHASING SOLUTIONS 2, LLC | 2,841,811 | 2,841,811 | 2,841,811 | - |
| N/A | 00223@AA7 | AR PURCHASING SOLUTIONS, LLC | 2,140,418 | 2,179,478 | 2,182,589 | 3,111 |
| N/A | K0004@AA0 | AT DENMARK INVESTMENTS | 8,534,551 | 8,534,551 | 8,534,551 | - |
| N/A | 04686@AA9 | AUGUSTA ASSET MANAGEMENT, INC | 4,271,474 | 4,271,474 | 4,271,474 | - |
| N/A | 05777@AA6 | BALDWIN ASSET MANAGEMENT, INC | 21,225,457 | 25,817,756 | 20,943,243 | (4,874,513) |
| N/A | 06367UAA5 | BANK MONTREAL MEDIUM TERM SR BK NTS BOOI | 62,212,661 | 62,212,980 | 62,212,926 | (54) |
| N/A | 06739FJM4 | BARCLAYS BANK PLC | 76,399,342 | 76,395,730 | 76,398,455 | 2,725 |
| N/A | L0770#AA9 | BEAUFORT HOLDINGS S.A. | 6,009,693 | 5,918,358 | 5,666,850 | (251,508) |
| N/A | 09606#AA3 | BLUE VIOLET LLC | 15,605,469 | 16,056,762 | - | (16,056,762) |
| N/A | 13972#AA1 | CAPITAL ASSET MANAGEMENT III, LLC | 29,625,000 | 29,625,000 | 28,272,026 | (1,352,974) |
| N/A | 13973@AA2 | CAPITAL ASSETS FUND I, LLC | 60,007,146 | 60,007,542 | 60,007,581 | 39 |
| N/A | 9941317T1 | CAPITAL ASSETS FUND II, LLC | 33,555,104 | 33,555,104 | 31,703,735 | (1,851,369) |
| N/A | 9941317V6 | CAPITAL ASSETS FUND IV, LLC | 42,910,111 | 42,910,111 | 34,910,113 | (7,999,998) |
| N/A | 9941317U8 | CAPITAL ASSETS FUND V, LLC | 41,443,522 | 42,910,111 | 37,203,522 | (5,706,589) |
| N/A | 9941318T3 | CAPITAL ASSETS MANAGEMENT II, LLC | 21,346,767 | 21,346,767 | 21,346,767 | - |
| N/A | 16230#AA2 | CHATWORTH ASSET MANAGEMENT, INC. | 22,384,145 | 22,384,145 | 22,384,145 | - |
| N/A | 20465#AA0 | COMPLYSMART, LLC | 3,002,000 | 3,002,000 | 3,002,000 | - |
| N/A | 9944639X1 | CV INVESTMENTS, LLC | 12,590,691 | 12,590,691 | 12,590,691 | - |
| N/A | 23570*AA0 | DAMASCUS ASSET MANAGEMENT, INC. | 18,791,160 | 18,791,160 | 18,791,160 | - |
| N/A | 29412#AA5 | EPHESUS ASSET MANAGEMENT, INC. | 21,139,806 | 25,185,032 | 21,026,497 | (4,158,535) |
| | FINANZENPFRD | FINANZEN HOLDING | 22,000,000 | 22,000,000 | - | (22,000,000) |
| N/A | 34610#AA5 | FOREST PARK ASSET MANAGEMENT, INC. | 17,246,459 | 17,246,459 | 17,246,459 | - |
| N/A | 35472MAA4 | FRANKLIN STR 2018-1 LLC - ABS | 47,990,349 | 47,990,349 | 29,538,060 | (18,452,289) |
| N/A | 9942228W1 | GILFORD ASSET MANAGEMENT, LLC | 1,771,121 | 1,771,121 | 1,771,121 | - |
| N/A | 40905#AA6 | HAMPTON ASSET MANAGEMENT, INC | 22,097,474 | 22,097,630 | 22,097,661 | 32 |
| N/A | 9941557U3 | HPCSP INVESTMENTS PROMISORY NOTE | 4,051,293 | 7,019,912 | 4,051,293 | (2,968,620) |
| N/A | HPCSP_SENIOR | HPCSP INVESTMENTS SENIOR NOTE | 7,016,140 | 7,016,140 | 7,016,140 | - |
| N/A | G4919@AA1 | INTRALAN INVESTMENTS LIMITED | 4,152,310 | 4,152,310 | 4,152,310 | - |
| N/A | 46275@AA7 | IRON CITY ASSET MANAGEMENT, INC. | 25,275,943 | 25,276,098 | 21,890,569 | (3,385,529) |
| N/A | 46563@AA8 | ITECH FUNDING LLC | 19,281,368 | 19,281,368 | 19,281,368 | - |
| N/A | 46662#AA6 | JACKSON ASSET MANAGEMENT, INC. | 20,725,423 | 22,509,812 | 20,725,610 | (1,784,202) |
| N/A | 49803@AA2 | KITE ASSET MANAGEMENT INC | 34,622,923 | 34,624,066 | 34,624,363 | 297.43 |
| N/A | 51703#AA7 | LARES, LLC | 4,489,111 | 4,489,111 | 4,489,111 | - |
| N/A | 53250#AA0 | LILY ASSET MANAGEMENT INC | 33,084,925 | 33,084,925 | 32,684,928 | (399,997) |
| N/A | 57187#AA9 | MARSHALLA ASSET MANAGEMENT, LLC | 31,082,941 | 31,082,941 | 31,082,941 | - |
| N/A | MEDPHYSREVOI | MEDICAL PHYSICS | 900,000 | 900,000 | - | (900,000) |
| N/A | MEDPHYSTERM | MEDICAL PHYSICS | 2,882,151 | 2,882,151 | - | (2,882,151) |
| N/A | 63873DAA1 | NATIXIS SA | 20,415,040 | 20,574,779 | - | (20,574,779) |
| N/A | 9947669V1 | NIH CAPITAL, LLC | 11,407,477 | 11,407,477 | 11,407,477 | - |
| N/A | 65532NAA7 | NOM GB 2018 I LLC - ABS | 2,213,899 | 2,212,906 | 2,212,709 | (196) |
| N/A | 69902#AA8 | PARADISE ASSET MANAGEMENT INC | 39,700,000 | 39,700,000 | 28,574,289 | (11,125,711) |
| N/A | 69322@AA2 | PCF LLC | 3,196,289 | 3,196,289 | 3,196,289 | - |
| N/A | 72083RAA7 | PIERRE MENDES LLC - ABS | 59,999,993 | 60,000,000 | 59,999,993 | (7) |
| N/A | 77294@AA9 | ROCKDALE ASSET MANAGEMENT INC | 39,700,000 | 39,700,000 | 29,003,704 | (10,696,296) |
| N/A | 78013GSS5 | ROYAL BK CDA | 21,700,000 | 21,700,000 | 21,700,000 | - |
| N/A | X7552#AC1 | STANDARD FINANCIAL LIMITED | 3,819,822 | 3,819,822 | 3,819,822 | - |
| N/A | 86576#AA7 | SUMMERVILLE ASSET MANAGEMENT, INC. | 23,752,824 | 23,752,824 | 21,939,073 | (1,813,751) |
| N/A | 90225@AA6 | TYBEE ISLAND ASSET MANAGEMENT, INC. | 28,743,436 | 28,735,045 | 28,733,301 | (1,743) |
| | | Total Affiliated Investments | $ 1,188,715,739 | $ 1,144,215,476 | $1,029,680,326 | $ (114,535,150) |

**NORTH CAROLINA**

**DURHAM COUNTY**

**VERIFICATION**

MICHAEL DINIUS, being first duly sworn, deposes and says that he is appointed as Special Deputy Rehabilitator for Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company by the Commissioner of Insurance for the State of North Carolina, and in his capacity as Rehabilitator, that he has read the foregoing quarterly report of activity of the Rehabilitator as of September 30, 2019, and a balance sheet, summary of operations, statement of cash flow, and schedule of affiliated investments as of September 30, 2019, of Southland National Insurance Corporation, Southland National Reinsurance Corporation, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company for the period from June 27, 2019, the date of rehabilitation, through September 30, 2019, and that the contents of same are true and correct to the best of his knowledge and belief, based on the books and records of the Companies.

This the 13 day of November, 2019.

Special Deputy Rehabilitator for
Southland National Insurance Corporation
Southland National Reinsurance Corporation
Bankers Life Insurance Company
Colorado Bankers Life Insurance Company

NORTH CAROLINA

DURHAM COUNTY

Sworn to and subscribed before me this

The 13th day of November, 2019.
(Official Seal)

Allison Persinger
Notary Public

My Commission Expires: 3/16/22

ALLISON PERSINGER
Notary Public, North Carolina
Wake County
My Commission Expires
March 16, 2022

# Exhibit "B"

## *10/31 Follow-up Letter*

**FraserTrebilcock**
LAWYERS

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October 31, 2019

Randall Gregg, Esq.
c/o Assistant Attorney General Christopher Kerr, Esq.
Senior Deputy Counsel & General Counsel
Michigan Department of Insurance
530 W Allegan Street #7
Lansing, MI 48933

*Via Email and Certified Mail*

RE: Matters Relating to Pavonia Life Insurance Company of Michigan Form A

Dear Mr. Gregg:

As you invited when we met in your office earlier this year, you extended the opportunity on behalf of Independent Insurance Group to inform the Michigan Department of Insurance and Financial Services ("MDIFS") of information that is pertinent to (i) its review of the Form A regarding the potential acquisition (the "Aspida-Pavonia Acquisition") of Pavonia Life Insurance Company of Michigan ("Pavonia") (including the insurance operations of Global Bankers Insurance Group LLC (the "GBIG Service Company")) by Aspida Holdco, LLC, an affiliate of Ares Management Corporation, from GBIG Holdings Inc. ("GBIG Holdings"), and to (ii) the desire and intent of Independent Insurance Group, LLC ("Independent") to submit a Superior Proposal for the acquisition of solely Pavonia (excluding the GBIG Service Company), as discussed in the *Objection to Plan of Rehabilitation by Interested Party Independent Insurance Group LLC* dated October 4, 2019 (the Objection").

On October 4, 2019 at 3:56PM ET, the day of the filing of the Independent Objection in the pending Pavonia Rehabilitation proceeding, The Wall Street Journal published an article entitled "Energy Company Controlled by Indicted Insurance Tycoon Files for Chapter 11". The article states, among other things, that (i) Agera Energy LLC ("Agera"), a non-insurance affiliate of Greg Lindberg, filed for bankruptcy and (ii) Colorado Bankers Life Insurance Company ("CBLIC"), an insurance affiliate of Mr. Lindberg, had previously made a $35.7 million loan to Agera (the "CBLIC-Agera Loan").

Because (i) Agera and CBLIC are under common ownership with Pavonia, (ii) CBLIC and Pavonia were (and effectively still are) under common management and (iii) the management team proposed to manage Pavonia going forward, pursuant to the Aspida-Pavonia Acquisition is the same exact management team (the "Proposed Management Team") that managed Pavonia, CBLIC and three other insurance affiliates, all of which were placed into rehabilitation by their respective regulators, the Wall Street Journal article caused Independent to look more closely into certain publicly available documents. These documents included the financial statements of CBLIC, and the Bill of Indictment, dated March 18, 2019 (the "Indictment"), alleging that Mr. Lindberg and certain other individuals engaged in activities over an extended period of time that constitute, among other things, bribery of the commissioner of the North Carolina Department of Insurance ("NCDOI").

Here is a brief summary of Independent's findings:

1. The CBLIC-Agera Loan was made on March 29, 2018, and was at the time the largest single investment made by CBLIC;
2. On behalf of CBLIC, likely by or with the knowledge of the Proposed Management Team, a "Private Letter Rating" of NAIC 1 was submitted to the Security Valuation Office ("SVO") of the National Association of Insurance Commissioners ("NAIC") for the CBLIC-Agera Loan;
3. In CBLIC's Annual Statement for the year ended December 31, 2018, filed in February of 2019 (the "CBLIC 2018 Annual Statement"), the CBLIC-Agera Loan was reported as a "1PL" rated instrument and was characterized as an ***unaffiliated*** investment in the CBLIC 2018 Annual Statement;
4. The CBLIC 2018 Annual Statement was filed by the Proposed Management Team;
5. The CBLIC-Agera Loan was *re-characterized* by the NCDOI-appointed rehabilitator (the "Rehabilitator") as an affiliated investment and the rating was changed from a "1PL" to a "3PL" by the regulator on or about July 2019;
6. In *revised filings* by the Rehabilitator made July 2019, the Rehabilitator *recharacterized* a total of approximately \$1.3 billion (\$1,300,000,000) of "Private Letter" rated financial instruments, previously recorded as unaffiliated investments, to "Affiliated Investments";
7. According to the CBLIC 2018 Annual Statement, in excess of \$900 million of these later-recharacterized "Private Letter" rated investments were made in just 15 days from 7/18/18 to 7/31/18 (the "CBLIC Investment Surge");
8. Overlapping with the investment and related activities above, the Indictment alleges that conversations, meetings and/or communications in furtherance of the scheme took place (from August 2017 thru July 2019) between and/or among Mr. Lindberg, the NCDOI commissioner and certain other individuals affiliated with Mr. Lindberg, which the relevant authorities allege constitute bribery. While all of the overlap appears to be relevant, many of these conversations, meetings and/or other correspondences are alleged to have taken place very near to, during and after the precise dates of the CBLIC Investment Surge. See in particular pages 13 and 14 of the Indictment, attached hereto as Exhibit A.

Independent believes that the above facts should be alarming to the MDIFS for the following reasons:

- Managers of insurance companies are charged with, among other things, the fiduciary duty of prudent management for the protection of policyholders;
- Section 1A of the 2017 NAIC Investments of Insurers Model Act states as follows:
  "The purpose of this Act is to protect the interests of insureds by promoting insurer solvency and financial strength. This will be accomplished through the application of investment standards that facilitate a reasonable balance of the following objectives:
  (1) To preserve principal;
  (2) To assure reasonable diversification as to type of investment, issuer and credit quality; and
  (3) To allow insurers to allocate investments in a manner consistent with *principles of prudent investment management* [italics added] to achieve an adequate return so that obligations to insureds are adequately met and financial strength is sufficient to cover reasonably foreseeable contingencies."
- The CBLIC-Agera Loan was not a prudent loan;
- The CBLIC Investment Surge does not appear to be prudent, in and of itself, in that it seems imprudent, even without more, to rapidly load up an insurance company's balance sheet with assets of any nature and any profile within such a short burst of time;
- Further, loading up an insurance company's balance sheet with assets of a private and affiliated nature (contrast liquid and unaffiliated) in such a short burst of time is even more indication of a lack of prudence, if not other potential, real or perceived misbehavior;
- Moreover, mis-characterizing affiliated investments as unaffiliated investments is even more indication of a lack of prudence, if not other potential, real or perceived misbehavior;
- It has been suggested by Lindberg affiliates that up to 40% of assets in affiliates was permitted by the NCDOI, somehow rendering the CBLIC Investment Surge, and related surges, acceptable. Independent asserts that this appears to be irrelevant because the CBLIC Investment Surge assets were <u>not</u> characterized as affiliated and, regardless, the CBLIC Investment Surge assets substantially exceeded a 40% threshold . None of this was reported.
- An insurance company management team also swears an oath when it files/signs annual statements, that said annual statements are true and accurate;
- The CBLIC Investment Surge happened at the same time as the alleged bribery actions by affiliates of the Proposed Management Team;
- The Proposed Management Team was in charge when:
  - (i) all of the investments made by CBLIC in the CBLIC Investment Surge were made,
  - (ii) such investments were characterized as unaffiliated investments in the 2018 CBLIC Annual Statement and

- (iii) the Rehabilitator recharacterized such investments as affiliated;
- The Proposed Management Team signed the financial statements of CBLIC and swore the oath related thereto.

Independent does not know for sure whether any wrongdoing related to the above facts took place. Independent believes, however, that this information is within the scope of, and relevant to, DIFS' Form A review of the proposed Aspida-Pavonia Acquisition.

Based on the concerns raised from the facts discovered when investigating the CBLIC-Agera Loan and the resulting Agera bankruptcy, Independent retained Ed Buttner, a nationally recognized statutory accounting expert, to investigate the financial statements for all of the North Carolina based GBIG entities. His findings are attached in sworn affidavit form as Exhibit B.

Independent requests that the MDIFS further investigate the above, and consider the above and Mr. Buttner's Affidavit in the Form A Process relating to the Ares-Pavonia SPA, especially with an eye towards protection of the interests of Pavonia's policyholders, a class of vulnerable beneficiaries of policies funded in settlement of claims by seriously injured persons.

Thank you.

Respectfully,

**Fraser Trebilcock Davis & Dunlap, P.C.**

Jonathan E. Raven

cc: Christopher Kerr, Assistant Michigan Attorney General
Independent Insurance Group
Timothy Volpe, Esq.

# EXHIBIT A

"UNDER SEAL"

FILED
CHARLOTTE, NC
MAR 18 2019
US DISTRICT COURT
WESTERN DISTRICT OF NC

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
STATESVILLE DIVISION

| | |
|---|---|
| UNITED STATES OF AMERICA | DOCKET NO. 5:19-CR- 22-FDW |
| vs. | **BILL OF INDICTMENT** |
| 1) GREG E. LINDBERG,<br>2) JOHN D. GRAY,<br>3) JOHN V. PALERMO, JR., and<br>4) ROBERT CANNON HAYES. | Violations:<br>18 U.S.C. § 1349<br>18 U.S.C. § 666(a)(2)<br>18 U.S.C. § 1001(a)(2)<br>18 U.S.C. § 2 |

THE GRAND JURY CHARGES:

**Relevant Individuals and Entities**

At all times material to this Bill of Indictment, unless otherwise stated:

1. The North Carolina Department of Insurance ("NCDOI") was a department established under the North Carolina General Statutes and charged with the execution of laws relating to insurance and other subjects. The chief officer of the NCDOI was the elected Commissioner of Insurance ("COMMISSIONER").

2. The North Carolina General Statutes provided that the COMMISSIONER was responsible for ensuring that the statutes governing insurance were faithfully executed, and further provided that "[t]he Commissioner shall appoint or employ such other deputies, actuaries, economists, financial analysts, financial examiners . . . accountants . . . and other employees that the Commissioner considers to be necessary for the proper execution of the work of the Department." As an elected official, the COMMISSIONER swore to "be faithful and bear true allegiance to the State of North Carolina" when he took office in January 2017.

a. In January 2018, the COMMISSIONER reported to federal law enforcement officials concerns about political contributions and requests made by GREG E. LINDBERG and JOHN D. GRAY. The COMMISSIONER agreed to cooperate with the then-initiated federal investigation, and did so in the ensuing months.

3. Defendant GREG E. LINDBERG was a resident of Durham, North Carolina, the founder and Chairman of Eli Global, LLC, an investment company, headquartered in Durham, North Carolina, and the owner of Global Bankers Insurance Group ("GBIG"), a managing company for several insurance and reinsurance companies, headquartered in Durham, North Carolina.

4. GBIG managed several insurance companies across the United States and was subject to regulation by the NCDOI. Beginning in or about September 2017, and continuing through in or about February 2018, GBIG was subject to an ongoing periodic examination conducted by the NCDOI pursuant to North Carolina General Statute § 58-2-131, which provides that the NCDOI shall conduct a financial examination of every domestic insurer when "prudent for the protection of the policy holders or the public," but "not less frequently than once every five years." Following the periodic investigation, GBIG was subject to a remediation agreement it signed with the NCDOI in or about May 2018.

5. Defendant JOHN D. GRAY was a resident of Chapel Hill, North Carolina, and a consultant for LINDBERG.

6. Defendant JOHN V. PALERMO, JR. was a resident of Pittsboro, North Carolina, the Vice President of Special Projects at Eli Global, and the Chairman of a Chatham County political party.

7. Defendant ROBERT "ROBIN" CANNON HAYES was a resident of Concord, North Carolina, and the Chairman of a North Carolina state political party ("North Carolina State Political Party A").

8. North Carolina election law set contribution limits for contributions to candidates ($5,200 per election in 2018). N.C. Gen. Stat. § 163A-1425(a) and (c). This limit, however, did not apply to "any national, State, district or county executive committee of any political party." N.C. Gen. Stat. § 163A-1425(g). Nor did it apply to any "independent expenditure committee." N.C. Gen. Stat. § 163A-1425(j). North Carolina law also prohibited conduit contributions or

contributions made anonymously or in the name of another. N.C. Gen. Stat. § 163A-1428(a).

## <u>COUNT ONE</u>
## 18 U.S.C. § 1349
## (Conspiracy to Commit Honest Services Wire Fraud)

9. Paragraphs 1 through 8 are realleged and incorporated herein by reference.

10. From in or about April 2017, through in or about August 2018, in Iredell County, in the Western District of North Carolina, and elsewhere, the defendants,

**(1) GREG E. LINDBERG,**
**(2) JOHN D. GRAY,**
**(3) JOHN V. PALERMO, and**
**(4) ROBERT CANNON HAYES,**

did knowingly combine, conspire, confederate, and agree with one another, and with others known and unknown to the Grand Jury, to devise and intend to devise a scheme and artifice to defraud and to deprive, by means of material false and fraudulent pretenses, representations, and promises, and to transmit and cause to be transmitted by means of wire communication in interstate commerce, any writings, signs, signals, pictures, and sounds for the purpose of executing the scheme and artifice to defraud and deprive, that is, to deprive North Carolina and the citizens of North Carolina of their intangible right to the honest services of the COMMISSIONER, an elected State official, through bribery, in violation of 18 U.S.C. §§ 1343 and 1346.

### A. <u>The Scheme to Defraud</u>

11. From in or about April 2017, through in or about August 2018, in Iredell County, in the Western District of North Carolina, and elsewhere, the defendants, GREG E. LINDBERG, JOHN D. GRAY, JOHN V. PALERMO, and ROBERT CANNON HAYES, devised and intended to devise a scheme and artifice to defraud and to deprive North Carolina and the citizens of North Carolina of their intangible right to the honest services of the COMMISSIONER, an elected State official, through bribery.

### B. The Purpose of the Scheme

12. The purpose of the scheme was for the defendants to unlawfully cause the COMMISSIONER to take official action favorable to LINDBERG's companies through bribery of the COMMISSIONER.

### C. The Manner and Means of the Scheme

13. The manner and means by which the defendants carried out the scheme included, but were not limited to, the following:

14. The defendants corruptly gave, offered, and promised things of value to the COMMISSIONER, including millions of dollars in campaign contributions and through an independent expenditure committee, in exchange for specific official action favorable to GBIG, including the removal of the Senior Deputy Commissioner of the NCDOI responsible for overseeing the regulation, including the pending periodic examination, of GBIG ("Senior Deputy Commissioner A").

15. LINDBERG, GRAY, and PALERMO surreptitiously met with the COMMISSIONER at various locations throughout North Carolina, including the Statesville Regional Airport in Statesville, North Carolina, and LINDBERG's residence in Durham, North Carolina, to discuss LINDBERG's request for the removal of Senior Deputy Commissioner A in exchange for millions of dollars in campaign contributions to the COMMISSIONER.

16. In order to conceal the scheme, the defendants took steps to anonymously funnel the campaign contributions to the COMMISSIONER in a manner to avoid publicly disclosing that they had come from LINDBERG.

a. At LINDBERG's direction, PALERMO set up two corporate entities to form an independent expenditure committee with the purpose of supporting the COMMISSIONER's campaign for re-election. LINDBERG funded the two corporate entities—as he and GRAY promised to the COMMISSIONER—with $1.5 million.

b. At LINDBERG and GRAY's direction—and as an installment on the $500,000 promised to the COMMISSIONER by LINDBERG and GRAY—HAYES caused the transfer of $250,000, from monies LINDBERG had previously contributed to North Carolina State

Political Party A, to the COMMISSIONER's campaign for re-election.

17. In addition, over the course of the scheme, the defendants concealed that they had provided campaign contributions to the COMMISSIONER in exchange for the favorable personnel action.

**D. <u>Acts in Furtherance of the Scheme</u>**

18. The acts in furtherance of the scheme included, but were not limited to, the following:

<u>Initial Attempts to Contact the COMMISSIONER</u>

19. On or about April 18, 2017, LINDBERG attempted to contribute $10,000 to the COMMISSIONER's campaign for re-election, but the COMMISSIONER rejected LINDBERG's contributions.

20. In or about August 2017, GRAY requested that HAYES schedule a meeting between the COMMISSIONER and LINDBERG and GRAY. HAYES confirmed that he was attempting to do so. Indeed, in November 2017, HAYES sent a text message to the COMMISSIONER suggesting, "I think u should consider a face to face with Greg [LINDBERG]."

21. On or about November 13, 2017, HAYES sent an email to PALERMO regarding political matters stating, in part, "If u agree,I'll suggest u put the money in the party and we will put it in races at your direction."

22. On or about November 19, 2017, GRAY and PALERMO exchanged emails about the identity of Senior Deputy Commissioner A.

23. On or about November 20, 2017, LINDBERG, GRAY, and GBIG executives met with the COMMISSIONER. During the meeting, LINDBERG asked the COMMISSIONER to call several insurance commissioners from other states where LINDBERG was attempting to complete acquisitions to vouch for LINDBERG and GBIG. The COMMISSIONER agreed to make those phone calls, and GRAY later called the COMMISSIONER to explain that LINDBERG had contributed $500,000 to North Carolina State Political Party A, $110,000 of which was earmarked for the COMMISSIONER. GRAY also stated that LINDBERG wanted to host a fundraiser for the COMMISSIONER.

24. On or about November 27, 2017, GRAY sent a text message to the COMMISSIONER requesting a private meeting: "We spoke of an opportunity to speak privately after our recent meeting & I am interested in how & when this could work in your schedule."

25. On or about November 28, 2017, GRAY and PALERMO exchanged text messages about hosting a fundraiser for the COMMISSIONER, which the COMMISSIONER declined through a representative.

Use of Another Public Official to Contact the COMMISSIONER

26. Between on or about February 1, 2018, and on or about February 4, 2018, GRAY and PALERMO exchanged text messages explaining that LINDBERG's political contributions to an elected public official ("Public Official A") were on hold in light of recent publicity about LINDBERG's contributions. GRAY further stated, "I explained we should meet our agreement as [Public Official A] has no influence with [the COMMISSIONER]. Now I'm thinking a full explanation is warranted so [Public Official A] has the opportunity to consider conf. with [the COMMISSIONER] if he knows hin."

27. GRAY later called Public Official A and, on or about February 5, 2018, sent a text message to LINDBERG stating, "I have discussed our NCDOI matter with [Public Official A]. Please call before your trip to Greensboro today so we can discuss details. Excellent opportunity available for support here." On the same date, LINDBERG made a $150,000 contribution to a political committee supporting Public Official A.

28. On or about February 7, 2018, Public Official A called the COMMISSIONER to explain that LINDBERG was doing good things for North Carolina business.

29. On or about February 12, 2018, PALERMO sent an email to LINDBERG and GRAY stating, "Just between the 3 of us . . . . [Public Official A] has already made two calls on our behalf and is trying to help us move the ball forward. I was also told that the $150K will be going to [Public Official A]."

## Complaints About the Senior Deputy Commissioner

30. On or about February 14, 2018, LINDBERG and GRAY met with the COMMISSIONER in a private conference room at the Concord Regional Airport in Concord, North Carolina. Leading up to the meeting, GRAY explained that the meeting would be secret, and told the COMMISSIONER that GRAY and LINDBERG would enter the facility through a different door from the COMMISSIONER so that nobody would see them together.

31. During the meeting, LINDBERG complained about various issues with the NCDOI, including Senior Deputy Commissioner A. LINDBERG stated that she was "deliberately and intentionally and maliciously hurting my reputation with other regulators," and that she's "been lying to you to, to hurt my bad name."

32. LINDBERG and GRAY suggested that the COMMISSIONER hire PALERMO at the NCDOI in place of, or in a superior role to, Senior Deputy Commissioner A.

33. To facilitate this personnel action, GRAY suggested that the COMMISSIONER meet with PALERMO in private at a closed restaurant in Chapel Hill, North Carolina.

34. On or about February 26, 2018, the COMMISSIONER met PALERMO at the closed restaurant in Chapel Hill, North Carolina. During the meeting, PALERMO suggested that the COMMISSIONER hire PALERMO onto the NCDOI staff and LINDBERG would pay PALERMO a substantial exit package to make up for the difference in compensation between his salary at Eli Global and his salary at the NCDOI.

## LINDBERG Offers the Bribe

35. On or about March 5, 2018, LINDBERG, GRAY, PALERMO, and the COMMISSIONER met at the Statesville Regional Airport in Statesville, North Carolina. During the meeting, the parties discussed various pending matters between GBIG and the NCDOI.

36. When the COMMISSIONER informed LINDBERG, GRAY, and PALERMO that he might be able to hire PALERMO as early as April 1st, LINDBERG responded, "that'd be great, that's a homerun." LINDBERG also

confirmed that he would provide PALERMO with an exit package to compensate him.

37. GRAY informed the COMMISSIONER that he should have PALERMO report directly to him so nobody at the NCDOI could question what PALERMO was doing, and "if you could set it so that if, if [Senior Deputy Commissioner A] stays where she is, she doesn't breathe a word outside that office, or send a slip of paper outside that office, that is not reviewed first by John [PALERMO]."

38. The COMMISSIONER asked to speak with LINDBERG alone, and during that portion of the meeting, the COMMISSIONER asked LINDBERG, "What's in it for me? What can you do to help that's not gonna be . . . under the radar screen?" LINDBERG responded that he would create an independent expenditure committee to support the COMMISSIONER's re-election and fund it himself with $1 million to $2 million.

39. Following the meeting, GRAY called the COMMISSIONER to thank him and called the meeting a "fantastic result." During the call, GRAY stated, "Well, I'm gonna tell you somethin'. And this is not to influence you in any way, shape, or form. But if-if-if we get this-if we get this current [financial examination report] business put to bed and we get John [PALERMO] there so he can help you be that, as I say, the most successful insurance commissioner in my lifetime, there will be at least a million dollars somewhere in your re-election. I can tell you that. At least a million."

40. On or about March 13, 2018, PALERMO sent GRAY an email comparing 501(c)(4) and 527 committees (referring to designations for certain organizations that can engage in political activity under the Internal Revenue Code), which were the corporate structures for the proposed independent expenditure committee offered by LINDBERG to the COMMISSIONER. After exchanging emails with LINDBERG about the subject, GRAY informed PALERMO that non-disclosure was "a must."

<u>LINDBERG Offers Alternative to Hiring PALERMO</u>

41. On or about March 27, 2018, the COMMISSIONER met with LINDBERG, GRAY, PALERMO, and others at the GBIG headquarters in Durham, North Carolina. During the meeting, the COMMISSIONER asked to speak with LINDBERG alone.

42. During that portion of the meeting, the COMMISSIONER informed LINDBERG that he did not think it would be a good idea to hire PALERMO at the NCDOI, as it would be well known that PALERMO came from LINDBERG's company and was liable to end up in the newspaper.

43. LINDBERG agreed and offered instead that "we recruit someone brand new to the Department with the same skill set." Later in the meeting, LINDBERG offered that the COMMISSIONER should instead move Senior Deputy Commissioner A to another Division of the NCDOI and move the head of the other Division ("Division Head 1") to Senior Deputy Commissioner A's position.

Further Discussions About the Independent Expenditure Committee

44. On or about May 2, 2018, LINDBERG and the COMMISSIONER spoke on the telephone about the status of the independent expenditure committee. LINDBERG stated that "we're ready" to send $200,000 through North Carolina State Political Party A as soon as the COMMISSIONER was ready to receive it, and "we'll just send that to Robin HAYES and he can do a candidate directed donation from there." He further stated that "we've got a million we're planning on putting into this independent expenditure committee," and the independent expenditure committee would be administered by two individuals related to GRAY and PALERMO.

45. After that discussion, LINDBERG stated that the "only other open item was" the swap of Division Head 1 selected by LINDBERG with Senior Deputy Commissioner A.

46. On or about May 16, 2018, LINDBERG, GRAY, and the COMMISSIONER met at LINDBERG's residence in Durham, North Carolina. During the meeting, the COMMISSIONER asked about the status of the independent expenditure committee, and LINDBERG asked about the exchange of Division Head 1 with Senior Deputy Commissioner A. LINDBERG further offered, "Leave [Division Head 1] where she is and just tell her that she's going to handle our stuff, we're good to go."

47. At the same meeting, LINDBERG and GRAY stated that they were willing to transfer $500,000 to the COMMISSIONER's campaign through North Carolina State Political Party A. GRAY then stated, "But if, if [Division

Head 1] could be the lead financial analyst, the, the problems that, that we are experiencing will disappear."

48. LINDBERG later summarized, "The bottom line is we hear you loud and clear on [the name of the person the COMMISSIONER provided to run the independent expenditure committee]; the [North Carolina State Political Party A] thing; and I think the only final thing to put all this to bed and get you out of the, the muck, is to get, to get us over to [Division Head 1]."

49. In a telephone call following the meeting, GRAY told the COMMISSIONER that he had a $500,000 check for North Carolina State Political Party A that would be for the benefit of the COMMISSIONER.

50. On or about May 16, 2018, LINDBERG wrote a $500,000 check to North Carolina State Political Party A.

<u>HAYES Discusses the Bribe with the COMMISSIONER</u>

51. On or about May 21, 2018, HAYES and the COMMISSIONER spoke on the telephone. During the call, the COMMISSIONER asked, "Did John [GRAY] . . . mention anything to you about what they're doing?" HAYES confirmed, "Yeah, we are, more than happy to help, so, when all that comes through we'll be glad to figure out the best way to, do it." Later in the call, the COMMISSIONER stated, "John [GRAY] and Greg LINDBERG had pledged, to, you know, they had a half million dollars the other day when I was meeting with them and they said that, you know, 'this is what we're going to give to the Party so . . . that they can give a check to you.'" The COMMISSIONER also told HAYES about the independent expenditure committee promised by LINDBERG, and HAYES assured that "they always do what they say they're going to do."

52. During the call, HAYES then raised the personnel change requested by LINDBERG, stating, "Well, the thing that I heard that I think is important is, and I don't know enough about it to really spoke intelligently, but there were some personnel issues, that they were hoping that you would, and I don't even know the lady that was apparently really, really good, in financial analysis, that they would like to see put back into that Department to make sure that things got done that needed to get done."

Establishment of the Independent Expenditure Committee

53. On or about May 22, 2018, PALERMO sent an email to the COMMISSIONER entitled, "Special project," in which he requested certain information necessary to establish the independent expenditure committee.

54. On or about May 25, 2018, PALERMO sent an email to LINDBERG and GRAY stating that the independent expenditure committee to support the COMMISSIONER would be ready in two weeks.

55. On or about May 29, 2018, LINDBERG, GRAY, and the COMMISSIONER met again at LINDBERG's residence in Durham, North Carolina to discuss the personnel move and the independent expenditure committee.

56. At the meeting, the COMMISSIONER complained about the changing amounts of money LINDBERG had offered, and the manner in which North Carolina State Political Party A was coordinating the $500,000 contribution to the COMMISSIONER.

57. During the meeting, GRAY stated, "If we want to put it in these terms, if you're willing to have [Division Head 1] handle everything from Global Bankers Insurance Group, then we'll . . .," and LINDBERG interjected, "We'll put the money in the bank." LINDBERG and GRAY then called PALERMO and discussed the timeline to create and fund the independent expenditure committee. During the discussion with PALERMO, LINDBERG confirmed the $1.5 million he would put into the independent expenditure committee and the $500,000 contribution that would be made through North Carolina State Political Party A, bringing the total contribution to the COMMISSONER's campaign to $2 million.

58. After the call with PALERMO, the meeting between LINDBERG, GRAY, and the COMMISSIONER continued, and GRAY asked, "What do we do with [Division Head 1]?" The COMMISSIONER responded, "I'll make the switch when we all get this . . .," and LINDBERG interjected, "Get the check cleared." When the COMMISSIONER confirmed, LINDBERG responded, "That's a homerun."

59. After the meeting, GRAY sent the contact information for the COMMISSIONER's campaign treasurer to LINDBERG, PALERMO, and

HAYES. The next day, HAYES sent the campaign treasurer an email requesting the wire transfer information for the COMMISSIONER's campaign. The campaign treasurer responded on or about June 6, 2018, and North Carolina State Political Party A transferred $10,000 to the COMMISSIONER's campaign on or about June 15, 2018, and another $10,000 one month later, on or about July 16, 2018.

60. On or about June 7, 2018, PALERMO sent LINDBERG an email about the two corporate entities he had established to form the independent expenditure committee in support of the COMMISSIONER. On or about June 8, 2018, LINDBERG wrote a check to one of the entities for $500,000 and another check for $1.0 million to the other entity. PALERMO cashed both checks, and on or about June 11, 2018, PALERMO sent an email to LINDBERG and GRAY stating, "In essence, for you conversations with [the COMMISSIONER], the 2 entities are ready to go."

61. On or about June 19, 2018, GRAY told the COMMISSIONER that the independent expenditure committee had been funded with $1.5 million.

LINDBERG, GRAY, and PALERMO Further Push the COMMISSIONER

62. On or about June 29, 2018, LINDBERG sent an email to various individuals, including PALERMO, stating, "We are shutting down donations until we see some improvement in the NC DOI staff." PALERMO forwarded the email to GRAY.

63. On or about July 6, 2018, PALERMO sent an email to LINDBERG that began, "For Internal Use Only." In the email, PALERMO stated that he had lunch with Public Official A and "took the opportunity to talk to him about our issue with the DOI." PALERMO went on to state, "I think [Public Official A] got the message and will reach out to [the COMMISSIONER] over the weekend. Net is . . . in [Public Official A's] words: '[The COMMISSIONER] needs to man-up and do what he agreed to.'" Later in the email, PALERMO stated:

> In this case, John Gray and I are in agreement, when we have a request, and think something has been agreed to, we need to have an end date for it to happen. Otherwise, there is no sense of urgency to get it accomplished. I also wanted you to know that the two entities

> we agreed on to be set up, are, and the first board meeting is going to be held on July 18th.

PALERMO ended the email by asking to attend the next scheduled meeting with the COMMISSIONER to "listen in and participate," and recommending that GRAY call the COMMISSIONER before Public Official A. LINDBERG responded, "Good info," and invited PALERMO to attend the meeting. GRAY responded following LINDBERG's email, "Good plan here," and confirmed that he would call the COMMISSIONER.

64. On or about July 9, 2018, PALERMO sent a text message to Public Official A asking if he was able to speak with the COMMISSIONER. Later, PALERMO sent another text message to Public Official A stating that the COMMISSIONER had cancelled a meeting. Public Official A sent a text message back stating that he would call the COMMISSIONER. On the same date, Public Official A called the COMMISSIONER and stated that LINDBERG, GRAY, and PALERMO seemed anxious to find out if the COMMISSIONER had fired or moved someone at the NCDOI.

65. On or about July 9, 2018, the COMMISSIONER called GRAY to inquire about the call from Public Official A. During the call, GRAY assured the COMMISSIONER that he had personally delivered a $500,000 check to North Carolina State Political Party A, and LINDBERG had written checks for the other $1.5 million to the independent expenditure committee. GRAY then asked about moving Division Head 1 into a position to handle GBIG matters. The COMMISSIONER agreed to move forward with that once we "get all this other stuff straight."

66. On or about the same date, PALERMO sent a text message to GRAY asking, "Btw. You [s]aid [the COMMISSIONER] was committed to moving [Senior Deputy Commissioner A]. . . . Did you get a date?" GRAY confirmed that he and LINDBERG would discuss that further with the COMMISSIONER during the last week of July.

67. On or about July 17, 2018, PALERMO sent an email to LINDBERG regarding support for political candidates and the political committees. In the email he stated, "I'm sure [the COMMISSIONER] is going to make the changes he agreed to as long as we set in place a time line for it to happen. I do not think he will walk away from the opportunity in front of him. . . . I am sure [the COMMISSIONER] is going to do what should be in his best interest."

LINDBERG responded, copying GRAY, "Thanks John...will decide on this after we see some progress."

LINDBERG and GRAY Direct HAYES to Transfer the Bribe

68. On or about July 25, 2018, LINDBERG, GRAY, and the COMMISSIONER met again at LINDBERG's residence in Durham, North Carolina to discuss a "date certain" for the personnel move and the status of the campaign contributions.

69. During the meeting, the COMMISSIONER stated that he was not happy with the independent expenditure committee, as it had taken too long to set up and was likely to get publicity given recent publicity about LINDBERG's campaign contributions. The COMMISSIONER requested something that he could control instead.

70. In response, GRAY offered, "Let's do it through NC, [North Carolina State Political Party A]. That way it's not traced back to Greg [LINDBERG]." GRAY then asked when the personnel change could take place, and stated, "There's five-hundred thousand at the [North Carolina State Political Party A]. Two-hundred fifty-thousand of that can go immediately to your campaign account. And the other two-hundred fifty-thousand can go when you want it."

71. Throughout the conversation, GRAY and LINDBERG offered to transfer $250,000 from North Carolina State Political Party A to the COMMISSIONER's campaign immediately, followed by another $250,000 after Senior Deputy Commissioner A was moved. LINDBERG then stated that he would contribute $250,000 through North Carolina State Political Party A to the COMMISSIONER each quarter to make up the remainder of the $1.5 million.

72. GRAY summarized, "Well you're gonna have ten-thousand plus two-hundred fifty-thousand, quickly, if we have, if we have your assurance and a date certain by which the [Division Head 1] staff realignment can occur, then the entirety of that five hundred thousand will go right into your account." And, LINDBERG stated, "Ok, so resolved. You'll get on the horn with Robin [HAYES] right away. Get that check over to [the COMMISSIONER] now. And then by the end of August we'll get you the balance, and we'll get [Division Head 1]."

73. GRAY then called HAYES, while LINDBERG and the COMMISSIONER were still present, to discuss the transfer of $250,000 from North Carolina State Political Party A to the COMMISSIONER's campaign. During the call, GRAY stated, "We've come to the conclusion that it would be better for all of us . . . if we, if we put funds in the [North Carolina State Political Party A] and can, can work out . . . what goes to [the COMMISSIONER], and what I need is for [the COMMISSIONER] to get a transfer from the [North Carolina State Political Party A] in the amount of two-hundred and fifty-thousand this week." HAYES responded, "Ok, well if that's what you want to do, we can do it. It looks a little odd to have that much at one time. You know, we were talking about putting it over, you know, so much a month, so it didn't jump out, but that's what you want to do, we can do it." GRAY stated, "That's what I recommend, [the COMMISSIONER], what do you say?" The COMMISSIONER responded, "Yes." GRAY then asked, "Greg?" LINDBERG responded, "That works for me." GRAY then said, "If you could do that, we would appreciate it." HAYES responded, "Sure." And, GRAY followed up, "We'll get with you and um, understanding that this is all confidential. . . ." HAYES responded, "Yeah, oh, absolutely." GRAY continued, "We're gonna, we're gonna try to help [the COMMISSIONER] build his campaign fund, but we think doing it through the [North Carolina State Political Party A] is probably the way that creates the least amount of consternation for all of us." HAYES responded, "Yeah, well, you know, again, my concern, any large amount like that's gonna draw attention, nothing wrong with it, but they'll see it and somebody will start asking questions, and particularly, given the fact that he doesn't have to run again until what . . . 2020. . . so put a lot of money at one time in there right now, then, they gonna [say], 'well, why . . . you don't have a campaign now.'" But, HAYES confirmed, "Whatever you all want to do, we'll do." HAYES later stated, "All I'm doing is raising a couple points that are my obligation—have you thought of this—but when you say do it, that's easy, that's easy. . . . Alright, I'll get 'er done."

74. On or about July 26, 2018—the very next day—North Carolina State Political Party A transferred $230,000 to the COMMISSIONER's campaign account. When combined with the $20,000 previously transferred, the total transferred was $250,000.

75. On or about July 31, 2018, LINDBERG sent an email to PALERMO, copying GRAY, directing him not to spend any of the money LINDBERG deposited into the independent expenditure committee: "Hi John, please don't spent any of the cash in the 527 and 501c4. . . . Depending on

what happens we may refund the money to me."

GRAY, PALERMO, and HAYES Confirm the Transfer to the COMMISSIONER

76. On or about August 2, 2018, GRAY spoke with the COMMISSIONER to confirm that the wire transfer had been made of the first $250,000 installment, and to inquire about the status of the personnel move. He asked, "The way we left it, you would, you would make the staff transition, and soon after that we would transfer the other part, is that satisfactory?" GRAY confirmed that they had agreed to transfer half of the $500,000 into the COMMISSIONER's campaign account immediately and half after the personnel change had occurred. At the end of the call, however, GRAY asked, "Do you want the other part of that money, is it necessary for it to be there before you make the realignment?" The COMMISSIONER responded, "I'd like to have [the second $250,000 installment] in there, you know, end, end of August, somewhere in that last week of August. But I'll, I'll continue working on the realignment." GRAY replied, "Well, if you get the realignment done in August, we'll get the other part in there, um, um, on or before the last day of August." The COMMISSIONER agreed and GRAY responded, "I'm delighted."

77. On or about August 3, 2018, PALERMO sent an email to GRAY confirming that the COMMISSIONER's campaign treasurer had received the recent $230,000 wire transfer from North Carolina State Political Party A. Soon thereafter, GRAY sent the COMMISSIONER a text message stating, "I must communicate with you so I can assure Greg [LINDBERG] all is appropriate with our Wed. agreement." He further sent the COMMISSIONER a screenshot confirmation of the wire transfer from North Carolina State Political Party A to the COMMISSIONER's campaign, which he, PALERMO, and HAYES received via email from a representative of North Carolina State Political Party A the night before.

78. On or about August 3, 2018, HAYES also called the COMMISSIONER to confirm receipt of the $230,000 transfer. During the call, HAYES stated, "Okay well, I want to be sure, cuz things are working nicely and they was a lot of concern."

79. On or about August 4, 2018, PALERMO sent a text message to GRAY confirming that he spoke to HAYES, and "Robin [HAYES] spoke to [the COMMISSIONER]. . . . Not sure the entire message was delivered,

however he did confirm that [the COMMISSIONER] said he is on track for the end of the month."

80. On or about August 9, 2018, GRAY forwarded PALERMO a series of communications he had with the COMMISSIONER. PALERMO responded via text message: "It's a comedy of errors that could only happen with [the COMMISSIONER] the helm. . . . Frankly, I'm pissed as a really good initiative is on hold because of a donation and a staff move that might not help."

HAYES Lies to the Federal Bureau of Investigation

81. On or about August 28, 2018, agents from the Federal Bureau of Investigation approached GRAY to interview him in connection with this matter. Following the interview, at approximately 2:50 p.m., GRAY called HAYES. During the call, GRAY asked, "I got a call from the FBI relative to the money transfers from [North Carolina State Political Party A] to [the COMMISSIONER's] campaign account . . . do we have a problem here?" HAYES responded, "I don't think so, but they called me a minute ago and I'm in Beaufort waiting on them. I'll let you know. . . . I didn't have any idea what was on their mind, but now you've given me a clue." GRAY later stated, "Well . . . , I'm just wondering about it, because there was a phone call that I made, and we discussed [North Carolina State Political Party A] transferring some money at [the COMMISSIONER's] request, and I'm just wondering if that's a problem." HAYES responded, "Shouldn't be, but I'll let you know. . . . Stand down till you hear from me."

82. On the same date, at approximately 3:00 p.m., agents from the Federal Bureau of Investigation arrived to interview HAYES. During the interview, the agents asked HAYES about LINDBERG's $500,000 contribution to North Carolina State Political Party A. Specifically, they asked, "Have you and Mr. LINDBERG, or anybody who represents Mr. LINDBERG, had any discussions about that particular contribution . . . like what his expectations are regarding those funds?" HAYES responded, "Absolutely not." To confirm, the agents then asked HAYES, "With respect to this most recent large contribution he made, which is $500,000, he didn't direct you anywhere where that money would go?" HAYES responded again, "Absolutely not." The agents then asked HAYES, "Did anyone associated with him or his organization direct you where that money would go?" HAYES again responded, "No." Later, HAYES was asked, "Has [GRAY] ever called, even just as a friend, and asked you to do anything for Mr. LINDBERG?" HAYES responded, "Nothing like along the

lines of directing money, no." Still later, HAYES was asked, "You know very clearly that if Mr. LINDBERG put $500,000 in [North Carolina State Political Party A]'s account and then tells Robin HAYES…." HAYES interrupted, "Mr. LINDBERG did not tell me."

83. Additionally, during the interview, the agents asked HAYES about conversations he had with the COMMISSIONER. Specifically, the agents asked, "Have you talked with [the COMMISSIONER] about Mr. LINDBERG or Mr. GRAY?" HAYES responded, "No." HAYES was then asked, "Have you talked with [the COMMISSIONER] about personnel in his office?" HAYES responded, "No." HAYES was then asked, "About personnel problems he has in his office?" HAYES again responded, "No."

### E. Execution of the Scheme

84. On or about each of the dates set forth below, in Iredell County, in the Western District of North Carolina, and elsewhere, the defendants, GREG E. LINDBERG, JOHN D. GRAY, JOHN V. PALERMO, and ROBERT CANNON HAYES, for the purpose of executing the above-described scheme and artifice to defraud and deprive, transmitted and caused to be transmitted by means of wire communication in interstate commerce the writings, signs, signals, pictures, and sounds described below:

| Date | Description |
|---|---|
| June 11, 2018 | Deposit of $500,000 from LINDBERG in North Carolina Growth and Prosperity Committee Account |
| June 11, 2018 | Deposit of $1,000,000 from LINDBERG in North Carolina Growth and Prosperity Committee Account |
| June 15, 2018 | Transfer of $10,000 from North Carolina State Political Party A to the COMMISSIONER's campaign account |
| July 16, 2018 | Transfer of $10,000 from North Carolina State Political Party A to the COMMISSIONER's campaign account |
| July 26, 2018 | Transfer of $230,000 from North Carolina State Political Party A to the COMMISSIONER's campaign account |

All in violation of Title 18, United States Code, Section 1349.

## COUNT TWO
## 18 U.S.C. §§ 666(a)(2) and 2
## (Bribery Concerning Programs Receiving Federal Funds and Aiding and Abetting)

85. Paragraphs 1 through 83 are realleged and incorporated herein by reference.

86. From in or about March 2018, through in or about August 2018, in Iredell County, in the Western District of North Carolina, and elsewhere, the defendants,

**(1) GREG E. LINDBERG,**
**(2) JOHN D. GRAY,**
**(3) JOHN V. PALERMO, and**
**(4) ROBERT CANNON HAYES,**

did corruptly give, offer, and agree to give a thing of value to any person intending to influence and reward an agent of the NCDOI, a State agency that received benefits in excess of $10,000 pursuant to a Federal program involving a grant, contract, subsidy, loan guarantee, and other forms of Federal assistance in 2018, in connection with any business, transaction, or series of transactions of such State government and agency involving something of value of $5,000 or more: namely, the defendants gave, offered, and agreed to give $2 million in campaign contributions and through an independent expenditure committee to the COMMISSIONER, a public official of the State of North Carolina, intending to influence and reward the COMMISSIONER in connection with the transfer of Senior Deputy Commissioner A.

All in violation of Title 18, United States Code, Sections 666(a)(2) and 2.

## COUNT THREE
## 18 U.S.C. § 1001(a)(2)
## (False Statements)

87. Paragraphs 1 through 83 are realleged and incorporated herein by reference.

88. On or about August 28, 2018, in the Western District of North Carolina, and elsewhere, the defendant,

**(4) ROBERT CANNON HAYES,**

knowingly and willfully, made a material false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the executive branch of the government of the United States, to wit, a false statement to agents of the Federal Bureau of Investigation that North Carolina State Political Party A had not accepted directed contributions. This statement was false because, as Chairman of North Carolina State Political Party A, HAYES then and there knew that North Carolina State Political Party A had accepted directed contributions from LINDBERG.

All in violation of Title 18, United States Code, Section 1001(a)(2).

## COUNT FOUR
## 18 U.S.C. § 1001(a)(2)
## (False Statements)

89. Paragraphs 1 through 83 are realleged and incorporated herein by reference.

90. On or about August 28, 2018, in the Western District of North Carolina, and elsewhere, the defendant,

**(4) ROBERT CANNON HAYES,**

knowingly and willfully, made a material false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the executive branch of the government of the United States, to wit, a false statement to agents of the Federal Bureau of Investigation that neither LINDBERG, nor anyone associated with LINDBERG, had any discussions with HAYES about LINDBERG's expectations with respect to LINDBERG's $500,000 contribution to North Carolina State Political Party A, or directed HAYES where LINDBERG's $500,000 contribution would go. This was false because HAYES then and there knew that he had conversations with LINDBERG and GRAY during which LINDBERG and GRAY directed HAYES to transfer $250,000 to the COMMISSIONER's campaign.

All in violation of Title 18, United States Code, Section 1001(a)(2).

**COUNT FIVE**
**18 U.S.C. § 1001(a)(2)**
**(False Statements)**

91. Paragraphs 1 through 83 are realleged and incorporated herein by reference.

92. On or about August 28, 2018, in the Western District of North Carolina, and elsewhere, the defendant,

**(4) ROBERT CANNON HAYES,**

knowingly and willfully, made a material false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of the executive branch of the government of the United States, to wit, a false statement to agents of the Federal Bureau of Investigation that HAYES never spoke with the COMMISSIONER about LINDBERG or GRAY, or personnel or personnel problems at the NCDOI. This statement was false because HAYES then and there knew that he had spoken with the COMMISSIONER about contributions from LINDBERG being funneled through North Carolina State Political Party A to the COMMISSIONER, and about LINDBERG's request that the COMMISSIONER move certain personnel within the NCDOI.

All in violation of Title 18, United States Code, Section 1001(a)(2).

**NOTICE OF FORFEITURE AND FINDING OF PROBABLE CAUSE**

93. Notice is hereby given of 18 U.S.C. § 982 and 28 U.S.C. § 2461(c). Under Section 2461(c), criminal forfeiture is applicable to any offenses for which forfeiture is authorized by any other statute, including but not limited to 18 U.S.C. § 981 and all specified unlawful activities listed or referenced in 18 U.S.C. § 1956(c)(7), which are incorporated as to proceeds by Section 981(a)(1)(C). The following property is subject to forfeiture in accordance with Section 982 and/or 2461(c):

a. All property which constitutes or is derived from proceeds of the violations set forth in this Bill of Indictment; and

b. If, as set forth in 21 U.S.C. § 853(p), any property described in (a) cannot be located upon the exercise of due diligence, has been transferred or sold to, or deposited with, a third party, has been placed beyond the jurisdiction of the court, has been substantially diminished in value, or has been commingled with other property which cannot be divided without difficulty, all other property of the defendants to the extent of the value of the property described in (a).

94. The Grand Jury finds probable cause to believe that the following property is subject to forfeiture on one or more of the grounds stated above:

- a forfeiture money judgment in the amount of at least $2 million, such amount constituting the proceeds of the violations set forth in this Bill of Indictment;

- approximately $250,000 in proceeds voluntarily turned over by the COMMISSIONER to the United States as a result of the investigation;

- and approximately $1.5 million in proceeds deposited into two bank accounts held in the name of North Carolina Growth and Prosperity at Wells Fargo Bank, account numbers *0817 and *0809.

A TRUE BILL

[redacted]

FOREPERSON

R. ANDREW MURRAY
UNITED STATES ATTORNEY

BILL STETZER
FIRST ASSISTANT UNITED STATES ATTORNEY
DANA O. WASHINGTON
ASSISTANT UNITED STATES ATTORNEY

ANNALOU T. TIROL
ACTING CHIEF, PUBLIC INTEGRITY SECTION

JAMES C. MANN
TRIAL ATTORNEY

Revised AO 45 (WDNC - 3/07)

"UNDER SEAL"

# NEW CRIMINAL CASE COVER SHEET

# U. S. DISTRICT COURT

(To be used for all new Bills of Indictments and Bills of Information)

**CASE SEALED:** ◉ YES ○ NO

**DOCKET NUMBER:** 5:19-cr-22-FDW

*If case is to be sealed, a Motion to Seal and proposed Order **must** be attached.)*

| | | |
|---|---|---|
| **CASE NAME** | :US vs | 1) GREG E. LINDBERG, et al. |
| **COUNTY OF OFFENSE** | : | Statesville |
| **RELATED CASE INFORMATION** | : | |
| *Magistrate Judge Case Number* | : | |
| *Search Warrant Case Number* | : | |
| *Miscellaneous Case Number* | : | |
| *Rule 20b* | : | |
| **SERVICE OF PROCESS** | : | Arrest Warrant |

**U.S.C. CITATIONS** *(Mark offense carrying greatest weight):* ○ Petty ○ Misdemeanor ◉ Felony

18 U.S.C. 1349

**JUVENILE:** ○ Yes ◉ No

| | | |
|---|---|---|
| **ASSISTANT U. S. ATTORNEY** | : | Dana Washington and Bill Stetzer |
| **VICTIM/WITNESS COORDINATORS:** | | Shirley Rutledge |
| **INTERPRETER NEEDED** | : | |
| **LIST LANGUAGE AND/OR DIALECT:** | | |
| **REMARKS AND SPECIAL INSTRUCTIONS:** | | |

(Maintain form in the Attorney Work Product folder / purge before archiving )

# EXHIBIT B

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

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

Plaintiff,

v.

PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN,

Defendant.

Case No.: 19-504-CR

Hon. Wanda M. Stokes

EDWARD W. BUTTNER IV, being duly sworn, deposes and says:

**Introduction and Summary Background**

1. I am a certified public accountant, licensed in the state of Florida, a member of the American Institute of Certified Public Accountants, and an employee of Veris Consulting, Inc., an accounting and consulting firm headquartered in Reston, Virginia. I am responsible for the work that is described in this Affidavit. I have been qualified as an expert in both federal and state courts on, among other things, statutory and GAAP accounting for insurance companies, and on the determination of the financial condition of insurance companies which have been the subject of administrative and/or receivership actions, brought by departments of insurance. Specifically, I have been qualified in federal and/or state court in New York, Florida, Texas, Louisiana, Oklahoma, Arizona, and Kansas, as an expert in statutory accounting.

2. Throughout my 40 plus years of providing services to the insurance industry, I have provided assistance to a number of departments of insurance as regards financial oversight including, but not limited to, the application and determination of investment limitations as regards investments in affiliates, diversification limitations of investments, maximum investments in a single issuer and in a single investment, the valuation of investments, and the inclusion of investments as admitted assets in an insurer's statutory-basis financial statements, determination of risk based capital, compliance with statutory capital and surplus requirements, and solvency. Those departments of insurance were Florida, Texas, Ohio, Kansas, Louisiana, Pennsylvania, Oklahoma, Hawaii, Alabama, Arizona, and West Virginia.

3. I have also assisted insurers domiciled in North Carolina, and insurers subject to oversight by the North Carolina Department of Insurance ("NCDOI") as regards statutory accounting and financial reporting. My curriculum vitae is attached to this Affidavit as Exhibit 1.

4. I submit this Affidavit in support of the Objection to Plan of Rehabilitation by Interested Party Independent Insurance Group, LLC, dated October 4, 2019.

5. The composition of the management team proposed in the Plan of Rehabilitation, dated August 8, 2019 ("Plan"), to oversee Pavonia Life Insurance Company ("Pavonia") going forward (the "GBIG Management Team") is made up of the very same managers of four affiliated North Carolina-domiciled insurance companies (the "GBIG Insurance Affiliates") under common ownership with Pavonia, that were placed into receivership by the NCDOI. The GBIG Insurance Affiliates were placed into receivership due to, among other things, regulatory concerns over their investments in affiliated non-insurance

companies. The GBIG Management Team was in charge of the day-to-day operations of the GBIG Insurance Affiliates prior to the date that the GBIG Insurance Affiliates were placed into receivership. It is also my understanding that the GBIG Management Team has been assisting the Special Deputy Receiver ("Receiver") in the day-to-day management of GBIG Insurance Affiliates post receivership

6. Those GBIG Insurance Affiliates were:

- Colorado Bankers Life Insurance Company ("CBLIC")
- Southland National Insurance Corporation ("Southland")
- Bankers Life Insurance Company ("Bankers")
- Southland National Reinsurance Corporation ("Southland Re")

All four of the North Carolina insurance companies were placed in Receivership on June 27, 2019.

7. It has been widely reported that the affiliate investments held by the GBIG Insurance Affiliates aggregate $2 billion. Based on the Amended 2018 Annual Statements as filed by the Receiver, such affiliated investments held as of December 31, 2018, aggregating $1.654 billion are as follows:

- CBLIC – $1.331 billion
- Bankers – $78.1 million
- Southland – $245.6 million

8. The Schedule of Affiliated Investments Held by CBLIC, Southland and Bankers as of December 31, 2018 from the Amended 2018 Annual Statements is attached to this Affidavit as Exhibit 2.

9. This Affidavit addresses the conduct of the GBIG Management Team that was responsible for the preparation of the insurers' statutory-basis financial reporting including, but not limited to, the preparation of the insurers' Annual and Quarterly Statements and the statutory accounting and reporting requirements as regards investments in affiliates.

10. As described more fully herein, that GBIG Management Team prepared and filed materially false and misleading statutory-basis financial statements with the National Association of Insurance Commissioners ("NAIC"),[1] the NCDOI, and regulators in other states that obtained and relied upon those Annual and Quarterly Statements.

11. The afore-described GBIG Insurance Affiliates were licensed in forth-eight states excluding North Carolina. As such, the regulators in those forty-eight states relied upon the information contained in the insurers' Annual and Quarterly Statements including, but not limited to, the supporting footnote and interrogatories disclosures therein.

**Statutory Accounting and Reporting**

12. Each state insurance department regulates insurance companies in accordance with state laws with an emphasis on solvency for the protection of policyholders. The cornerstone of solvency monitoring and measurement is financial reporting. A regulator's ability to effectively evaluate an insurer's financial condition using audited and other filed financial statements is considered to be of critical importance to the protection of the insurer's policyholders.

[1] The NAIC is a membership organization of state insurance commissioners that, among other functions and activities, provides a national forum for addressing and resolving major insurance issues and developing policies for the regulation of insurance.

13. Insurance companies have historically been required to comply with numerous laws, statutes, and other regulations and guidance published by state insurance departments and the NAIC that address virtually all aspects of an insurer's operations, including the periodic financial reporting requirements to the state insurance departments in which the company is licensed to do business. Those compliance requirements include, but are not limited to, qualitative and quantitative asset and investment limitations, reserve and other liability calculations, allowable reinsurance credits, permitted intercompany and related party transactions, investment valuation procedures, financial statement formats and contents, minimum capital requirements, dividend limitations, annual audits, annual actuarial reserve certifications, and risk based capital.

14. An emphasis of statutory accounting is on "Surplus" ("Surplus" or "Statutory Surplus") and, in that regard, statutory accounting concepts are often considered to be more focused on a liquidation concept rather than on a going-concern concept. Surplus is the total of an insurance company's capital stock, paid-in and contributed capital, and unassigned surplus/deficit, determined in accordance with statutory accounting practices, or, stated somewhat differently, Surplus is the excess of the company's total admitted assets over its reserves and liabilities. Each state insurance department establishes the minimum amount of Surplus that a given type of insurance company must have to transact insurance business. As disclosed in CBLIC's, Southland's, and Bankers' 2017 Notes to Financial Statements:

> Under the applicable laws and regulations of the state of North Carolina, the Company is required to maintain minimum capital and surplus of $1,500,000.

15. The NAIC has adopted Statutory Accounting as the standard for insurance company accounting and reporting and publishes an *Accounting Practices and Procedures Manual* setting forth the rules of statutory accounting.

16. Insurance companies like CBLIC domiciled in North Carolina must file certain accounting and financial statements with the NCDOI, including an Annual Statement.

17. The NCDOI adopted statutory accounting, thus, CBLIC's Annual Statements are to be completed in accordance with the NAIC *Annual Statement Instructions* and the Statements of Statutory Accounting Principles ("SSAPs"), as published in the NAIC *Accounting Practices and Procedures Manual.*[2] Therefore, the SSAPs described herein are authoritative.

18. The determination of an insurer's capital and surplus and its solvency and/or insolvency are financial measurements and must be determined in accordance with the requirements of the NAIC *Accounting Practices and Procedures Manual*, and laws, rules and regulations enacted by North Carolina. In short, the determination of an insurer's capital and surplus must be determined in accordance with statutory accounting principles.

19. The NCDOI, like other state departments of insurance, is charged with the overall regulation, oversight, and solvency surveillance of both domestic and foreign insurers licensed to do business in North Carolina. Accordingly, the NCDOI has primary oversight and regulatory responsibility for the regulation of domestic insurers, and secondary responsibility for foreign insurers.

[2] N.C.G.S. Sec. 58-2-165(c).

**CBLIC, Southland, and Bankers Failed to Comply with Statutory Accounting Requirements for Affiliate Investments**

20. In addition to enacting laws and regulations affecting the day-to-day operations of insurance companies, the individual states have also enacted laws and regulations that address the accounting, asset and liability valuation, and financial reporting by insurance companies. Each state insurance department's regulatory surveillance function is dependent, to a large extent, on the accuracy, completeness, and timeliness of the financial information that it receives from the domiciled and licensed insurance companies in that state. For most insurers, including CBLIC, Southland, and Bankers, certain financial data is required to be filed with the regulators on a quarterly basis as well as on an annual basis. To facilitate the performance of the financial oversight responsibilities of the regulators, CBLIC, Southland, and Bankers were each required to complete and periodically file an extensive amount of financial information, including financial statements and notes to the financial statements. The forms completed by insurers in their quarterly and annual financial information filings with the state insurance regulators are referred to herein as Quarterly Statements and Annual Statements, respectively.

21. Obviously, if the financial information filed with the state insurance department regulators by an insurance company is materially in error, incomplete, misleading, not timely filed, or not otherwise in compliance with the applicable reporting requirements, the regulator's resulting action or inaction may not correspond to the actions that would be warranted if the specific circumstances or situations were known to those regulators. If an insurer and/or its independent auditors do not timely and accurately comply with the periodic financial and other reporting requirements, the regulators are not provided

accurate information and the insurer may continue to operate when the insurer is actually financially unstable, impaired, or insolvent.

22. The 2018 Annual Statements for CBLIC, Southland, and Bankers included a note disclosure that stated, in part, that the financial statements included therein were:

> ...presented on the basis of accounting practices prescribed or permitted by the North Carolina Department of Insurance ("the Department").
>
> The Department recognizes only statutory accounting practices prescribed or permitted by the State of North Carolina for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the North Carolina Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of North Carolina.

23. In general, prescribed statutory accounting practices consist of state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state, as well as the NAIC *Annual Statement Instructions*, the NAIC *Accounting Practices and Procedures Manual*, the *Securities Valuation Manual* (published by the NAIC Securities Valuation Office), the NAIC *Examiners' Handbook*, and other NAIC official proceedings.

24. Permitted accounting practices include practices not specifically prescribed but allowed by the domiciliary state insurance department. Insurance entities may request permission from the domiciliary state insurance department to use a specific accounting practice in the preparation of its statutory-basis financial statements when the enterprise wishes to depart from the prescribed statutory accounting practices, or when prescribed statutory accounting practices are unclear or do not address the accounting for certain transactions.

25. CBLIC, Southland, and Bankers filed their original December 31, 2018 Annual Statements with both the NAIC and the NCDOI on or about March 1, 2019. In those Originally filed 2018 Annual Statements:

- CBLIC reported approximately $15 million investments in affiliates.
- Southland reported approximately $38.4 million of investments in affiliates
- Bankers reported no investments in affiliates

26. I have prepared a detailed listing of the affiliate investments as reported in the Originally filed 2018 Annual Statements. That detailed listing - Schedule of Affiliated Investments Held by CBLIC, Southland, and Bankers as of December 31, 2018 from the Original 2018 Annual Statements is attached to this Affidavit as Exhibit 3.

27. Subsequent to being placed into Receivership, the Receiver determined that an aggregate $1.601 billion of investments that were reported by the management team in CBLIC's, Southland's, and Bankers' 2018 Annual Statements as non-affiliate investments were, in fact, affiliate investments.

28. On or about July 19, 2019, after the companies were placed into receivership, the North Carolina Special Deputy Receiver filed Amended 2018 Annual Statements for CBLIC, Southland, and Bankers, which amended the previously filed 2018 Annual Statements that had been filed under oath by the GBIG Management Team, revising them as follows:

- CBLIC – reclassified $1.316 billion of investments from various investment categories to investments in affiliates.
- Southland – reclassified $207.2 million of investments from various investment categories to investments in affiliates.

- Bankers – reclassified $78 million of investments from various investment categories to investments in affiliates.
- In total, $1.601 billion was reclassified from non-affiliated Investments to affiliates investments.

29. I have prepared a detailed listing of the affiliate investments as reported in the Amended 2018 Annual Statements. That detailed listing - Schedule of Affiliate Investments Not Reported as such in 2018 Original Annual Statements as Filed by CBLIC, Southland, and Bankers is attached to this Affidavit as Exhibit 4.

30. CBLIC's, Southland's, and Bankers' Annual and Quarterly Statements required a Jurat page that included a sworn statement of designated corporate officers concerning the financial data and disclosures contained in those reports as follows:

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

The Jurat pages for CBLIC, Southland, and Bankers were signed under oath by the following:

- Lou Everett Hensley – Chief Executive Officer
- Brian Christopher Stewart – Chief Financial Officer and Treasurer
- Tamre Farid Edwards – Chief Legal Officer and Secretary

31. The Board of Directors and Officers include, but are not limited to, those charged with governance. The Jurat pages of the CBLIC, Southland, and Bankers 2018 Annual Statements identified the Officers and Directors. A listing of the Board of Directors and Officers is attached to this Affidavit as Exhibit 5.

**Materially Misstated Statutory Financial Statements**

32. The NAIC and most state Departments of Insurance, including North Carolina, have enacted laws, rules or regulations that restrict and/or limit or prohibit transactions amongst related parties.

33. The NAIC promulgated SSAP No. 25 - *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* ("SSAP No. 25"), which states in part:

> Related party transactions are subject to abuse because reporting entities may be induced to enter transactions that may not reflect economic realities or may not be fair and reasonable to the reporting entity or its policyholders. As such, related party transactions require specialized accounting rules and increased regulatory scrutiny. This statement establishes statutory accounting principles and disclosure requirement for related party transactions.

34. Mr. Lindberg has published a number of press releases in reaction to unflattering media reports regarding his conduct or companies. Though a spokesperson in a press release published on PRNewswire.com dated March 3, 2019, Mr. Lindberg asserted that:

- Mr. Lindberg's affiliated investment strategy was approved in advance by the NCDOI and other regulators, as applicable.
- North Carolina, like many other states, does not explicitly prohibit or limit the investment of insurance company assets in affiliated entities. The North Carolina Insurance Holding Company System Regulatory Act does restrict investment of insurance company assets by North Carolina insurance companies in subsidiaries (i.e., 10% of admitted assets or 50% of capital/surplus), but this provision does not apply to investments in affiliates.
- Under the original agreement with the NCDOI in 2014, affiliated insurance investments and affiliated investment grade assets were not included in the 40% limit on affiliated investments agreed upon with the NCDOI. In 2016, Mr. Lindberg and team agreed with the NCDOI to modify the 40% limit to apply to all non-insurance affiliated investments. As agreed with the NCDOI in 2018, the companies are working with the NCDOI to bring the affiliated investments to 10% of assets.
- In 2015, with the approval of the NCDOI, certain of the loans were disaffiliated under North Carolina law, and equity capital was added to improve their rating to investment grade. This involved creating Special Purpose Vehicles (SPVs) to hold the original loans, and Mr. Lindberg

adding tens of millions of dollars in equity capital to the SPVs to improve their ratings to investment grade. The SPVs were separate LLCs managed by a third-party asset manager, as required under North Carolina law to disaffiliate these assets.

35. If CBLIC's, Southland's, and Bankers' 2018 Annual Statements had been properly prepared and submitted to the NCDOI, the resulting inadequate Surplus and corresponding RBC calculations would have, at a minimum, alerted the NCDOI, the NAIC, and the other forth-eight states and two territories to CBLIC's, Southland's, and Bankers' precarious financial condition.

36. SSAP No. 25, SSAP No. 48 – *Joint Ventures, Partnerships and Limited Liabilities Companies* ("SSAP No. 48"), and SSAP No. 97 – *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88* ("SSAP No. 97") collectively establish statutory accounting principles for transactions with and investments in subsidiaries, controlled and affiliated entities ("SCA") including required disclosures. Based on my review of the affiliated investments identified in the Amended 2018 Annual Statements of CBLIC, Southland, and Bankers, those affiliated investments were subject to the accounting, reporting, and disclosure requirements of one or more of the afore-described SSAP's.

37. The Disclosure Requirements of Accounting Policies and Affiliate Transactions-and/or Investments are attached to this Affidavit as Exhibit 6.

38. Assuming that the NCDOI permitted CBLIC, Southland, and Bankers to invest 40% of their admitted assets in affiliate investments, each of those insurers were required

to comply with and disclose such permitted practices in its Annual and Quarterly Statements.

39. It has been my experience that when insurers exceed prescribed or permitted investment limitations that such excess investment amounts are considered non-admitted assets or otherwise excluded from the determination of an insurer's surplus as regards policyholders.

40. Therefore, those charged with governance were required to monitor the 40% permitted limitation of affiliate investments to admitted assets, and if exceeded, to non-admit such excess in the determination of surplus as reported in the insurer's Annual and Quarterly Statements.

41. I have reviewed the Annual Statements for the year ended December 31, 2018, including the Notes, Interrogatories, and all supporting schedules included therein, for CBLIC, Southland, and Bankers.

42. None of those Annual Statements contained any disclosure of the NCDOI 40% of admitted assets affiliate investment permitted practice, and there were no calculations or disclosures of such insurers' compliance with that NCDOI permitted practice.

43. In fact, based on the 2018 Annual Statements as amended by the Receiver, and assuming that the NCDOI permitted those insurers to invest 40% of its admitted assets in affiliate investments, the amounts of such affiliate investments as a percentage of admitted assets were as follows:

- CBLIC – 49.7%
- Southland – 69.4%
- Bankers – 19.7%

44. The Calculation of Affiliate Investments Limitations on CBLIC, Southland and Bankers as of December 31, 2018 is attached to this Affidavit as Exhibit 7.

45. Based on the affiliate investments in the Amended 2018 Annual Statements and applying the 40% NCDOI limitation, both CBLIC and Southland would have been insolvent with surplus as of December 31, 2018 as follows:

- CBLIC – $(82.2 million)
- Southland – $(84.9 million)

46. The Calculation of Affiliate Investments Limitations and Impact of Excess Affiliate Investments on Capital and Surplus as of December 31, 2018 is attached to this Affidavit as Exhibit 8.

47. In addition to failing to properly report capital and surplus, none of those insurers' 2018 Annual Statements contained the disclosures required by the NAIC *Annual Statement Instructions* or the disclosure requirements of SSAP Nos. 25, 48, or 97.

48. As such, it is my opinion that CBLIC's, Southland's, and Bankers' 2018 Annual Statements were not "...a full and true statement of the assets and liabilities..." as of December 31, 2018.

49. It has been asserted by Mr. Lindberg that the NCDOI "permitted" the investment of insurers' assets in affiliated entities of 40% of admitted assets of such insurers. Assuming the accuracy of that assertion, the NCDOI was aware of the significant affiliate investments. However, there has been no such assertion that regulators in other states had such knowledge.

50. According to Schedule T - Premiums and Annuity Considerations, contained in the 2018 Annual Statement, CBLIC was licensed to sell certain products in forty-nine

states (excluding only New York), and two US Territories of Puerto Rico and Guam. Based on the Annual Statement Schedule T information aggregated for CBLIC, Southland, and Bankers:

Premium and Annuity Considerations aggregate to $1.78 billion:

- Premiums and Annuity Considerations written in North Carolina aggregated $35 million or 2% of total premiums and annuity considerations.
- Premiums and Annuity Considerations written in Florida, Massachusetts, Michigan, Ohio, Pennsylvania, and Texas aggregated $0.888 billion or 50% of the total premiums and annuity considerations.

51. Schedule T - Premium and Annuity Considerations is attached to this Affidavit as Exhibit 9.

52. The GBIG Management Team, charged with governance of CBLIC, Southland, and Bankers, knew or should have known that the regulators in those other forty-eight states and two territories relied upon the truthfulness and accuracy of the financial and other information contained in the insurers' Annual and Quarterly Statements in order to diligently perform their regulatory surveillance functions for the protection of policyholders in those states and territories.

53. The inadequate and/or nonexistent disclosures as regards insurers' transactions with and investments in affiliates masked those material affiliate transactions and investments from the NAIC and the regulators in those forty-eight states and two territories.

54. Based on the Amended 2018 Annual Statements, during 2018 CBLIC, Southland, and Bankers entered into in excess of $1.49 billion of affiliate investments as follows:

- During the period January 1, 2018 to July 8, 2018, there were 30 transactions aggregating $274.5 million. These transactions resulted in an average affiliate investment of $9.15 million
- During the period July 9, 2018 to July 31, 2018, there were 34 transactions aggregating $903.6 million. These transactions resulted in an average affiliate investment of $26.6 million.
- During the period August 1, 2018 to December 31, 2018, there were 8 transactions aggregating $313.7 million. These transactions resulted in an average affiliate investment of $39.2 million.

55. The Detail of Affiliate Investments Purchased in 2018 and Held by CBLIC, Southland, and Bankers as of December 31, 2018 is included in this Affidavit as Exhibit 10.

**Conclusion**

56. Based on the information in the Amended 2018 Annual Statements prepared and filed by the Receiver, and assuming that the NCDOI, in fact, permitted CBLIC, Southland, and Bankers to invest 40% of admitted assets in affiliate investments, it is my opinion that the 2018 Annual Statements for each of those afore-described insurers as originally prepared and filed by those charged with governance were materially false and misleading. Furthermore, based on the afore-described Amended 2018 Annual Statements, and treating the excess affiliate investments described more fully herein as

non-admitted assets, in my opinion that CBLIC was $82.2 million insolvent and Southland was $84.9 million insolvent as of December 31, 2018.

FURTHER AFFIANT SAYETH NOT.

Edward W. Buttner, IV

STATE OF Florida )
) SS:
COUNTY OF Duval )

SUBSCRIBED AND SWORN TO before me this 29 day of October, 2019.

Notary Public

My Commission Expires:

(SEAL) CARLA A HORNE
MY COMMISSION # GG016113
EXPIRES July 27, 2020

# EXHIBIT 1

## Curriculum Vitae – Edward W. Buttner IV

**Exhibit 1 - Curriculum Vitae – Edward W. Buttner IV**

## Educational Background

- Attended Jacksonville University 1972 – 1976, graduated in April 1976 with a Bachelor of Science degree, major in accounting.
- Passed the Certified Public Accountants ("CPA") examination in 1976 and became a licensed CPA in 1977.
- A licensed CPA in Florida since 1977.
- A Fellow, Life Management Institute since 1983, with a specialization in Managerial Accounting.
- A Certified Fraud Examiner since 1995.
- Certified in Financial Forensics since 2010.

## Employment History

- June 1976 to April 1992 – Ernst & Young (previously Ernst & Ernst and Ernst & Whinney).
- May 1992 to present – Buttner Hammock & Company, P.A. (previously Buttner & Company and Buttner Hammock Ranes & Company, P.A.).
- January 1, 2012 to present – Veris Consulting, Inc.

## Accounting, Auditing, and Consulting Experience

- Worked for the Big 6 accounting firm of Ernst & Young LLP ("E&Y") for 16 years and specialized in insurance accounting, auditing, and consulting.
    - Partner-in-charge of the E&Y Florida Insurance Practice from October 1988 to April 1992.
    - Directed SAP-basis and GAAP-basis financial statement audits, as the engagement partner, on over 25 different life/health and property/casualty insurance companies.
    - Directed GAAP-basis financial statement audits, as engagement partner, on insurance holding companies that were registered with the Securities and Exchange Commission ("SEC").
    - Directed valuation engagements on insurance companies and blocks of insurance business.

**Exhibit 1 - Curriculum Vitae – Edward W. Buttner IV – (cont'd)**

- Directed engagements to compute purchase GAAP adjustments for acquisitions of insurance companies ranging from $3 million to $1 billion.

  - Assisted in the development of the Life Office Management Association ("LOMA") training programs for statutory and GAAP accounting. LOMA is an international association through which more than 1,200 insurance and financial services companies engage in research and educational activities to improve company operations.

- Directed full scope and limited scope examinations in accordance with the NAIC Examiners Handbook for the Florida Department of Insurance, Bureau of Property & Casualty Self Insurance.

- Assisted the Florida Department of Insurance in the training of financial and market conduct examiners.

- Was appointed in 1998, and continued until 2002, as the Chief Accounting Officer ("CAO") of RISCORP, Inc., an insurance holding company, and its wholly owned insurance company subsidiaries.

- Assisted the Alabama, Arizona, Florida, Hawaii, Kansas, Louisiana, Ohio, Oklahoma, Texas, Pennsylvania, and West Virginia Departments of Insurance in their analyses of insolvent and troubled insurance companies.

- Assisted the Florida Department of Insurance in the performance of in excess of 10 operational reviews of joint underwriting associations.

- Assisted the Florida Department of Insurance in the review and analyses of over 50 reinsurance treaties.

- Assisted the Florida, Texas, Hawaii, and Pennsylvania Department of Insurance in the determination of reinsurance balances outstanding for an insolvent insurance company.

- Assisted the Department of Justice and the Securities and Exchange Commission in their analysis and prosecution of Foreign Corrupt Practices Act matters. Assistance included calculating profits used in the determination of fines and disgorgement of profits, analysis of the underlying accounting to support books and record violations, analysis and interpretation of documents produced, assistance with requests for production of documents, attendance at meetings with all the parties and counsel, and assistance with the calculation of collateral consequences.

**Exhibit 1 - Curriculum Vitae – Edward W. Buttner IV – (cont'd)**

## Expert Testimony

During the past four years, I have given expert testimony and/or provided expert reports in connection with the following cases:

Steven Kormondy, an individual, Cherie Kormondy, and individual, and National Steak Processors, Inc., a corporation, d/b/a National Steak & Poultry, Plaintiffs, vs. Hogan Taylor, LLP, a Limited Liability Partnership, Randa Vernon, Bob Vaught, Jennifer Matson, Chelsi Moss, and Dmitry Volfson, Defendants, and Jeremy Rote, an individual, Third-party Defendant (deposition)

Marian Farms, Inc., a Florida corporation, d/b/a Marian Gardens Tree Farm and Hillary Peat Company vs. SunTrust Banks, Inc., a foreign corporation and Bankfirst, a Florida corporation (expert report, deposition, and trial testimony)

Highpoint Risk Services LLC and Aspen Administrators, Inc. vs. Companion Property and Casualty Insurance Company (n/k/a Sussex Insurance Company) (expert report and deposition)

Mark K. Knaier and Lily Knaier, individually and as trustees of the Knaier, Inc. Money Purchase Pension Plan and the Knaier, Inc. Defined Benefit Plan vs. Axxa, Inc., a foreign corporation, First American Fund, Inc., a foreign corporation, Sandra R. Marko, an individual, and Sam J. Sherrard, an individual (expert report and deposition)

Before the Neutral Accounting Firm – BDO USA LLP, Cypress Group Holdings, Inc. Buyer v. Onex Corporation, Securityholder Representative (expert report)

State of Oklahoma, ex rel. John D. Doak, Insurance Commissioner, Petitioner, v. Pride National Insurance Company, Defendant (expert report)

Cypress Group Holdings, Inc., v. Onex Corporation, et al (expert report, deposition, and trial testimony)

Qualified as an expert in the following jurisdictions:

- Federal Court in Charleston, West Virginia
- Federal Court in Jefferson City, Missouri
- Federal Court in Jacksonville, Florida
- State Court in Tallahassee, Florida
- State Court in Phoenix, Arizona
- State Court in Baton Rouge, Louisiana
- State Court in Wilmington Delaware – Court of Chancery, State of Delaware, Newcastle County
- State Court in Dallas, Texas
- State Court in Los Angeles, California
- State of New York Division of Tax Appeals

- State Court in Miami, Florida
- State Court in Leesburg, Florida
- Federal Court in Tampa, Florida

During the past ten years, I have not written any articles nor have I given any speeches.

**Professional Affiliations**

- Member of the American Institute of Certified Public Accountants – 1977 to present

- Member of the Florida Institute of Certified Public Accountants – 1977 to present

# EXHIBIT 2

## Schedule of Affiliated Investments Held by CBLIC, Southland, and Bankers as of December 31, 2018 from the Amended 2018 Annual Statements

Exhibit 2 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,654,187,450 | $ 1,613,356,289 | $ 1,628,046,567 | $ 1,654,343,236 | $ 20,990,304 | |
| CBLIC | 12/29/2017 | Academy Financial Assets LLC. | 2PLGI | 19,748,250 | 19,499,422 | 19,748,250 | 19,748,250 | 4,219 | 3 |
| CBLIC | 3/29/2018 | Agera Energy LLC | 3PL | 35,000,000 | 34,566,000 | 35,000,000 | 35,000,000 | 366,362 | 3 |
| CBLIC | 5/7/2018 | Alpharetta - ABS | 1PL | 2,097,465 | 2,175,490 | 2,097,465 | 2,097,465 | 71,813 | 4 |
| CBLIC | 1/8/2018 | AR Purchasing Solutions 2 LLC. | 2PLGI | 3,426,206 | 3,604,711 | 3,426,206 | 3,426,206 | 475,014 | 3 |
| CBLIC | 12/30/2016 | AR Purchasing Solutions, LLC | 2PLGI | 2,561,615 | 3,017,252 | 2,765,838 | 2,599,315 | 204,667 | 3 |
| CBLIC | 10/31/2017 | At Denmark Investments | 2PLGI | 8,556,158 | 9,284,287 | 8,556,158 | 8,556,158 | 19,979 | 3 |
| CBLIC | 8/27/2018 | Augusta Asset Management, Inc. | 2PL | 4,974,874 | 4,840,553 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| CBLIC | 7/19/2018 | Baldwin Asset Management, Inc. | 2PL | 30,152,832 | 30,360,887 | 30,152,832 | 30,152,832 | 289,611 | 3 |
| CBLIC | 10/31/2018 | Bank Montreal Medium Term Sr Bk Nts Book | 1PL | 62,212,661 | 60,756,960 | 62,200,000 | 62,212,454 | 1,346,921 | 3 |
| CBLIC | 10/31/2018 | Barclays Bank Plc | 2PLGI | 76,399,342 | 67,709,084 | 76,706,790 | 76,390,368 | - | 3 |
| CBLIC | 11/7/2017 | Beaufort Holdings S.A. | 5GI | 6,418,584 | 6,237,538 | 6,360,292 | 6,365,492 | 988 | 3 |
| CBLIC | 6/11/2018 | Blue Violet, LLC \| L+1275 \| 1/15/1900 | 1AM | 15,605,469 | 22,387,346 | 21,674,262 | 15,841,267 | 5,790 | 4 |
| CBLIC | 7/19/2018 | Capital Asset Management Iii, LLC | 2PL | 29,775,000 | 28,893,660 | 29,775,000 | 29,775,000 | 433,068 | 3 |
| CBLIC | 7/19/2018 | Capital Assets Fund I LLC | 3PL | 21,773,063 | 20,346,928 | 21,773,063 | 21,773,170 | 147,477 | 3 |
| CBLIC | 7/19/2018 | Chatworth Asset Management, Inc. | 2PL | 28,727,232 | 28,776,069 | 28,727,232 | 28,727,232 | 220,577 | 3 |
| CBLIC | 11/20/2017 | Complysmart, LLC | 1PLGI | 3,009,600 | 3,134,197 | 3,009,600 | 3,009,600 | 27,563 | 3 |
| CBLIC | 7/19/2018 | Damascus Asset Management, Inc. | 2PL | 25,115,604 | 24,070,795 | 25,115,604 | 25,115,604 | 182,045 | 3 |
| CBLIC | 7/19/2018 | Ephesus Asset Management, Inc. | 2PL | 27,919,060 | 26,723,428 | 27,919,060 | 27,919,060 | 198,447 | 3 |
| CBLIC | 7/19/2018 | Forest Park Asset Management, Inc. | 2PL | 20,228,773 | 19,415,577 | 20,228,773 | 20,228,773 | 134,546 | 3 |
| CBLIC | 4/27/2018 | Franklin Str 2018-1 LLC - ABS. | 1PL | 47,991,805 | 43,312,604 | 47,991,805 | 47,991,805 | 164,439 | 4 |
| CBLIC | 7/19/2018 | Global Insurance Capital LLC | 2PLGI | 8,508,191 | 8,605,185 | 8,508,191 | 8,508,291 | 76,623 | 3 |
| CBLIC | 7/19/2018 | Hampton Asset Management, Inc | 2PL | 27,955,029 | 26,912,306 | 27,955,029 | 27,955,117 | 302,036 | 3 |
| CBLIC | 11/7/2017 | I Tech Funding LLC | 2PL | 23,760,000 | 23,282,424 | 23,760,000 | 23,760,000 | 253,888 | 3 |
| CBLIC | 1/2/2018 | Intralan Investments Limited | 2PL | 5,261,282 | 5,366,508 | 5,261,282 | 5,261,282 | 116,718 | 3 |
| CBLIC | 7/19/2018 | Iron City Asset Management, Inc. | 2PL | 31,036,644 | 29,878,977 | 31,036,644 | 31,036,733 | 335,036 | 3 |
| CBLIC | 7/19/2018 | Jackson Asset Management, Inc. | 2PL | 30,164,157 | 29,039,034 | 30,164,157 | 30,164,246 | 325,440 | 3 |
| CBLIC | 7/19/2018 | Kite Asset Management Inc | 2PL | 38,552,815 | 37,554,297 | 38,552,815 | 38,553,380 | 122,080 | 3 |
| CBLIC | 7/19/2018 | Lares, LLC | 2PL | 5,607,625 | 5,352,478 | 5,607,625 | 5,607,625 | 79,398 | 3 |
| CBLIC | 7/19/2018 | Lily Asset Management Inc | 2PL | 39,800,000 | 38,773,160 | 39,800,000 | 39,800,000 | 113,607 | 3 |
| CBLIC | 7/31/2018 | Lombard Street 11 LLC - ABS. | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| CBLIC | 7/31/2018 | Lombard Street LLC - ABS | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| CBLIC | 7/23/2018 | Marseille Eln 2018-1 LLC -ABS | 1PL | 60,099,262 | 53,392,185 | 60,099,262 | 60,099,262 | 1,823,912 | 4 |
| CBLIC | 7/19/2018 | Marshalla Asset Management, LLC | 2PL | 41,505,518 | 41,111,216 | 41,505,518 | 41,505,518 | 557,348 | 3 |
| CBLIC | 3/14/2018 | NOM Gb 2018 I LLC - ABS | 1PL | 2,460,799 | 2,108,402 | 2,433,801 | 2,460,132 | 986 | 4 |
| CBLIC | 7/30/2018 | Paradise Asset Management Inc | 3PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 75,757 | 3 |
| CBLIC | 8/27/2018 | PCF LLC | 5GI | 4,051,585 | 3,891,953 | 4,051,585 | 4,051,585 | 39,503 | 3 |
| CBLIC | 7/24/2018 | Pierre Mendes LLC - ABS | 1PL | 60,000,000 | 60,096,000 | 60,000,000 | 60,000,000 | 1,624,950 | 4 |
| CBLIC | 7/19/2018 | Rockdale Asset Management Inc. | 4PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 31,695 | 3 |
| CBLIC | 10/31/2018 | Royal Bk CDA | 1Z | 40,000,000 | 39,328,000 | 40,000,000 | 40,000,000 | 419,689 | 3 |
| CBLIC | 7/19/2018 | Standard Financial Limited | 2PL | 3,819,822 | 3,814,856 | 3,819,822 | 3,819,822 | 146,521 | 3 |
| CBLIC | 7/19/2018 | Summerville Asset Management, Inc. | 3PLGI | 25,093,743 | 25,093,743 | 25,093,743 | 25,093,743 | 272,688 | 3 |
| CBLIC | 7/30/2018 | Tybee Island Asset Management, Inc. | 2PL | 31,302,369 | 30,148,020 | 31,212,362 | 31,296,815 | 142,249 | 3 |
| CBLIC | 10/31/2018 | Ubs Ag London Brh | 1Z | 60,100,000 | 58,507,350 | 60,100,000 | 60,100,000 | 1,949,399 | 3 |
| CBLIC | 10/31/2018 | White Tree LLC - ABS | 1PL | 60,000,000 | 59,634,000 | 60,000,000 | 60,000,000 | 78,561 | 4 |
| CBLIC | 7/23/2018 | Whitehorse 2018 I LLC - ABS. | 1PL | 60,097,104 | 57,122,298 | 60,097,104 | 60,097,104 | 200,524 | 4 |
| **TOTAL CBLIC** | | | | 1,330,469,538 | 1,299,921,180 | 1,336,862,044 | 1,330,675,580 | 16,957,625 | |

Exhibit 2 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,654,187,450 | $ 1,613,356,289 | $ 1,628,046,567 | $ 1,654,343,236 | $ 20,990,304 | |
| Southland | 12/29/2014 | American Funeral And Cremations Plans, LLC | | 2,500 | 271 | | 271 | | 1 |
| Southland | 8/27/2018 | Augusta Assest Management Inc | 2PL | 5,969,849 | 5,808,663 | 5,969,849 | 5,969,849 | 24,519 | 3 |
| Southland | 11/10/2017 | Baldwin Assest management Inc | 2PLGI | 10,890,043 | 10,965,184 | 10,890,043 | 10,890,043 | 104,596 | 3 |
| Southland | 12/15/2016 | Bankers Life Insurance Company | | 8,310,000 | 8,310,000 | N/A | 8,310,000 | | 2 |
| Southland | 3/27/2018 | Barclays Bank PLC | 2PLGI | 10,000,000 | 8,827,000 | 10,000,000 | 10,000,000 | - | 3 |
| Southland | 6/25/2018 | BK NTS Book | 1PL | 10,000,000 | 9,768,000 | 10,000,000 | 10,000,000 | 257,289 | 3 |
| Southland | 12/31/2015 | Colorado Bankers Life Insurance Company | | 24,000,000 | 24,000,000 | N/A | 24,000,000 | | 2 |
| Southland | 11/15/2017 | Damascus Assest Management Inc | 2PLGI | 9,070,790 | 8,693,445 | 9,070,790 | 9,070,790 | 65,748 | 3 |
| Southland | 11/16/2017 | Ephesus Assest Management Inc | 2PLGI | 10,083,290 | 9,651,725 | 10,083,290 | 10,083,290 | 71,671 | 3 |
| Southland | 11/17/2017 | Forestpark Assest Management Inc | 2PLGI | 9,271,521 | 8,898,806 | 9,271,521 | 9,271,521 | 61,667 | 3 |
| Southland | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 9,998,293 | 9,023,459 | 9,998,293 | 9,998,293 | 34,258 | 4 |
| Southland | 2/2/2018 | Hampton Assest Management Inc | 2PL | 10,101,648 | 9,724,857 | 10,101,648 | 10,101,648 | 109,142 | 3 |
| Southland | 2/2/2018 | Iron City assest Management Inc | 2PL | 5,254,347 | 5,058,360 | 5,254,347 | 5,254,347 | 56,720 | 3 |
| Southland | 11/7/2017 | Itech Funding LLC | 2PLGI | 9,900,000 | 9,701,010 | 9,900,000 | 9,900,000 | 105,787 | 3 |
| Southland | 2/2/2018 | Jackson Assest Management Inc | 2PL | 5,106,640 | 4,916,162 | 5,106,640 | 5,106,640 | 55,095 | 3 |
| Southland | 7/31/2018 | Lombard Street II LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Southland | 7/31/2018 | Lombard Street LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Southland | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 9,999,846 | 8,883,863 | 9,999,846 | 9,999,846 | 303,479 | 4 |
| Southland | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 10,528,528 | 9,020,797 | 10,413,018 | 10,525,543 | 4,219 | 4 |
| Southland | 7/30/2018 | PBX Bermuda Holdings, LTD | 5GI | 200,203 | 167,030 | 200,203 | 200,282 | 6,298 | 3 |
| Southland | 7/24/2018 | Pierre Mendes LLC | 1PL | 9,000,000 | 9,014,400 | 9,000,000 | 9,000,000 | 243,743 | 4 |
| Southland | 3/14/2018 | Royal BK CDA | 1Z | 10,000,000 | 9,832,000 | 10,000,000 | 10,000,000 | 114,821 | 3 |
| Southland | 7/30/2018 | Southland National Holdings, Inc. | 5GI | 6,100,274 | 6,159,000 | 6,000,000 | 6,056,199 | 105,205 | 3 |
| Southland | 11/8/2017 | Summerville Assest management Inc | 3PLGI | 9,484,624 | 9,484,624 | 9,484,624 | 9,484,624 | 103,067 | 3 |
| Southland | 2/1/2017 | Tac Investments LLC | 2PI | 4,345,619 | 4,416,887 | 4,345,619 | 4,345,619 | 65,788 | 3 |
| Southland | 6/1/2018 | UBS AG london BRH | 1Z | 10,000,000 | 9,735,000 | 10,000,000 | 10,000,000 | 324,359 | 3 |
| Southland | 7/6/2018 | White Tree LLC | 1PL | 10,000,000 | 9,939,000 | 10,000,000 | 10,000,000 | 13,094 | 4 |
| Southland | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 9,999,518 | 9,504,542 | 9,999,518 | 9,999,518 | 33,365 | 4 |
| **TOTAL Southland** | | | | 245,617,533 | 237,833,485 | 213,089,249 | 245,568,323 | 2,797,188 | |

Exhibit 2 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,654,187,450 | $ 1,613,356,289 | $ 1,628,046,567 | $ 1,654,343,236 | $ 20,990,304 | |
| Bankers | 6/13/2018 | Augusta Assest Management Inc | 2PL | 4,974,874 | 4,840,340 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| Bankers | 3/27/2018 | Barclays Bank PLC | 2PLGI | 6,022,186 | 5,330,876 | 6,039,266 | 6,021,688 | 49 | 3 |
| Bankers | 6/25/2018 | BK NTS Book | 1PL | 5,000,000 | 4,883,829 | 5,000,000 | 5,000,000 | 128,645 | 3 |
| Bankers | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 4,999,146 | 4,511,781 | 4,999,146 | 4,999,146 | 17,129 | 4 |
| Bankers | 6/13/2018 | Gilford Assest Management LLC | 2PLGI | 5,447,017 | 5,298,128 | 5,447,017 | 5,447,017 | 63,315 | 3 |
| Bankers | 11/3/2017 | Global Inusrance Capital LLC | 3PLGI | 3,163,098 | 3,199,185 | 3,163,098 | 3,163,098 | 28,486 | 3 |
| Bankers | 7/31/2018 | Lombard Street II LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| Bankers | 7/31/2018 | Lombard Street LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| Bankers | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 4,999,923 | 4,441,790 | 4,999,923 | 4,999,923 | 151,739 | 4 |
| Bankers | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 2,022,176 | 1,732,518 | 1,999,991 | 2,021,628 | 810 | 4 |
| Bankers | 7/24/2018 | Pierre Mendes LLC | 1PL | 6,000,000 | 6,009,670 | 6,000,000 | 6,000,000 | 162,495 | 4 |
| Bankers | 3/14/2018 | Royal BK CDA | 1Z | 4,000,000 | 3,932,641 | 4,000,000 | 4,000,000 | 41,969 | 3 |
| Bankers | 7/16/2018 | Tac Investments LLC | 2PL | 5,472,152 | 5,561,857 | 5,472,152 | 5,472,152 | 82,842 | 3 |
| Bankers | 6/1/2018 | UBS AG london BRH | 1Z | 5,000,000 | 4,867,548 | 5,000,000 | 5,000,000 | 162,180 | 3 |
| Bankers | 7/6/2018 | White Tree LLC | 1PL | 5,000,000 | 4,969,699 | 5,000,000 | 5,000,000 | 6,547 | 4 |
| Bankers | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 3,999,807 | 3,801,790 | 3,999,807 | 3,999,807 | 13,346 | 4 |
| **TOTAL Bankers** | | | | **78,100,379** | **75,601,624** | **78,095,274** | **78,099,333** | **1,235,491** | |

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# EXHIBIT 3

## Schedule of Affiliated Investments Held by CBLIC, Southland, and Bankers as of December 31, 2018 from the Original 2018 Annual Statements

Exhibit 3 - Combined Companies - CBLIC, Southland, and Bankers

Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements that were ALSO CLASSIFIED as Affiliated Investments on the As-Filed 2018 Annual Statement

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| Sorted by Company, then Description | | | | $ 53,350,369 | $ 54,585,666 | $ 21,141,818 | $ 53,341,765 | $ 476,372 | |
| CBLIC | 12/30/2016 | AR Purchasing Solutions, LLC | 2PLGI | 2,561,615 | 3,017,252 | 2,765,838 | 2,599,315 | 204,667 | 3 |
| CBLIC | 10/31/2017 | At Denmark Investments | 2PLG1 | 8,556,158 | 9,284,287 | 8,556,158 | 8,556,158 | 19,979 | 3 |
| CBLIC | 7/19/2018 | Standard Financial Limited | 2PL | 3,819,822 | 3,814,856 | 3,819,822 | 3,819,822 | 146,521 | 3 |
| **TOTAL CBLIC** | | | | **14,937,595** | **16,116,395** | **15,141,818** | **14,975,295** | **371,167** | |
| Southland | 12/29/2014 | American Funeral And Cremations Plans, LLC | | 2,500 | 271 | | 271 | | 1 |
| Southland | 12/15/2016 | Bankers Life Insurance Company | | 8,310,000 | 8,310,000 | N/A | 8,310,000 | | 2 |
| Southland | 12/31/2015 | Colorado Bankers Life Insurance Company | | 24,000,000 | 24,000,000 | N/A | 24,000,000 | | 2 |
| Southland | 7/30/2018 | Southland National Holdings, Inc. | 5GI | 6,100,274 | 6,159,000 | 6,000,000 | 6,056,199 | 105,205 | 3 |
| **TOTAL Southland** | | | | **38,412,774** | **38,469,271** | **6,000,000** | **38,366,470** | **105,205** | |

Bankers **NO INVESTMENTS WERE CLASSIFIED AS AFFILIATED INVESTMENTS IN THE AS-FILED 2018 ANNUAL STATEMENT**

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# EXHIBIT 4

Schedule of Affiliates Investments Not Reported as such In 2018 Original Annual Statements as Filed by CBLIC, Southland, and Bankers

Exhibit 4 - Combined Companies - CBLIC, Southland, and Bankers

Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements that were NOT CLASSIFED as Affiliated Investments on the As-Filed 2018 Annual Statement

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,600,837,081 | $ 1,558,770,623 | $ 1,606,904,749 | $ 1,601,001,471 | $ 20,513,932 | |
| CBLIC | 12/29/2017 | Academy Financial Assets LLC. | 2PLGI | 19,748,250 | 19,499,422 | 19,748,250 | 19,748,250 | 4,219 | 3 |
| CBLIC | 3/29/2018 | Agera Energy LLC | 3PL | 35,000,000 | 34,566,000 | 35,000,000 | 35,000,000 | 366,362 | 3 |
| CBLIC | 5/7/2018 | Alpharetta - ABS | 1PL | 2,097,465 | 2,175,490 | 2,097,465 | 2,097,465 | 71,813 | 4 |
| CBLIC | 1/8/2018 | Ar Purchasing Solutions 2 LLC. | 2PLGI | 3,426,206 | 3,604,711 | 3,426,206 | 3,426,206 | 475,014 | 3 |
| CBLIC | 8/27/2018 | Augusta Asset Management, Inc. | 2PL | 4,974,874 | 4,840,553 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| CBLIC | 7/19/2018 | Baldwin Asset Management, Inc. | 2PL | 30,152,832 | 30,360,887 | 30,152,832 | 30,152,832 | 289,611 | 3 |
| CBLIC | 10/31/2018 | Bank Montreal Medium Term Sr Bk Nts Bool | 1PL | 62,212,661 | 60,756,960 | 62,200,000 | 62,212,454 | 1,346,921 | 3 |
| CBLIC | 10/31/2018 | Barclays Bank Plc | 2PLGI | 76,399,342 | 67,709,084 | 76,706,790 | 76,390,368 | - | 3 |
| CBLIC | 11/7/2017 | Beaufort Holdings S.A. | 5GI | 6,418,584 | 6,237,538 | 6,360,292 | 6,365,492 | 988 | 3 |
| CBLIC | 6/11/2018 | Blue Violet, LLC \| L+1275 \| 1/15/1900 | 1AM | 15,605,469 | 22,387,346 | 21,674,262 | 15,841,267 | 5,790 | 4 |
| CBLIC | 7/19/2018 | Capital Asset Management Iii, LLC | 2PL | 29,775,000 | 28,893,660 | 29,775,000 | 29,775,000 | 433,068 | 3 |
| CBLIC | 7/19/2018 | Capital Assets Fund I LLC | 3PL | 21,773,063 | 20,346,928 | 21,773,063 | 21,773,170 | 147,477 | 3 |
| CBLIC | 7/19/2018 | Chatworth Asset Management, Inc. | 2PL | 28,727,232 | 28,776,069 | 28,727,232 | 28,727,232 | 220,577 | 3 |
| CBLIC | 11/20/2017 | Complysmart, LLC | 1PLGI | 3,009,600 | 3,134,197 | 3,009,600 | 3,009,600 | 27,563 | 3 |
| CBLIC | 7/19/2018 | Damascus Asset Management, Inc. | 2PL | 25,115,604 | 24,070,795 | 25,115,604 | 25,115,604 | 182,045 | 3 |
| CBLIC | 7/19/2018 | Ephesus Asset Management, Inc. | 2PL | 27,919,060 | 26,723,428 | 27,919,060 | 27,919,060 | 198,447 | 3 |
| CBLIC | 7/19/2018 | Forest Park Asset Management, Inc. | 2PL | 20,228,773 | 19,415,577 | 20,228,773 | 20,228,773 | 134,546 | 3 |
| CBLIC | 4/27/2018 | Franklin Str 2018-1 LLC - ABS. | 1PL | 47,991,805 | 43,312,604 | 47,991,805 | 47,991,805 | 164,439 | 4 |
| CBLIC | 7/19/2018 | Global Insurance Capital LLC | 2PLGI | 8,508,191 | 8,605,185 | 8,508,191 | 8,508,291 | 76,623 | 3 |
| CBLIC | 7/19/2018 | Hampton Asset Management, Inc | 2PL | 27,955,029 | 26,912,306 | 27,955,029 | 27,955,117 | 302,036 | 3 |
| CBLIC | 11/7/2017 | I Tech Funding LLC | 2PL | 23,760,000 | 23,282,424 | 23,760,000 | 23,760,000 | 253,888 | 3 |
| CBLIC | 1/2/2018 | Intralan Investments Limited | 2PL | 5,261,282 | 5,366,508 | 5,261,282 | 5,261,282 | 116,718 | 3 |
| CBLIC | 7/19/2018 | Iron City Asset Management, Inc. | 2PL | 31,036,644 | 29,878,977 | 31,036,644 | 31,036,733 | 335,036 | 3 |
| CBLIC | 7/19/2018 | Jackson Asset Management, Inc. | 2PL | 30,164,157 | 29,039,034 | 30,164,157 | 30,164,246 | 325,440 | 3 |
| CBLIC | 7/19/2018 | Kite Asset Management Inc | 2PL | 38,552,815 | 37,554,297 | 38,552,815 | 38,553,380 | 122,080 | 3 |
| CBLIC | 7/19/2018 | Lares, LLC | 2PL | 5,607,625 | 5,352,478 | 5,607,625 | 5,607,625 | 79,398 | 3 |
| CBLIC | 7/19/2018 | Lily Asset Management Inc | 2PL | 39,800,000 | 38,773,160 | 39,800,000 | 39,800,000 | 113,607 | 3 |
| CBLIC | 7/31/2018 | Lombard Street 11 LLC - ABS. | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| CBLIC | 7/31/2018 | Lombard Street LLC - ABS | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| CBLIC | 7/23/2018 | Marseille Eln 2018-1 LLC -ABS | 1PL | 60,099,262 | 53,392,185 | 60,099,262 | 60,099,262 | 1,823,912 | 4 |
| CBLIC | 7/19/2018 | Marshalla Asset Management, LLC | 2PL | 41,505,518 | 41,111,216 | 41,505,518 | 41,505,518 | 557,348 | 3 |
| CBLIC | 3/14/2018 | N0M Gb 2018 I LLC - ABS | 1PL | 2,460,799 | 2,108,402 | 2,433,801 | 2,460,132 | 986 | 4 |
| CBLIC | 7/30/2018 | Paradise Asset Management Inc | 3PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 75,757 | 3 |
| CBLIC | 8/27/2018 | PCF LLC | 5GI | 4,051,585 | 3,891,953 | 4,051,585 | 4,051,585 | 39,503 | 3 |
| CBLIC | 7/24/2018 | Pierre Mendes LLC - ABS | 1PL | 60,000,000 | 60,096,000 | 60,000,000 | 60,000,000 | 1,624,950 | 4 |
| CBLIC | 7/19/2018 | Rockdale Asset Management Inc. | 4PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 31,695 | 3 |
| CBLIC | 10/31/2018 | Royal Bk CDA | 1Z | 40,000,000 | 39,328,000 | 40,000,000 | 40,000,000 | 419,689 | 3 |
| CBLIC | 7/19/2018 | Summerville Asset Management, Inc. | 3PLGI | 25,093,743 | 25,093,743 | 25,093,743 | 25,093,743 | 272,688 | 3 |
| CBLIC | 7/30/2018 | Tybee Island Asset Management, Inc. | 2PL | 31,302,369 | 30,148,020 | 31,212,362 | 31,296,815 | 142,249 | 3 |
| CBLIC | 10/31/2018 | Ubs Ag London Brh | 1Z | 60,100,000 | 58,507,350 | 60,100,000 | 60,100,000 | 1,949,399 | 3 |
| CBLIC | 10/31/2018 | White Tree LLC - ABS | 1PL | 60,000,000 | 59,634,000 | 60,000,000 | 60,000,000 | 78,561 | 4 |
| CBLIC | 7/23/2018 | Whitehorse 2018 I LLC - ABS. | 1PL | 60,097,104 | 57,122,298 | 60,097,104 | 60,097,104 | 200,524 | 4 |
| TOTAL CBLIC | | | | 1,315,531,943 | 1,283,804,785 | 1,321,720,226 | 1,315,700,285 | 16,586,458 | |

Exhibit 4 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements that were NOT CLASSIFED as Affiliated Investments on the As-Filed 2018 Annual Statement

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,600,837,081 | $ 1,558,770,623 | $ 1,606,904,749 | $ 1,601,001,471 | $ 20,513,932 | |
| Southland | 8/27/2018 | Augusta Assest Management Inc | 2PL | 5,969,849 | 5,808,663 | 5,969,849 | 5,969,849 | 24,519 | 3 |
| Southland | 11/10/2017 | Baldwin Assest management Inc | 2PLGI | 10,890,043 | 10,965,184 | 10,890,043 | 10,890,043 | 104,596 | 3 |
| Southland | 3/27/2018 | Barclays Bank PLC | 2PLGI | 10,000,000 | 8,827,000 | 10,000,000 | 10,000,000 | - | 3 |
| Southland | 6/25/2018 | BK NTS Book | 1PL | 10,000,000 | 9,768,000 | 10,000,000 | 10,000,000 | 257,289 | 3 |
| Southland | 11/15/2017 | Damascus Assest Management Inc | 2PLGI | 9,070,790 | 8,693,445 | 9,070,790 | 9,070,790 | 65,748 | 3 |
| Southland | 11/16/2017 | Ephesus Assest Management Inc | 2PLGI | 10,083,290 | 9,651,725 | 10,083,290 | 10,083,290 | 71,671 | 3 |
| Southland | 11/17/2017 | Forestpark Assest Management Inc | 2PLGI | 9,271,521 | 8,898,806 | 9,271,521 | 9,271,521 | 61,667 | 3 |
| Southland | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 9,998,293 | 9,023,459 | 9,998,293 | 9,998,293 | 34,258 | 4 |
| Southland | 2/2/2018 | Hampton Assest Management Inc | 2PL | 10,101,648 | 9,724,857 | 10,101,648 | 10,101,648 | 109,142 | 3 |
| Southland | 2/2/2018 | Iron City assest Management Inc | 2PL | 5,254,347 | 5,058,360 | 5,254,347 | 5,254,347 | 56,720 | 3 |
| Southland | 11/7/2017 | Itech Funding LLC | 2PLGI | 9,900,000 | 9,701,010 | 9,900,000 | 9,900,000 | 105,787 | 3 |
| Southland | 2/2/2018 | Jackson Assest Management Inc | 2PL | 5,106,640 | 4,916,162 | 5,106,640 | 5,106,640 | 55,095 | 3 |
| Southland | 7/31/2018 | Lombard Street II LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Southland | 7/31/2018 | Lombard Street LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Southland | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 9,999,846 | 8,883,863 | 9,999,846 | 9,999,846 | 303,479 | 4 |
| Southland | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 10,528,528 | 9,020,797 | 10,413,018 | 10,525,543 | 4,219 | 4 |
| Southland | 7/30/2018 | PBX Bermuda Holdings, LTD | 5GI | 200,203 | 167,030 | 200,203 | 200,282 | 6,298 | 3 |
| Southland | 7/24/2018 | Pierre Mendes LLC | 1PL | 9,000,000 | 9,014,400 | 9,000,000 | 9,000,000 | 243,743 | 4 |
| Southland | 3/14/2018 | Royal BK CDA | 1Z | 10,000,000 | 9,832,000 | 10,000,000 | 10,000,000 | 114,821 | 3 |
| Southland | 11/8/2017 | Summerville Assest management Inc | 3PLGI | 9,484,624 | 9,484,624 | 9,484,624 | 9,484,624 | 103,067 | 3 |
| Southland | 2/1/2017 | Tac Investments LLC | 2PI | 4,345,619 | 4,416,887 | 4,345,619 | 4,345,619 | 65,788 | 3 |
| Southland | 6/1/2018 | UBS AG london BRH | 1Z | 10,000,000 | 9,735,000 | 10,000,000 | 10,000,000 | 324,359 | 3 |
| Southland | 7/6/2018 | White Tree LLC | 1PL | 10,000,000 | 9,939,000 | 10,000,000 | 10,000,000 | 13,094 | 4 |
| Southland | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 9,999,518 | 9,504,542 | 9,999,518 | 9,999,518 | 33,365 | 4 |
| **TOTAL Southland** | | | | **207,204,759** | **199,364,214** | **207,089,249** | **207,201,853** | **2,691,983** | |

Exhibit 4 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 of Part 1 and 2 - 2018 Amended Annual Statements that were NOT CLASSIFED as Affiliated Investments on the As-Filed 2018 Annual Statement

Sorted by Company, then Description

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| | | | | $ 1,600,837,081 | $ 1,558,770,623 | $ 1,606,904,749 | $ 1,601,001,471 | $ 20,513,932 | |
| Bankers | 6/13/2018 | Augusta Assest Management Inc | 2PL | 4,974,874 | 4,840,340 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| Bankers | 3/27/2018 | Barclays Bank PLC | 2PLGI | 6,022,186 | 5,330,876 | 6,039,266 | 6,021,688 | 49 | 3 |
| Bankers | 6/25/2018 | BK NTS Book | 1PL | 5,000,000 | 4,883,829 | 5,000,000 | 5,000,000 | 128,645 | 3 |
| Bankers | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 4,999,146 | 4,511,781 | 4,999,146 | 4,999,146 | 17,129 | 4 |
| Bankers | 6/13/2018 | Gilford Assest Management LLC | 2PLGI | 5,447,017 | 5,298,128 | 5,447,017 | 5,447,017 | 63,315 | 3 |
| Bankers | 11/3/2017 | Global Inusrance Capital LLC | 3PLGI | 3,163,098 | 3,199,185 | 3,163,098 | 3,163,098 | 28,486 | 3 |
| Bankers | 7/31/2018 | Lombard Street II LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| Bankers | 7/31/2018 | Lombard Street LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| Bankers | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 4,999,923 | 4,441,790 | 4,999,923 | 4,999,923 | 151,739 | 4 |
| Bankers | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 2,022,176 | 1,732,518 | 1,999,991 | 2,021,628 | 810 | 4 |
| Bankers | 7/24/2018 | Pierre Mendes LLC | 1PL | 6,000,000 | 6,009,670 | 6,000,000 | 6,000,000 | 162,495 | 4 |
| Bankers | 3/14/2018 | Royal BK CDA | 1Z | 4,000,000 | 3,932,641 | 4,000,000 | 4,000,000 | 41,969 | 3 |
| Bankers | 7/16/2018 | Tac Investments LLC | 2PL | 5,472,152 | 5,561,857 | 5,472,152 | 5,472,152 | 82,842 | 3 |
| Bankers | 6/1/2018 | UBS AG london BRH | 1Z | 5,000,000 | 4,867,548 | 5,000,000 | 5,000,000 | 162,180 | 3 |
| Bankers | 7/6/2018 | White Tree LLC | 1PL | 5,000,000 | 4,969,699 | 5,000,000 | 5,000,000 | 6,547 | 4 |
| Bankers | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 3,999,807 | 3,801,790 | 3,999,807 | 3,999,807 | 13,346 | 4 |
| **TOTAL Bankers** | | | | **78,100,379** | **75,601,624** | **78,095,274** | **78,099,333** | **1,235,491** | |

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# EXHIBIT 5

# Board of Directors and Officers

Exhibit 5 - Board of Directors and Officers
CBLIC, Southland, and Bankers

The Board of Directors and Officers include, but are not limited to, those charged with governance. The Jurat pages of the CBLIC's, Southland's, and Bankers' 2018 Annual Statements identified the Officers and Directors as follows:

| | | CBLIC | Southland | Bankers |
|---|---|---|---|---|
| Officers | | | | |
| Lou Everett Hensley | Chief Executive Officer | Y | Y | Y |
| Brian Christopher Stewart | Chief Financial Officer and Treasurer | Y | Y | Y |
| Tamre Farid Edwards | Chief Legal Officer and Secretary | Y | Y | Y |
| Other Officers | | | | |
| Michael William Farley | Chief Actuary | Y | Y | Y |
| Paul Brown | Chief Investment Officer | Y | Y | Y |
| Joseph Steven Lurie | Senior Vice President | Y | Y | |
| Chad Burns | Senior Vice President | Y | | |
| Jeffrey Les Levin | President | Y | | |
| Raymond Martinez | Vice President, Regulatory and Strategic Affairs | Y | Y | Y |
| Louis O'Briant Belo | Chief Compliance and Audit Officer | Y | Y | Y |
| Joe Edd Hocutt | Vice President | | Y | |
| Directors or Trustees: | | | | |
| Greg Evan Lindberg | | Y | Y | Y |
| Thomas Wayne Crawford | | Y | Y | Y |
| Bruce Adolph Cromartie | | Y | Y | Y |
| Christopher Eric Herwig | | Y | Y | Y |
| Raymond Martinez | | Y | Y | Y |
| John Duncan Gray | | Y | Y | Y |

# EXHIBIT 6

## Disclosure Requirements for Accounting Policies and Affiliate Transactions and/or Investments

Exhibit 6 – Disclosure Requirements for Accounting Policies and Affiliate Transactions and/or Investments

SSAP No. 1 – *Accounting Policies, Risks & Uncertainties, and Other Disclosures* ("SSAP No. 1"), SSAP No. 25 – *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* ("SSAP No. 25"), SSAP No. 48 – *Joint Ventures, Partnerships and Limited Liabilities Companies* ("SSAP No. 48"), and SSAP No. 97 – *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88* ("SSAP No. 97") collectively establishes statutory accounting principles for transactions with and investments in subsidiaries, controlled and affiliated entities ("SCA") including required disclosures. The disclosure requirements for each of those Statements of Statutory Accounting Principles are described below.

SSAP No. 1 states –

> Summary Conclusion
>
> 3. Refer to the Preamble for further discussion of disclosure requirements. The disclosures required under paragraph 6 concerning changes in accounting policies shall be made for each financial statement presented. The disclosures required under paragraphs 9, 10, 12, 13, 15 and 16 shall be included in the annual audited statutory financial reports only.
>
> Accounting Policies and Practices
>
> 4. Accounting policies are defined as the specific accounting principles and the methods of applying those principles that are utilized in preparing the statutory financial statements.
>
> 5. Disclosure shall be made of all accounting policies that affect the assets, liabilities, capital and surplus or results of operations of the reporting entity. The disclosure shall encompass important judgments as to the appropriateness of principles relating to recognition of revenue particularly when selecting between acceptable alternatives, or methods particular to the business.
>
> 6. Disclosure of accounting policies shall be made in a separate Summary of Significant Accounting Policies as the initial note in the notes to the financial statements. If the reporting entity has changed the accounting policies since the end of its preceding year, the changes shall be disclosed in the quarterly financial statements.

7. NAIC statutory accounting practices and procedures are those that are set forth in the *Accounting Practices and Procedures Manual*. If a reporting entity employs accounting practices that depart from the NAIC accounting practices and procedures, disclosure of the following information about those accounting practices that affect statutory surplus or risk-based capital, or that result in different statutory accounting reporting (e.g., gross or net presentation, financial statement reporting lines, etc.), shall be made at the date each financial statement is presented:

a. A description of the accounting practice;

b. A statement that the accounting practice differs from NAIC statutory accounting practices and procedures; and

c. The monetary effect on net income and statutory surplus of using an accounting practice which differs from NAIC statutory accounting practices and procedures.

d. If an insurance enterprise's risk-based capital would have triggered a regulatory event had it not used a prescribed or permitted practice, that fact should be disclosed in the financial statements.

These disclosures shall be disclosed in Note 1 as illustrated in Appendix A-205. Additionally, a reference to Note 1 shall be included in the individual notes to financial statements impacted by the prescribed or permitted practices as applicable.

8. Disclosure of the following information shall be made about accounting practices when NAIC statutory accounting practices and procedures do not address the accounting for the transaction:

a. A description of the transaction and of the accounting practice used; and

b. A statement that NAIC statutory accounting practices and procedures do not address the accounting for the transaction.

Risks and Uncertainties

9. Companies shall make disclosures in their financial statements about risks and uncertainties existing as of the date of those statements in the following areas:

a. Nature of operations;

b. Use of estimates in the preparation of financial statements;

c. Certain significant estimates; and

d. Current vulnerability due to certain concentrations.

Nature of Operations

10. Financial statements shall include a summary of the ownership and relationships of the reporting entity and all affiliated companies, and a description of the major products or services the reporting entity sells or provides and its principal markets, including the locations of those markets. If the entity operates in more than one business, the disclosure should also indicate the relative importance of its operations in each business and the basis for the determination (e.g., assets, revenues, or earnings). Disclosures about the nature of operations need not be quantified; relative importance could be conveyed by use of terms such as predominately, about equally, or major.

SSAP No. 25 [1] states–

Disclosure Requirements

19. The financial statements shall include disclosures of all material related party transactions. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed. Transactions shall not be purported to be arm's-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

a. The nature of the relationships involved;

b. A description of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements. Exclude reinsurance transactions, any non-insurance transactions which involve less than 1/2 of 1% of the total admitted assets of the reporting entity, and cost allocation transactions. The following information shall be provided if applicable:

i. Date of transaction;
ii. Explanation of transaction;
iii. Name of reporting entity;
iv. Name of affiliate;
v. Description of assets received by reporting entity;
vi. Statement value of assets received by reporting entity;
vii. Description of assets transferred by reporting entity; and
viii. Statement value of assets transferred by reporting entity.

[1] NAIC Accounting Practices and Procedures Manual as of March 2018.

c. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period;

d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement;

e. Any guarantees or undertakings, written or otherwise, shall be disclosed in accordance with the requirements of SSAP No. 5R. In addition, the nature of the relationship to the beneficiary of the guarantee or undertaking (affiliated or unaffiliated) shall also be disclosed;

f. A description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party. This shall include, but is not limited to, sale lease-back arrangements, computer or fixed asset leasing arrangements, and agency contracts, which remove assets otherwise recordable (and potentially nonadmitted) on the reporting entity's financial statements;

g. The nature of the control relationship whereby the reporting entity and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial position of the reporting entity significantly different from those that would have been obtained if the enterprises were autonomous. The relationship shall be disclosed even though there are no transactions between the enterprises; and

h. The amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity, in accordance with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, "Procedures for Valuing Common Stocks and Stock Warrants."

20. Refer to the preamble for further discussion regarding disclosure requirements.

SSAP No. 48 states–

Disclosures

20. The significance of an investment to the reporting entity's financial position and results of operations shall be considered in evaluating the extent of disclosures of the financial position and results of operations of an investee. Disclosures as follows shall be made for all investments in joint ventures, partnerships, or limited liability companies that exceed 10% of the total admitted assets of the reporting entity:

a. (1) the name of each joint venture, partnership or limited liability company and percentage of ownership, (2) the accounting policies of the reporting entity with respect to investments in joint ventures, partnerships and limited liability companies and (3) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets (i.e., nonadmitted goodwill or other nonadmitted assets) and the accounting treatment of the difference;

b. For joint ventures, partnerships, and limited liability companies for which a quoted market price is available, the aggregate value of each joint venture, partnership, or limited liability company investment based on the quoted market price; and

c. Summarized information as to assets, liabilities, and results of operations for joint ventures, partnerships, and limited liability companies either individually or in groups.

21. Any commitment or contingent commitment (e.g., guarantees or commitments to provide additional capital contributions) to a joint venture, partnership, or limited liability company shall be disclosed.

22. A reporting entity that recognizes an impairment loss shall disclose the following in the financial statements that include the period of the impairment write-down:

a. A description of the impaired assets and the facts and circumstances leading to the impairment; and

b. The amount of the impairment and how fair value was determined.

23. Any change due to the requirements of paragraph 7 shall be disclosed per SSAP No. 3.

24. Refer to the preamble for further discussion regarding disclosure requirements.

SSAP No. 97 states–

Disclosures

34. All SCA investments within the scope of this statement (except paragraph 8.b.i entities) shall include disclosure of the SCA balance sheet value (admitted and nonadmitted) as well as information received from the NAIC in response to the SCA filing (e.g., date and type of filing, NAIC valuation amount, whether resubmission of filing is required). This disclosure shall include an aggregate total of all SCAs (except paragraph 8.b.i entities) with detail of the aggregate gross value

under this statement with the admitted and nonadmitted amounts reflected on the balance sheet. (As noted in paragraph 4, joint ventures, partnerships and limited liability companies are accounted for under the guidance in SSAP No. 48. As such, those entities are not subject to this disclosure.)

35. The significance of an investment to the reporting entity's financial position and results of operations shall be considered in evaluating the extent of disclosures of the financial position and results of operations of an investee. The following disclosures shall be made for all investments in SCA entities that exceed 10% of the total admitted assets of the reporting entity:

a. Financial statements of a reporting entity shall disclose (i) the name of each SCA entity and percentage of ownership of common stock, (ii) the accounting policies of the reporting entity with respect to investments in SCA entities, and (iii) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets (i.e., goodwill, other nonadmitted assets, fair value or discounted fair value adjustments, adjustments pursuant to SSAP No. 25, paragraph 16.d.) and the accounting treatment of the difference;

b. For those SCA entities for which a quoted market price is available, the aggregate value of each SCA investment based on the quoted price and the difference, if any, between the amount at which the investment is carried and the quoted price shall be disclosed;

c. Summarized information as to assets, liabilities and results of operations shall be presented for SCA entities, either individually or in groups;

d. Conversion of outstanding convertible securities, exercise of outstanding options and warrants and other contingent issuances of an investee may have a significant effect on an investor's share of reported earnings or losses. Accordingly, material effects of possible conversions, exercises or contingent issuances shall be disclosed in notes to the financial statements of the reporting entity; and

e. For those SCA entities in which the reporting entity elected, or was required, to change its valuation method as described in paragraph 14, a description of the reason for the change and the amount of adjustment recorded as unrealized gains or losses shall be disclosed. The entity shall also disclose whether commissioner approval was obtained in accordance with paragraph 14.

36. A reporting entity that reports an investment in an insurance SCA (per paragraph 8.b.i) for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices) shall disclose the following:

a. A description of the accounting practice, with a statement that the practice differs from the NAIC statutory accounting practices and procedures.

b. The monetary effect on net income and surplus reflected by the insurance SCA as a result of using an accounting practice that differed from NAIC statutory accounting practices and procedures.

c. Whether the RBC of the insurance SCA would have triggered a regulatory event had it not used a prescribed or permitted practice.

d. The reported entity's investment in the insurance SCA per the audited statutory equity, and the investment in the insurance SCA the reporting entity would have reported if the insurance SCA had completed statutory financial statements in accordance with the NAIC statutory accounting practices and procedures.

37. A reporting entity that calculates its investment in a foreign insurance subsidiary by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines shall disclose the interest rates and mortality assumptions used in the calculation as prescribed by the insurance department of the foreign country.

38. Any commitment or contingent commitment to a SCA entity shall be disclosed (e.g., guarantees or commitments to provide additional capital contributions).

39. A reporting entity that recognizes an impairment loss shall disclose the following in the financial statements that include the period of the impairment write down:

a. A description of the impaired assets and the facts and circumstances leading to the impairment; and

b. The amount of the impairment and how fair value was determined.

40. If a reporting entity holds an investment in a downstream noninsurance holding company, the reporting entity may look-through the downstream noninsurance holding company to the value of (i) SCA entities having audited financial statements and/or (ii) joint ventures, partnerships, and/or limited liability companies having audited financial statements in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company (provided the limited exception to the audited financial statements requirement contained in paragraphs 25-26 applies).

41. I f a reporting entity utilizes the look-through approach for the valuation of the downstream noninsurance holding company instead of obtaining audited financial statements of the downstream noninsurance holding company, the financial statements of the reporting entity shall include the following disclosures:

a. The name of the downstream noninsurance holding company;

b. The carrying value of the investment in the downstream non insurance holding company;

c. The fact that the financial statements of the downstream noninsurance company are not audited;

d. The fact that the reporting entity has limited the value of its investment in the downstream noninsurance holding company to the value contained in the audited financial statements, including adjustments required by this statement, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the downstream noninsurance holding company and valued in accordance with paragraphs 21-24;

e. The fact that all liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity's determination of the carrying value of the investment in the downstream noninsurance holding company, if not already recorded in the financial statements of the downstream noninsurance holding company.

42. Investments reported using an equity method from paragraph 8.b.ii. through 8.b.iv. may have fiscal year ends, not calendar year ends. To recognize a change to the reporting year-end of an equity method investee, including changes in, or the elimination of, previously existing differences (lag period) due to the reporting entity's ability to obtain financial results from a reporting period that is more consistent with, or the same as, that of the reporting entity, the guidance included in *FASB Emerging Issues Task Force 06-9: Reporting a Change in (or the elimination of) a Previously Existing Difference between the fiscal Year-End of a Parent Company and That of a Consolidated Entity or between the Reporting Period of an Investor and That of an Equity Method Investee* that defines such reporting period changes as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors* (SSAP No. 3) shall be followed. For instances in which this change in accounting principle occurs, disclosure requirements of SSAP No. 3 shall be followed.

43. Refer to the preamble for further discussion regarding disclosure requirements. The disclosures in paragraph 35.d. shall be included in the annual audited statutory financial reports only.

# EXHIBIT 7

## Calculation of Affiliate Investment Limitations on CBLIC, Southland, and Bankers as of December 31, 2018

Exhibit 7 - Calculation of Affiliate Investment Limitations
CBLIC, Southland, and Bankers

| Category in the 2018 Amended Annual Statement | Colorado Bankers Life Insurance Company | Southland National Insurance Corporation | Bankers Life Insurance Company |
|---|---|---|---|
| Affiliated Bonds | | | |
| Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations | $ 902,088,545 | $ 135,734,852 | $ 39,078,829 |
| Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities | 428,587,035 | 77,523,200 | 39,020,504 |
| Total Affiliated Bonds | 1,330,675,580 | 213,258,052 | 78,099,333 |
| Affiliated Common Stocks | - | 271 | - |
| Affiliated Preferred Stocks | - | 32,310,000 | - |
| Total Affiliated Investments | $ 1,330,675,580 | $ 245,568,323 | $ 78,099,333 |

**CALCULATION OF AMOUNTS OVER THE PRESCRIBED LIMITATION**

| | | | |
|---|---|---|---|
| Total Affiliated Investments (from Above) | $ 1,330,675,580 | $ 245,568,323 | $ 78,099,333 |
| Admitted Assets Reported in Annual Statement | 2,677,105,447 | 354,007,180 | 397,403,227 |
| Percent of Admitted Assets that are Affiliated Investments | 49.7% | 69.4% | 19.7% |
| Prescribed Limitation (40% of Admitted Assets Reported in Annual Statement) | 40.0% | 40.0% | 40.0% |
| Percentage of Affiliated Investments in Excess of Prescribed Limitation | 9.7% | 29.4% | 0.0% |
| Amount of Affiliated Investments in Excess of Prescribed Limitation | $ 259,833,401 | $ 103,965,451 | $ - |

# EXHIBIT 8

## Calculation of the Impact of Excess Affiliate Investments on Capital and Surplus of CBLIC, Southland, and Bankers as of December 31, 2018

Exhibit 8 - Summary of Impact of Excess Affiliate Investments and Associated Accrued Investment Income On Capital and Surplus as of December 31, 2018
CBLIC, Southland, and Bankers

| | Colorado Bankers Life Insurance Company | Southland National Insurance Corporation | Bankers Life Insurance Company |
|---|---|---|---|
| Surplus per 2018 As-filed Annual Statement | $ 197,813,528 | $ 21,903,701 | $ 32,579,203 |
| Adjustment to Surplus for Amended Annual Statement | (3,229,300) | - | - |
| Amended Surplus per 2018 Amended Annual Statement | 194,584,228 | 21,903,701 | 32,579,203 |
| Adjustment to Surplus for Amounts Over the Permitted Limitation | (259,833,401) | (103,965,451) | - |
| Adjustment to Surplus for Accrued Investment Income of Affiliated Bonds | (16,957,625) | (2,797,188) | |
| Restated Surplus at 12/31/2018 | $ (82,206,798) | $ (84,858,938) | $ 32,579,203 |

# EXHIBIT 9

## Schedule T – Premium and Annuity Considerations

Exhibit 9 - Schedule T - Premiums And Annuity Considerations
December 31, 2018

| State | Colorado Bankers Life Insurance Company Active Status | Colorado Bankers Life Insurance Company Total Insurance Premiums and Deposit - type Contracts | Southland National Insurance Corporation Active Status | Southland National Insurance Corporation Total Insurance Premiums and Deposit - type Contracts | Bankers Life Insurance Company Active Status | Bankers Life Insurance Company Total Insurance Premiums and Deposit - type Contracts | Total - All Companies Total Insurance Premiums and Deposit - type Contracts | Total - All Companies Percentage |
|---|---|---|---|---|---|---|---|---|
| 01 Alabama | L | 11,430,671 | L | 6,958,357 | L | 1,429,974 | 19,819,002 | 1.1% |
| 02 Alaska | L | 1,053,060 | N | - | L | - | 1,053,060 | 0.1% |
| 03 Arizona | L | 23,667,485 | L | 52,167 | L | 2,751,494 | 26,471,146 | 1.5% |
| 04 Arkansas | L | 3,275,691 | L | 23,829 | L | 3,508,885 | 6,808,405 | 0.4% |
| 05 California | L | 24,364,892 | N | 1,392 | N | - | 24,366,284 | 1.4% |
| 06 Colorado | L | 10,286,107 | L | 65 | L | 1,661,826 | 11,947,998 | 0.7% |
| 07 Connecticut | L | 56,964,595 | N | 25 | N | - | 56,964,620 | 3.2% |
| 08 Delaware | L | 22,222,940 | N | - | L | 232,907 | 22,455,847 | 1.3% |
| 09 District of Columbia | L | 1,349,554 | N | - | L | 63,716 | 1,413,270 | 0.1% |
| 10 Florida | L | 90,511,569 | N | 9,384 | L | 48,278,207 | 138,799,160 | 7.8% |
| 11 Georgia | L | 19,006,018 | L | 139,349 | L | 8,307,230 | 27,452,597 | 1.5% |
| 12 Hawaii | L | 543,163 | N | - | L | 394,258 | 937,421 | 0.1% |
| 13 Idaho | L | 1,594,780 | N | 25 | L | 1,407,095 | 3,001,900 | 0.2% |
| 14 Illinois | L | 32,972,847 | N | 130 | L | 12,786,203 | 45,759,180 | 2.6% |
| 15 Indiana | L | 14,330,316 | L | 3,302 | L | 13,808,678 | 28,142,296 | 1.6% |
| 16 Iowa | L | 22,124,920 | N | - | N | - | 22,124,920 | 1.2% |
| 17 Kansas | L | 25,503,731 | N | - | L | 8,525,106 | 34,028,837 | 1.9% |
| 18 Kentucky | L | 8,119,707 | L | 8,564 | L | 15,673,809 | 23,802,080 | 1.3% |
| 19 Louisiana | L | 13,331,617 | L | 2,768,907 | L | 3,482,709 | 19,583,233 | 1.1% |
| 20 Maine | L | 5,437,971 | N | - | N | - | 5,437,971 | 0.3% |
| 21 Maryland | L | 22,750,860 | N | 894 | L | 2,456,687 | 25,208,441 | 1.4% |
| 22 Massachusetts | L | 168,054,044 | N | - | N | - | 168,054,044 | 9.4% |
| 23 Michigan | L | 106,882,624 | N | 2,476 | L | 3,459,026 | 110,344,126 | 6.2% |
| 24 Minnesota | L | 22,901,254 | N | 141 | L | 2,313,928 | 25,215,323 | 1.4% |
| 25 Mississippi | L | 6,755,237 | L | 174,594 | L | 2,411,412 | 9,341,243 | 0.5% |
| 26 Missouri | L | 18,724,975 | N | 515 | L | 10,878,526 | 29,604,016 | 1.7% |
| 27 Montana | L | 1,665,970 | N | 25 | L | - | 1,665,995 | 0.1% |
| 28 Nebraska | L | 6,308,145 | N | 1,070 | L | 4,228,092 | 10,537,307 | 0.6% |
| 29 Nevada | L | 2,657,113 | N | 298 | L | 2,194,282 | 4,851,693 | 0.3% |
| 30 New Hampshire | L | 36,076,453 | N | - | N | - | 36,076,453 | 2.0% |
| 31 New Jersey | L | 38,728,396 | N | - | N | - | 38,728,396 | 2.2% |
| 32 New Mexico | L | 1,600,712 | L | 1,032 | L | 104,233 | 1,705,977 | 0.1% |
| 33 New York | N | 178,343 | N | 945 | N | - | 179,288 | 0.0% |
| 34 North Carolina | L | 29,539,607 | L | 22,218 | L | 5,299,616 | 34,861,441 | 2.0% |
| 35 North Dakota | L | 5,050,296 | N | 730 | L | 8,071,151 | 13,122,177 | 0.7% |
| 36 Ohio | L | 77,905,839 | L | 26,513 | L | 10,519,695 | 88,452,047 | 5.0% |
| 37 Oklahoma | L | 9,202,645 | L | 71,002 | L | 3,264,263 | 12,537,910 | 0.7% |
| 38 Oregon | L | 11,013,395 | N | 25 | N | - | 11,013,420 | 0.6% |
| 39 Pennsylvania | L | 267,560,587 | N | 1,629 | L | 15,455,570 | 283,017,786 | 15.9% |
| 40 Rhode Island | L | 78,683,848 | N | - | N | - | 78,683,848 | 4.4% |
| 41 South Carolina | L | 10,334,195 | L | 10,047 | L | 6,167,142 | 16,511,384 | 0.9% |
| 42 South Dakota | L | 2,757,249 | N | 194 | L | 3,400,706 | 6,158,149 | 0.3% |
| 43 Tennessee | L | 19,913,798 | L | 360,089 | L | 21,336,517 | 41,610,404 | 2.3% |
| 44 Texas | L | 53,789,590 | L | 68,870 | L | 45,229,180 | 99,087,640 | 5.6% |
| 45 Utah | L | 4,416,540 | N | 2,149 | L | 29,993,820 | 34,412,509 | 1.9% |
| 46 Vermont | L | 2,907,013 | N | - | N | - | 2,907,013 | 0.2% |
| 47 Virginia | L | 11,264,188 | L | 27,573 | L | 6,212,433 | 17,504,194 | 1.0% |
| 48 Washington | L | 12,113,636 | N | 365 | L | 13,342,583 | 25,456,584 | 1.4% |
| 49 West Virginia | L | 1,519,361 | N | 250 | L | 2,014,029 | 3,533,640 | 0.2% |
| 50 Wisconsin | L | 27,966,412 | N | - | N | - | 27,966,412 | 1.6% |
| 51 Wyoming | L | 290,696 | N | - | L | - | 290,696 | 0.0% |
| 52 American Samoa | N | - | N | - | N | - | - | 0.0% |
| 53 Guam | L | 495,560 | N | - | N | - | 495,560 | 0.0% |
| 54 Puerto Rico | L | 8,914 | N | - | N | - | 8,914 | 0.0% |
| 55 US Virgin Islands | N | 37,565 | N | 25 | N | - | 37,590 | 0.0% |
| 56 Northern Mariana Islands | N | - | N | - | N | - | - | 0.0% |
| 57 Canada | N | - | N | - | N | - | - | 0.0% |
| 58 Aggregate Other Alien | xxx | - | xxx | - | xxx | - | - | 0.0% |
| 59 Total | | 1,448,146,694 | | 10,739,165 | | 320,664,988 | 1,779,550,847 | 100.0% |

ACTIVE STATUS KEY

L - Licensed or chartered - Licensed insurance carrier or domiciled RRG.

N - None of the above - Not allowed to write business in the state.

# EXHIBIT 10

## Detail of Affiliate Investments Purchased in 2018 and Held by CBLIC, Southland, and Bankers as of December 31, 2018

# Purchase of Affiliated Investments CBLIC, Southland, and Bankers

January 1, 2018 to July 8, 2018

Exhibit 10 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 by Purchase Date - From Part 1 and 2 - 2018 Amended Annual Statements
1/1/2018 through 7/8/2018

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| CBLIC | 1/2/2018 | Intralan Investments Limited | 2PL | 5,261,282 | 5,366,508 | 5,261,282 | 5,261,282 | 116,718 | 3 |
| CBLIC | 1/8/2018 | AR Purchasing Solutions 2 LLC. | 2PLGI | 3,426,206 | 3,604,711 | 3,426,206 | 3,426,206 | 475,014 | 3 |
| Southland | 2/2/2018 | Hampton Assest Management Inc | 2PL | 10,101,648 | 9,724,857 | 10,101,648 | 10,101,648 | 109,142 | 3 |
| Southland | 2/2/2018 | Iron City assest Management Inc | 2PL | 5,254,347 | 5,058,360 | 5,254,347 | 5,254,347 | 56,720 | 3 |
| Southland | 2/2/2018 | Jackson Assest Management Inc | 2PL | 5,106,640 | 4,916,162 | 5,106,640 | 5,106,640 | 55,095 | 3 |
| Bankers | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 2,022,176 | 1,732,518 | 1,999,991 | 2,021,628 | 810 | 4 |
| Bankers | 3/14/2018 | Royal BK CDA | 1Z | 4,000,000 | 3,932,641 | 4,000,000 | 4,000,000 | 41,969 | 3 |
| CBLIC | 3/14/2018 | N0M GB 2018 I LLC - ABS | 1PL | 2,460,799 | 2,108,402 | 2,433,801 | 2,460,132 | 986 | 4 |
| Southland | 3/14/2018 | NOM GB 2018 I LLC | 1PL | 10,528,528 | 9,020,797 | 10,413,018 | 10,525,543 | 4,219 | 4 |
| Southland | 3/14/2018 | Royal BK CDA | 1Z | 10,000,000 | 9,832,000 | 10,000,000 | 10,000,000 | 114,821 | 3 |
| Bankers | 3/27/2018 | Barclays Bank PLC | 2PLGI | 6,022,186 | 5,330,876 | 6,039,266 | 6,021,688 | 49 | 3 |
| Southland | 3/27/2018 | Barclays Bank PLC | 2PLGI | 10,000,000 | 8,827,000 | 10,000,000 | 10,000,000 | - | 3 |
| CBLIC | 3/29/2018 | Agera Energy LLC | 3PL | 35,000,000 | 34,566,000 | 35,000,000 | 35,000,000 | 366,362 | 3 |
| Bankers | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 3,999,807 | 3,801,790 | 3,999,807 | 3,999,807 | 13,346 | 4 |
| Southland | 4/13/2018 | WhiteHorse 2018 I LLC | 1PL | 9,999,518 | 9,504,542 | 9,999,518 | 9,999,518 | 33,365 | 4 |
| Bankers | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 4,999,146 | 4,511,781 | 4,999,146 | 4,999,146 | 17,129 | 4 |
| Bankers | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 4,999,923 | 4,441,790 | 4,999,923 | 4,999,923 | 151,739 | 4 |
| CBLIC | 4/27/2018 | Franklin Str 2018-1 LLC - ABS. | 1PL | 47,991,805 | 43,312,604 | 47,991,805 | 47,991,805 | 164,439 | 4 |
| Southland | 4/27/2018 | Franklin STR 2018-1 LLC | 1PL | 9,998,293 | 9,023,459 | 9,998,293 | 9,998,293 | 34,258 | 4 |
| Southland | 4/27/2018 | Marseille ELN 2018-1 LLC | 1PL | 9,999,846 | 8,883,863 | 9,999,846 | 9,999,846 | 303,479 | 4 |
| CBLIC | 5/7/2018 | Alpharetta - ABS | 1PL | 2,097,465 | 2,175,490 | 2,097,465 | 2,097,465 | 71,813 | 4 |
| Bankers | 6/1/2018 | UBS AG london BRH | 1Z | 5,000,000 | 4,867,548 | 5,000,000 | 5,000,000 | 162,180 | 3 |
| Southland | 6/1/2018 | UBS AG london BRH | 1Z | 10,000,000 | 9,735,000 | 10,000,000 | 10,000,000 | 324,359 | 3 |
| CBLIC | 6/11/2018 | Blue Violet, LLC \| L+1275 \| 1/15/1900 | 1AM | 15,605,469 | 22,387,346 | 21,674,262 | 15,841,267 | 5,790 | 4 |
| Bankers | 6/13/2018 | Augusta Assest Management Inc | 2PL | 4,974,874 | 4,840,340 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| Bankers | 6/13/2018 | Gilford Assest Management LLC | 2PLGI | 5,447,017 | 5,298,128 | 5,447,017 | 5,447,017 | 63,315 | 3 |
| Bankers | 6/25/2018 | BK NTS Book | 1PL | 5,000,000 | 4,883,829 | 5,000,000 | 5,000,000 | 128,645 | 3 |
| Southland | 6/25/2018 | BK NTS Book | 1PL | 10,000,000 | 9,768,000 | 10,000,000 | 10,000,000 | 257,289 | 3 |
| Bankers | 7/6/2018 | White Tree LLC | 1PL | 5,000,000 | 4,969,699 | 5,000,000 | 5,000,000 | 6,547 | 4 |
| Southland | 7/6/2018 | White Tree LLC | 1PL | 10,000,000 | 9,939,000 | 10,000,000 | 10,000,000 | 13,094 | 4 |
| Sorted by Date, then Company, then Description | | | | $ 274,296,975 | $ 266,365,041 | $ 280,218,155 | $ 274,528,075 | $ 3,113,125 | |
| Number of Transactions | | | | | | | 30 | | |
| Average Size of Transaction | | | | | | | $ 9,150,936 | | |

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# Purchase of Affiliated Investments CBLIC, Southland, and Bankers

July 9, 2018 to July 31, 2018

Exhibit 10 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 by Purchase Date - From Part 1 and 2 - 2018 Amended Annual Statements
7/9/2018 through 7/31/2018

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| Bankers | 7/16/2018 | Tac Investments LLC | 2PL | 5,472,152 | 5,561,857 | 5,472,152 | 5,472,152 | 82,842 | 3 |
| CBLIC | 7/19/2018 | Baldwin Asset Management, Inc. | 2PL | 30,152,832 | 30,360,887 | 30,152,832 | 30,152,832 | 289,611 | 3 |
| CBLIC | 7/19/2018 | Capital Asset Management III, LLC | 2PL | 29,775,000 | 28,893,660 | 29,775,000 | 29,775,000 | 433,068 | 3 |
| CBLIC | 7/19/2018 | Capital Assets Fund I LLC | 3PL | 21,773,063 | 20,346,928 | 21,773,063 | 21,773,170 | 147,477 | 3 |
| CBLIC | 7/19/2018 | Chatworth Asset Management, Inc. | 2PL | 28,727,232 | 28,776,069 | 28,727,232 | 28,727,232 | 220,577 | 3 |
| CBLIC | 7/19/2018 | Damascus Asset Management, Inc. | 2PL | 25,115,604 | 24,070,795 | 25,115,604 | 25,115,604 | 182,045 | 3 |
| CBLIC | 7/19/2018 | Ephesus Asset Management, Inc. | 2PL | 27,919,060 | 26,723,428 | 27,919,060 | 27,919,060 | 198,447 | 3 |
| CBLIC | 7/19/2018 | Forest Park Asset Management, Inc. | 2PL | 20,228,773 | 19,415,577 | 20,228,773 | 20,228,773 | 134,546 | 3 |
| CBLIC | 7/19/2018 | Global Insurance Capital LLC | 2PLGI | 8,508,191 | 8,605,185 | 8,508,191 | 8,508,291 | 76,623 | 3 |
| CBLIC | 7/19/2018 | Hampton Asset Management, Inc | 2PL | 27,955,029 | 26,912,306 | 27,955,029 | 27,955,117 | 302,036 | 3 |
| CBLIC | 7/19/2018 | Iron City Asset Management, Inc. | 2PL | 31,036,644 | 29,878,977 | 31,036,644 | 31,036,733 | 335,036 | 3 |
| CBLIC | 7/19/2018 | Jackson Asset Management, Inc. | 2PL | 30,164,157 | 29,039,034 | 30,164,157 | 30,164,246 | 325,440 | 3 |
| CBLIC | 7/19/2018 | Kite Asset Management Inc | 2PL | 38,552,815 | 37,554,297 | 38,552,815 | 38,553,380 | 122,080 | 3 |
| CBLIC | 7/19/2018 | Lares, LLC | 2PL | 5,607,625 | 5,352,478 | 5,607,625 | 5,607,625 | 79,398 | 3 |
| CBLIC | 7/19/2018 | Lily Asset Management Inc | 2PL | 39,800,000 | 38,773,160 | 39,800,000 | 39,800,000 | 113,607 | 3 |
| CBLIC | 7/19/2018 | Marshalla Asset Management, LLC | 2PL | 41,505,518 | 41,111,216 | 41,505,518 | 41,505,518 | 557,348 | 3 |
| CBLIC | 7/19/2018 | Rockdale Asset Management Inc. | 4PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 31,695 | 3 |
| CBLIC | 7/19/2018 | Standard Financial Limited | 2PL | 3,819,822 | 3,814,856 | 3,819,822 | 3,819,822 | 146,521 | 3 |
| CBLIC | 7/19/2018 | Summerville Asset Management, Inc. | 3PLGI | 25,093,743 | 25,093,743 | 25,093,743 | 25,093,743 | 272,688 | 3 |
| CBLIC | 7/23/2018 | Marseille Eln 2018-1 LLC -ABS | 1PL | 60,099,262 | 53,392,185 | 60,099,262 | 60,099,262 | 1,823,912 | 4 |
| CBLIC | 7/23/2018 | Whitehorse 2018 I LLC - ABS. | 1PL | 60,097,104 | 57,122,298 | 60,097,104 | 60,097,104 | 200,524 | 4 |
| Bankers | 7/24/2018 | Pierre Mendes LLC | 1PL | 6,000,000 | 6,009,670 | 6,000,000 | 6,000,000 | 162,495 | 4 |
| CBLIC | 7/24/2018 | Pierre Mendes LLC - ABS | 1PL | 60,000,000 | 60,096,000 | 60,000,000 | 60,000,000 | 1,624,950 | 4 |
| Southland | 7/24/2018 | Pierre Mendes LLC | 1PL | 9,000,000 | 9,014,400 | 9,000,000 | 9,000,000 | 243,743 | 4 |
| CBLIC | 7/30/2018 | Paradise Asset Management Inc | 3PL | 39,800,000 | 39,800,000 | 39,800,000 | 39,800,000 | 75,757 | 3 |
| CBLIC | 7/30/2018 | Tybee Island Asset Management, Inc. | 2PL | 31,302,369 | 30,148,020 | 31,212,362 | 31,296,815 | 142,249 | 3 |
| Southland | 7/30/2018 | Pbx Bermuda Holdings, Ltd | 5GI | 200,203 | 167,030 | 200,203 | 200,282 | 6,298 | 3 |
| Southland | 7/30/2018 | Southland National Holdings, Inc. | 5GI | 6,100,274 | 6,159,000 | 6,000,000 | 6,056,199 | 105,205 | 3 |
| Bankers | 7/31/2018 | Lombard Street II LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| Bankers | 7/31/2018 | Lombard Street LLC | 1PL | 6,000,000 | 6,109,986 | 6,000,000 | 6,000,000 | 177,753 | 4 |
| CBLIC | 7/31/2018 | Lombard Street I1 LLC - ABS. | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| CBLIC | 7/31/2018 | Lombard Street LLC - ABS | 1PL | 60,000,000 | 61,098,000 | 60,000,000 | 60,000,000 | 1,777,529 | 4 |
| Southland | 7/31/2018 | Lombard Street Ii LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Southland | 7/31/2018 | Lombard Street LLC | 1PL | 9,000,000 | 9,164,700 | 9,000,000 | 9,000,000 | 266,629 | 4 |
| Sorted by Date, then Company, then Description | | | | $ 903,606,472 | $ 884,738,428 | $ 903,416,191 | $ 903,557,960 | $ 12,880,040 | |
| Number of Transactions | | | | | | | 34 | | |
| Average Size of Transaction | | | | | | | $ 26,575,234 | | |

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# Purchase of Affiliated Investments CBLIC, Southland, and Bankers

August 1, 2018 to December 31, 2018

Exhibit 10 - Combined Companies - CBLIC, Southland, and Bankers
Schedule of Affiliated Investments Held at 12/31/18 by Purchase Date - From Part 1 and 2 - 2018 Amended Annual Statements
8/1/2018 through 12/31/2018

| COMPANY | Date Acquired | Description | NAIC Symbol | Actual Cost | Fair Value | Par Value | Book Adjusted Value | Accrued Investment Income | Category |
|---|---|---|---|---|---|---|---|---|---|
| CBLIC | 8/27/2018 | Augusta Asset Management, Inc. | 2PL | 4,974,874 | 4,840,553 | 4,974,874 | 4,974,874 | 20,433 | 3 |
| CBLIC | 8/27/2018 | PCF LLC | 5GI | 4,051,585 | 3,891,953 | 4,051,585 | 4,051,585 | 39,503 | 3 |
| Southland | 8/27/2018 | Augusta Assest Management Inc | 2PL | 5,969,849 | 5,808,663 | 5,969,849 | 5,969,849 | 24,519 | 3 |
| CBLIC | 10/31/2018 | Bank Montreal Medium Term Sr Bk NTS Book | 1PL | 62,212,661 | 60,756,960 | 62,200,000 | 62,212,454 | 1,346,921 | 3 |
| CBLIC | 10/31/2018 | Barclays Bank PLC | 2PLGI | 76,399,342 | 67,709,084 | 76,706,790 | 76,390,368 | - | 3 |
| CBLIC | 10/31/2018 | Royal Bk CDA | 1Z | 40,000,000 | 39,328,000 | 40,000,000 | 40,000,000 | 419,689 | 3 |
| CBLIC | 10/31/2018 | Ubs Ag London Brh | 1Z | 60,100,000 | 58,507,350 | 60,100,000 | 60,100,000 | 1,949,399 | 3 |
| CBLIC | 10/31/2018 | White Tree Llc - ABS | 1PL | 60,000,000 | 59,634,000 | 60,000,000 | 60,000,000 | 78,561 | 4 |
| Sorted by Date, then Company, then Description | | | | $ 313,708,311 | $ 300,476,563 | $ 314,003,098 | $ 313,699,130 | $ 3,879,025 | |
| Number of Transactions | | | | | | | 8 | | |
| Average Size of Transaction | | | | | | | $ 39,212,391 | | |

Category Key:
1 - Common Stocks - Parents, Subsidiaries & Affiliates
2 - Preferred Stocks - Parents, Subsidiaries & Affiliates
3 - Bonds - Parent, Subsidiaries and Affiliates - Issuer Obligations
4 - Bonds - Parent, Subsidiaries and Affiliates - Other Loan-Backed and Structured Securities

# Exhibit “C”

## *GBIG Service Co Email*

**From:** "Long, James (AG)" <LongJ@michigan.gov>
**Date:** December 5, 2019 at 9:36:11 AM EST
**To:** Jonathan Raven <JRaven@fraserlawfirm.com>
**Cc:** "Kerr, Christopher (AG)" <KerrC2@michigan.gov>
**Subject: RE: Pavonia**

Mr. Raven,

You and your client have asked to meet with Jim Gerber, Deputy Rehabilitator for Pavonia Insurance Company of Michigan, based on the 2019 3rd Quarter report filed by the North Carolina Rehabilitator. Specifically, you indicate that the North Carolina Rehabilitator's 3rd Quarter report states that, "… the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts," and speculate that this language could refer to contracts with ServiceCo which, if true, could negatively affect the financial condition of ServiceCo and, in turn, Pavonia.

We have confirmed with the North Carolina Rehabilitator that the language you cited in his 2019 3rd Quarter report has nothing to do with ServiceCo contracts. Accordingly, on behalf of DIFS and Mr. Gerber, we respectfully decline your request to meet. Thank you for bringing this matter to our attention.

James E. Long
Assistant Attorney General
Michigan Department of Attorney General
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**From:** Jonathan Raven <jraven@fraserlawfirm.com>
**Sent:** Monday, December 2, 2019 7:45 PM
**To:** Kerr, Christopher (AG) <KerrC2@michigan.gov>; Long, James (AG) <LongJ@michigan.gov>
**Cc:** Tim Volpe <Tim.Volpe@arlaw.com>; Michael@independent.life
**Subject:** Pavonia

**Dear Messrs. Kerr and Long:**

This confirms my conversation on Monday with Chris Kerr in which I communicated the request of Independent Life to meet with the Rehabilitator and its counsel to discuss certain findings with regard to the North Carolina Rehabilitation of the North Carolina affiliates of Pavonia. We believe that with the delay of the hearing on the proposed Plan, there is reason to extend this assistance to DIFS to explain how these developments can and likely will affect Pavonia.

As you know, just before the SPA was signed by which Pavonia would be sold to Aspida, the ServiceCo affiliate was transferred to Pavonia as a wholly-owned subsidiary, where it collects management fees from the GBIG affiliates and is paid to manage Pavonia.

In the 3Q 2019 North Carolina Receiver's report, that Receiver says: "... the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts." We are forced to speculate on the meaning of "essential contracts", but it appears quite possible that these could only be ServiceCo fees, likely deemed essential because ServiceCo apparently literally manages all the GBIG affiliates.

Our client believes that this leads to the potential of a clawback action by NC Rehabilitator against ServiceCo, which would be typical where an affiliate has a service contract with a company in receivership with favorable, often above-market, terms. Should the ServiceCo expense load exceed what the NC Receiver thinks should be an appropriate market fee for the services, this would be plausible. Indeed, my client believes that it is possible that a clawback action reaching several years could be instituted. Should Michigan approve this pre-arranged deal, then it's anyone's guess where that leads in this light. For this reason, we believe we can demonstrate that

**contrary to the stated purpose of the transaction, any contention that the Michigan transaction separates Pavonia from the North Carolina insurers seems ill-advised.**

**My client and I would appreciate an opportunity to meet with DIFS, specifically with Mr. Gerber and his superiors together with you, at your earliest convenience, to explain how this may unfold to the detriment of Michigan policyholders, and how we reach these conclusions.**

**Please let me know how me might go about scheduling such a meeting. Thank you for your consideration.**

Jonathan Raven
Jraven@Fraserlawfirm.com
DD 517-377-0816

AutoTypos Courtesy of Apple iOS

# Exhibit "D"

***Buttner Expense Affidavit***

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

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

Plaintiff,

v.

PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN,

Defendant.

Case No.: 19-504-CR

Hon. Wanda M. Stokes

EDWARD W. BUTTNER IV, being duly sworn, deposes and says:

**Introduction and Summary Background**

1. I previously prepared and submitted an Affidavit with ten exhibits in this matter dated October 29, 2019 ("October Affidavit"). That October Affidavit should be read in conjunction with this Affidavit ("December Affidavit").

2. I submit this December Affidavit in further support of the Objection by Interested Party Independent Insurance Group, LLC, dated October 4, 2019 (the "Objection") to the Plan of Rehabilitation dated August 8, 2019 (the "Plan").

3. As discussed more fully in the October Affidavit, the composition of the management team (the "GBIG Management Team") proposed in the Plan to oversee Pavonia Life Insurance Company ("Pavonia" or the "Company") going forward consists of the same management team as that of the four affiliated North Carolina-domiciled insurance companies (the "NC Insurance Affiliates") that, along with Pavonia, comprise

the "GBIG Insurance Affiliates" which are under common ownership with Pavonia. Those NC Insurance Affiliates were placed into Rehabilitation under the direction of a Receiver by the North Carolina Department of Insurance (the "NCDOI").

4. The NC Insurance Affiliates were placed into rehabilitation by their respective regulators due to, among other things, regulatory concerns over investments by the NC Insurance Affiliates in affiliated non-insurance companies.[1] The GBIG Management Team was in charge of the day-to-day operations of the GBIG Insurance Affiliates prior to and upon the date that the GBIG Insurance Affiliates were placed into rehabilitation. The GBIG Management Team provides such day to day operating services through Global Bankers Insurance Group, LLC ("GBIG Service Co").

5. The NC Insurance Affiliates are:

- Colorado Bankers Life Insurance Company ("CBLIC")
- Southland National Insurance Corporation ("Southland")
- Bankers Life Insurance Company ("Bankers")
- Southland National Reinsurance Corporation ("Southland Re")

6. The NC Insurance Affiliates were placed in Rehabilitation on June 27, 2019, and Pavonia was placed in Rehabilitation on July 9, 2019.

**Scope of December Affidavit**

7. This December Affidavit addresses the requirements that transactions amongst affiliates must be under terms that are fair and reasonable. Such affiliate transactions

[1] Pavonia was placed into Rehabilitation by the Michigan Receiver, with the consent of the Company, due to concerns over the potential financial risk to Pavonia resulting from the financial condition of the GBIG Holding Company, the NC Insurance Affiliates status in rehabilitation and the indictment of Mr. Lindberg.

would include the services provided by GBIG Service Co to Pavonia, CBLIC, Southland, and Bankers.

8. In addition, this December Affidavit also addresses the potential conflicts of interest as regards Pavonia, the current parent and owner of GBIG Service Co; the services provided by GBIG Service Co to Pavonia, CBLIC, Southland, and Bankers both prior and subsequent to those insurers being placed into rehabilitation; the potential for the North Carolina and Michigan Receivers to reduce fees charged by GBIG Service Co to the insurers in rehabilitation; the potential by those Receivers to assert fraudulent transfer claims against GBIG Service Co; and the impact such fee reductions and/or fraudulent transfer claims could have on the sale of Pavonia and GBIG Service Co that is the subject of the Plan of Rehabilitation.

**Summary Opinions, Conclusions, and Observations**

9. As described more fully herein,

- There is substantial doubt as to whether affiliated management and investment fees charged by GBIG Service Co to Pavonia, Southland, and Bankers were fair and reasonable as required by the Michigan and North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- To the extent that such GBIG Service Co management and investment fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25.

- Any annual and/or quarterly statement that did not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.
- Such excess management and investment fees could be subject to recovery as fraudulent transfers from GBIG Service Co and potentially other entities within the Greg Lindberg holding company systems.
- A determination by the Michigan Receiver that such management and investment fees were excessive would likely have a negative impact on the Plan that such Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Pavonia, GBIG Service Co, and the proposed acquirer of those entities.
- The excess affiliated management fees charged to Pavonia could exceed $15 million.
- A determination by the North Carolina Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that the Michigan Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Michigan and North Carolina Receivers as regards the Plan.
- If either the Michigan or North Carolina Receivers were to determine that such affiliated management and investment fees paid by the insurers throughout the relevant time periods were not fair and reasonable, such a determination would also cast substantial doubt on the integrity and/or

competency of the GBIG Management Team that was determining, recording, and reporting such amounts.

**Reports Filed by the North Carolina and Michigan Receivers**

10. On November 20, 2019, the North Carolina Receiver filed certain financial statements as of September 30, 2019 (the "NC 3Q19 Financials") with limited explanatory notes and commentary for the NC Insurance Affiliates.

11. In November 2019, the Michigan Receiver filed a Quarterly Statement as of September 30, 2019 for Pavonia. As of the date of this December Affidavit, there are no reports from the Michigan Receiver as regards Pavonia that have been posted to the Michigan website.

12. The October Affidavit concluded that, based on the affiliate investments reported in the Amended 2018 Annual Statements and applying the purported 40% NCDOI affiliate investment limitation that had been asserted by such insurers, both CBLIC and Southland would have been insolvent with surplus deficits as of December 31, 2018 as follows:

- CBLIC – $(82.2 million)
- Southland – $(84.9 million)

13. The NC 3Q19 Financials disclosed, among other things, the following (somewhat paraphrased):

- On July 26, 2019, the Governor of North Carolina signed into law, House Bill 220. This bill amends N.C. Gen. Stat §58-19-10(b) to limit the amount of investments in affiliates and subsidiaries to the lessor of ten percent (10%) of the insurer's admitted assets or fifty percent (50%) of the Insurer's policyholders' surplus, provided that after those investments, the insurer's policyholders' surplus will be reasonable in relation to the insurers' outstanding liabilities and adequate to its financial needs. The amount of affiliate investments in excess of these limitations is required to be non-admitted.

- At September 30, 2019, Southland reported negative Capital and Surplus of $1.9 million before making any adjustment for excess investments in affiliates.
- As of September 30, 2019, Southland had $188 million of excess affiliated investments. Should this amount be non-admitted, Southland would have a surplus deficit of $190 million.
- As of September 30, 2019, Bankers had $52 million of excess affiliated investments. Should this amount be non-admitted, Bankers would have a surplus deficit of $24 million.
- As of September 30, 2019, CBLIC had $973 million of excess affiliated investments. Should this amount be non-admitted, CBLIC would have a surplus deficit of $860 million.
- It is also my understanding that the GBIG Management Team has been assisting the North Carolina Special Deputy Receiver ("North Carolina Receiver") and the Michigan Special Deputy Receiver ("Michigan Receiver") in the conduct of the day-to-day operations and management of the GBIG Insurance Affiliates post rehabilitation.

14. The findings of insolvency in the NC 3Q19 Financials by the North Carolina Receiver resulting from non-admitting such excess affiliate investments is consistent with my findings of insolvency described in the October Affidavit. In addition, the North Carolina Receivers' assertion as regards non-admitting the excess affiliate investments is also consistent with my conclusions in the October Affidavit.

15. Furthermore, using the current affiliate investment limitations enacted July 26, 2019 as described above, CBLIC, Bankers, and Southland are collectively $1.074 billion insolvent as of September 30, 2019.

16. The findings of insolvency by the North Carolina Receiver resulting from the excess affiliated investments confirms my opinion in the October Affidavit that the annual statements of CBLIC, Bankers, and Southland as originally prepared and filed by those charged with governance were materially false and misleading.

**Contribution of GBIG Service Co to Pavonia**

17. As disclosed in Pavonia's December 31, 2018 annual statement:

> On December 29, 2017, Southland National Holdings, Inc. purchased Pavonia Holdings, (US) Inc. along with the Company and its Canadian branch.
>
> And,
>
> The Company is a wholly owned subsidiary of GBIG Holdings Inc. GBIG Holdings, Inc is a direct subsidiary of GBIG Capital, LLC, a limited liability company organized under the laws of North Carolina. The ultimate controlling person is Greg Lindberg. More detailed information concerning the domicile of the above corporation and other affiliated corporations is reflected in the organization chart on Schedule Y Part 1 of this statement.

18. Based on the above disclosures, GBIG Service Co became an affiliate of Pavonia on December 29, 2017. Prior to December 27, 2017, GBIG Service Co was an affiliate of the NC Insurance Affiliates. As an affiliate, GBIG Service Co was subject to certain regulations imposed by the Holding Company Acts of North Carolina and Michigan including, but not limited to, that agreements amongst affiliates must be under terms that are fair and reasonable. In addition, transactions amongst affiliates are subject to the requirements of Statement of Statutory Accounting Principles ("SSAP") No. 25 - *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* ("SSAP No. 25").

**Holding Company System**

19. The National Association of Insurance Commissioners "(NAIC") and most state Departments of Insurance, including North Carolina and Michigan, have enacted laws, rules or regulations that restrict and/or limit or prohibit transactions amongst related parties.

20. In 1968, the NAIC Industry Advisory Committee reported to the commissioners that there were serious needs for a "prohibition against use of a holding company to accomplish indirectly what an insurer is prohibited from doing directly" and "surveillance and control over distributions from an insurer to a holding company." Thereafter, the NAIC adopted the "Insurance Holding Company Regulatory Model Legislation" at its June 1969 meeting and adopted complementary model rules at the NAIC meeting in December 1969. Over the succeeding years, many of the individual states enacted holding company laws based on the NAIC model rules.

21. Pavonia was part of a Holding Company System as defined in the Michigan Insurance Code of 1956 ("Insurance Code"), MCL 500.115(c), following the Company's acquisition by GBIG Holdings, Inc., in December 2017. As a result of this acquisition, Pavonia became a wholly-owned subsidiary of GBIG Holdings and an affiliated company (through common ownership by GBIG Holdings) of the aforementioned NC Insurance Affiliates and GBIG Service Co. GBIG Service Co became a wholly-owned subsidiary of Pavonia on June 27, 2019 through a contribution from GBIG Holdings. Based on disclosures contained in regulatory filings, GBIG Service Co provides all executive management, regulatory oversight review, and administrative services for Pavonia's operations. Completing the relevant holding company structure, GBIG Holdings is a wholly-owned subsidiary of GBIG Capital, LLC, which in turn is wholly-owned by Greg E. Lindberg, a North Carolina resident. Mr. Lindberg is, therefore, Pavonia's ultimate upstream owner and the Company's ultimate controlling person.

22. As defined in MCL 500.115 *Definitions*, GBIG Service Co is an affiliate:

- As used in this act unless the context clearly indicates otherwise:

  (a) "**Affiliate**" or a person "affiliated" with a specific person means a person that directly, or indirectly through 1 or more intermediaries, controls, is controlled by, or is under common control with the person specified.

23. In accordance with MCL 500.1341, transactions amongst members of the holding company system are subject to all the following standards:

(a) The terms must be fair and reasonable.

(b) The charges or fees for services performed must be reasonable.

(c) The expenses incurred and payment received must be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(d) The books, accounts, and records of each party must be maintained to ***clearly and accurately*** disclose the ***precise*** nature and ***details*** of the transactions including necessary accounting information to support the reasonableness of the charges or fees to the respective parties. [Emphasis added]

(e) The insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates must be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs so that the insurer continues to comply with section 403.

24. Pavonia and GBIG Service Co are also part of a Holding Company System as defined in the North Carolina Statutes, Chapter 58 – *Insurance*, Article 19 – *Insurance Holding Company System Regulatory Act* ("Section 58-19").

25. In accordance with North Carolina Statutes Section 58-19-30 *Standards and Management of an Insurer within a Holding Company System* ("Section 58-19-30"). Pursuant to Section 58-19-30:

(a) Transactions within a holding company system to which an insurer subject to registration is a party are subject to all of the following standards:

(1) The terms shall be fair and reasonable.

(2) Charges or fees for services performed shall be reasonable.

(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(4) The books, accounts, and records of each party to all such transactions shall be so maintained as to ***clearly and accurately disclose the nature and details*** of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties. [Emphasis added]

(5) The insurer's surplus as regards policyholders following any dividends or distributions to shareholder affiliates shall be

> reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

**Statutory Accounting Practices Regarding an Insurer's Related Party Transactions**

26. Given the inherent risks in affiliated transactions, the NAIC promulgated specific Statutory Accounting Principles ("SAP") and disclosure requirements for related party transactions. SSAP No. 25 became effective on January 1, 2001 and states, in part:

> Related party transactions are subject to abuse because reporting entities may be induced to enter transactions that may not reflect economic realities or may not be fair and reasonable to the reporting entity or its policyholders. As such, related party transactions require specialized accounting rules and increased regulatory scrutiny. This statement establishes statutory accounting principles and disclosure requirement for related party transactions.

27. As regards affiliated transactions involving services, paragraphs 17 and 18 of SSAP No. 25 state:

> Transactions involving services between related parties can take a variety of different forms. One of the significant factors as to whether these transactions will be deemed to be arm's length is the amount charged for such services. In general, amounts charged for services are based either on current market rates or on allocations of costs. Determining market rates for services is difficult because the circumstances surrounding each transaction are unique. Unlike transactions involving the exchange of assets and liabilities between related parties, transactions for services create income on one party's books and expense on the second party's books, and therefore, do not lend themselves to the mere inflation of surplus. These arrangements are generally subject to regulatory approval.
>
> Transactions involving services provided between related parties shall be recorded at the amount charged. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and

reasonable standards, and the books and records of each party shall ***disclose clearly and accurately the precise nature and details*** of the transaction. See SSAP No. 70 – *Allocation of Expenses* for additional discussion regarding the allocation of expenses. [Emphasis added]

28. Appendix A-440 – *Insurance Holding Companies* ("Appendix A-440") referred to in SSAP No. 25, and included in the NAIC Accounting Practices and Procedures Manual along with the Statements of Statutory Accounting Principles, states:

> Transactions within a holding company system to which an insurer subject to registration is a party shall be subject to the following standards:
>
> a. The terms shall be fair and reasonable;
> b. Charges or fees for services performed shall be reasonable;
> c. Expenses incurred and payment received shall be allocated to the insurer in conformity with statutory accounting practices consistently applied;
> d. The books, accounts and records of each party to all such transactions shall be so maintained as to ***clearly and accurately disclose the nature and details*** of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties... [Emphasis added]

29. Throughout its existence, GBIG Service Co and its predecessor entities were affiliates and therefore were subject to complying with the requirements promulgated by the Holding Company statutes and SAP as regards the terms of transactions amongst affiliates must be fair and reasonable and the insurer must maintain accurate books and records as regards such transactions.

30. The GBIG Management Team responsible for performing or overseeing the accounting and financial reporting process for each of the affiliated insurers should have been aware of the Holding Company statutes and the requirements of SSAP No. 25 and Appendix A-440.

**GBIG Service Co – A Management Service Subsidiary**

31. It is a common practice amongst insurers within a holding company system to utilize the services of a management company such as GBIG Service Co to provide a suite of services based on the specific requirements of the affiliated insurance companies.

32. Holding company systems such as GBIG Holdings Inc that own multiple insurance subsidiaries can achieve economies of scale through the structure and operations of service subsidiaries thereby operating the insurers at a lower cost than would otherwise be incurred on a stand-alone basis.

33. The GBIG Holding Company System included GBIG Service Co.[2] According to disclosures in the annual statements throughout the relevant time period after the acquisitions of such insurance companies by GBIG Holdings, and somewhat paraphrased, GBIG Service Co provided services to Pavonia, CBLIC, Southland, and Bankers as follows:

- The Company utilizes the services of GBIG Service Co to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company.

34. GBIG Service Co is considered an affiliated entity in accordance with the Michigan statutes as described previously herein. In addition, effective June 27, 2019, GBIC Service Co became a wholly-owned subsidiary of Pavonia. GBIG Service Co is also an affiliate of the NC Insurance affiliates under the North Carolina statutes.

[2] Previously known as Colorado Benefits Administrators, LLC.

35. Based on certain disclosures included in the Pavonia September 30, 2019 Quarterly Statement, as regards GBIG Service Co:

> On June 27, 2019, the same day the NC Insurance Affiliates were placed into Receivership, GBIG Holdings, Inc contributed all of the units of GBIG Service Co to Pavonia Life Insurance Company of Michigan. The contributed units were treated as a contribution to capital.

36. Since GBIG Service Co became a wholly-owned subsidiary of Pavonia, it is therefore subject to direct oversight by the Michigan Department of Insurance and Financial Services as the domiciliary regulator.

37. Pavonia was placed into Rehabilitation under the direction of a Receiver on July 9, 2019. As such, the Michigan Receiver also has oversight responsibilities for Pavonia and GBIG Service Co. Presumably such oversight responsibilities include the fees charged by GBIG Service Co to Pavonia and the NC Insurance Affiliates.

38. In addition, the Stock Purchase Agreement that is the subject of the Plan includes the purchase of both Pavonia and GBIG Service Co.

**General Insurance Expenses and Investment Expenses Incurred by Pavonia**

39. It is my understanding that Pavonia has been in runoff since 2012. It has been my experience that life insurers in runoff typically reach a point whereby general insurance expenses and investment expenses are stable or decreasing annually excluding any extraordinary event.

40. It has also been my experience that general insurance and investment expenses are impacted by fluctuations in premiums and material changes in the amount and composition of invested assets.

41. As stated previously herein, I was asked to review the fees charged by GBIG Service Co. In connection with my review, selected information regarding the financial results and disclosures from certain regulatory filings by Pavonia was reviewed and is included in the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix D – Pavonia Life Insurance Company Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

42. Based on the afore-described financial data and disclosures, I have performed certain analysis of the general insurance expenses reported by Pavonia for certain periods when it was owned by Enstar as compared to 2018 and 2019 after the acquisition by GBIG Holdings. That analysis is described in the sections below.

**Services Provided to Pavonia by Enstar**

43. Prior to its acquisition by Southland National Holdings Inc ("SNH;" now GBIG Holdings) on December 29, 2017, Pavonia was owned by Enstar. As disclosed in Pavonia's December 31, 2016 annual statement Note 10[3] –

> In 2016, the Company [Pavonia] utilizes the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The agreement provides that Enstar (US) Inc. will either provide the services or arrange for the provision of services for

[3] Appendix A contains the annual and/or quarterly statement Note 10 for Pavonia, Southland, Bankers, and CBLIC.

all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement in 2016 was $9,993,577.

> During 2015, the Company utilized the services of Enstar Life (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The amount incurred under this agreement was $8,734,825.

And in 2017,

> In 2017, the Company [Pavonia] utilized the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement in effect prior to the sale on December 29, 2017. The agreement provided that Enstar (US) Inc. would either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement was $6,023,116 and $9,993,577 in 2017 and 2016, respectively.

44. As discussed more fully below, Enstar was not providing all the management and back office services necessary to conduct the day-to-day operations of Pavonia.

**Services Provided to Pavonia by GBIG Service Co**

45. After the acquisition of Pavonia by SNH (now GBIG Holdings) as described previously herein, the management services previously provided by Enstar were subsequently provided by GBIG Service Co.

46. According to disclosures in the 2018 annual statement for Pavonia:

> In 2018, the Company [Pavonia] utilized the services of GBIG to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The

> management fee incurred under this agreement was $13,969,682 and $0 in 2018 and 2017, respectively.

And disclosures in the September 30, 2019 quarterly statement for Pavonia:

> The Company [Pavonia] utilizes the services of GBIG, LLC to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was $17,124,345 and $13,969,682 at September 30, 2019 and December 31, 2018, respectively.

And,

> The Company has no employees. The Company is managed by employees of GBIG.

47. Based on the above disclosures, after its acquisition by SNH, Pavonia had no employees and GBIG Service Co provided all necessary services.[4]

**Review of Pavonia Financial Metrics**

48. It is my understanding that Pavonia had certain back office assistance during the 2015 to 2017 time period that approximated $3.94 million per year of direct costs. These direct costs coupled with the allocation of management service fees from Enstar comprised the total amount of general insurance expenses of Pavonia.

49. Based on the afore-described Pavonia disclosures, the amount paid to GBIG Service Co as compared to the amounts paid to Enstar for the same, or substantially the same services (excluding the afore-described back office services), increased as follows:

- Increase in management service expenses from calendar year 2017 to 2018 of $4.7 million (see paragraph 57).

[4] Based on certain disclosures in the 2017 annual statement, prior to its acquisition by GBIG Holdings it had certain direct employees.

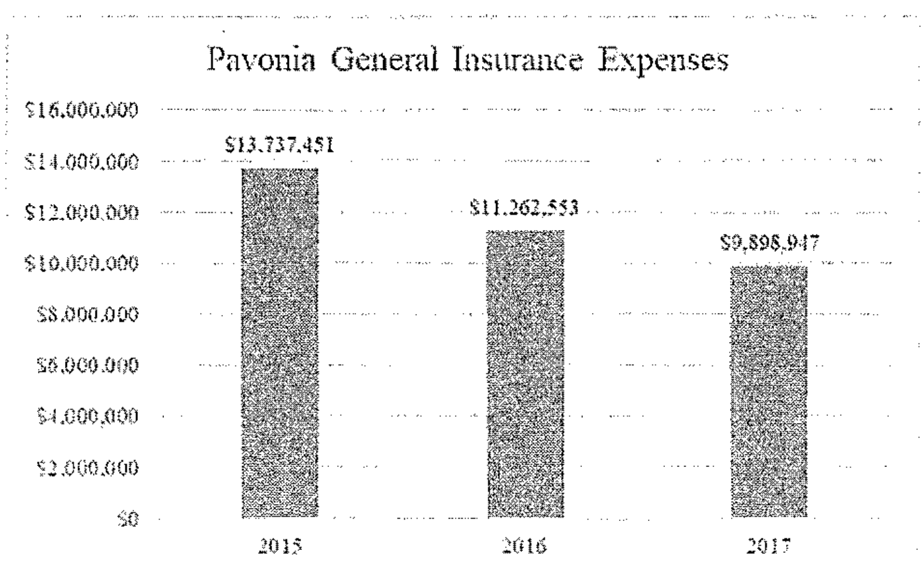
- Increase in management service expenses from calendar years 2017 to the nine months ended a September 30, 2019 of $8.7 million.

50. These material increases in the affiliated expenses for a company in runoff are counter intuitive.

51. I have reviewed the Pavonia 2018 annual statement and the March 31, 2019, June 30, 2019, and September 30, 2019 quarterly statements, and based on my review and analysis I have been unable to identify any significant changes in the operations or assets of Pavonia that would support such a material increase in affiliated management fees.

52. Such a material increase in affiliated management fees raises significant concerns as regards whether such fees are fair and reasonable as required by the Michigan Holdings Company statutes and SSAP No. 25.

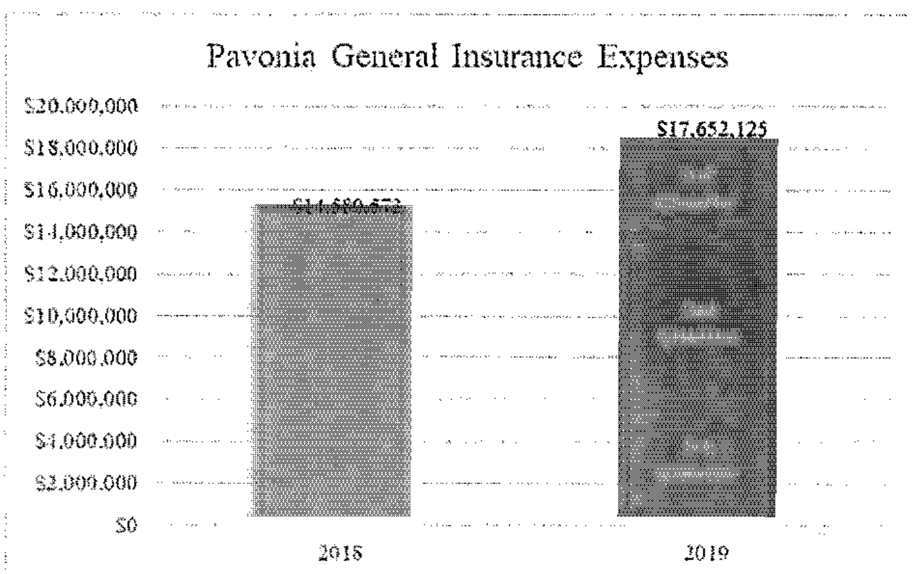
53. Based on the information in the Pavonia 2015 to 2017 annual statements, the total general insurance expenses (excluding investment expenses) in Exhibit 2 were as follows:



54. There was no material change in invested assets or admitted assets during the 2015 to 2017 time period. In addition, premiums have decreased each year as expected from a company in runoff.

55. Based on my experience with insurers in runoff, the decline in general insurance expenses during the 2015 to 2017 time period is consistent with the decline in premiums and the overall stability in the composition and amount of invested assets, total assets, reserves, and all other liabilities. Furthermore, the expenses charged by Enstar decreased significantly in 2017 with such decrease resulting in the majority of the overall decrease in general insurance expenses in that year.

56. Based on the information in the Pavonia 2018 annual statements and the 2019 quarterly statement, the total general Insurance expenses (excluding investment expenses) in Exhibit 2 were as follows:




57. There was no material change in invested assets or admitted assets during the 2018 or 2019 time period. In addition, premiums continued to decrease in 2018 and 2019,

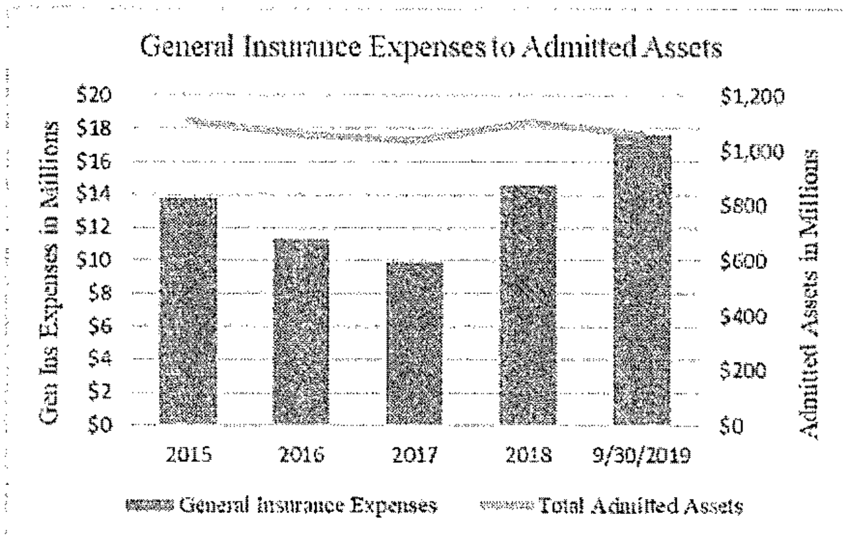
albeit at a slower rate. The continued decrease in premiums is consistent with a company in runoff.

58. After the sale of Pavonia by Enstar, GBIG Service Co began performing the services previously performed by Enstar. In addition, it is my understanding that GBIG Service Co continued to utilize the Pavonia existing back office assistance but incorporated such assistance and the related costs into their services and charges.

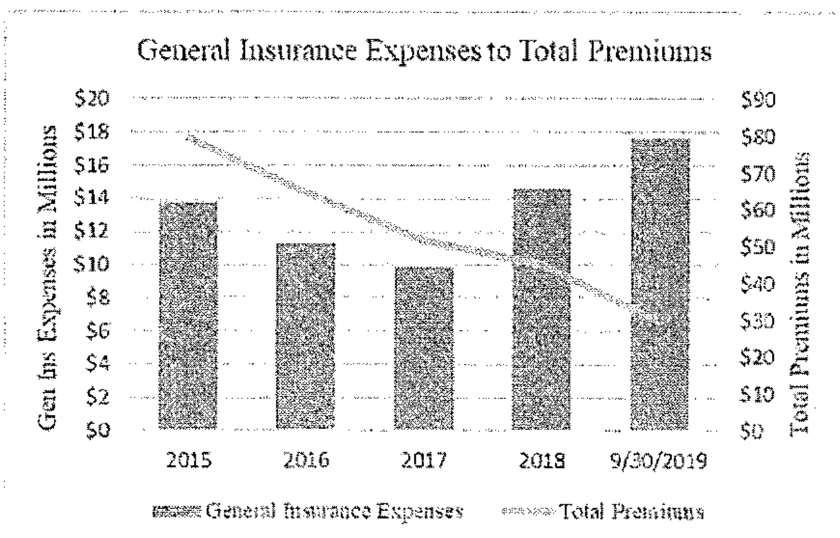
59. Assuming that the back office costs were unchanged from the $3.9 million in 2017 to 2018, then the comparable GBIG Service Co charges for 2018 were $10.7 million (total general insurance expenses of $14.6 million less the $3.9 million of back office costs) as compared to the Enstar charges for 2017 of $6.0 million, an increase of $4.7 million.

60. The 2018 GBIG Service Co charges compared to the 2017 Enstar charges as described above resulted in the following:

- The service charges to Pavonia by GBIG Service Co in 2018 were $4.7 million higher than the amounts charged by Enstar in 2017.
- The 2018 increase of $4.7 million represents an increase in affiliated management fees of 78% over the 2017 fees charged by Enstar.
- As evidenced in the following chart, general insurance expenses have increased significantly since Pavonia was acquired by GBIG Holdings at the end of 2017 while admitted assets have remained relatively consistent.




- As described in the following chart, during this same time period, total premiums have continued to decline. My expectations would be that general insurance expenses would trend lower with the declining premiums similar to the amounts experienced by Pavonia from 2015-2017 under the management and oversight of Enstar.




61. Through September 30, 2019, the GBIG Service Co charges to Pavonia have continued to increase general insurance expenses to nearly 2.5 times the 2017 amounts.

Again, assuming no change in the back-office costs from 2017, the GBIG Service Co charges would be approximately $14.7 million through only nine months of 2019 as compared to such charges for the full year of 2017 of $6.0 million when Pavonia was owned by Enstar.

62. Through September 30, 2019, just 21 months under the oversight and operational control of the GBIG Management Team, the affiliated management fees, excluding the back office expenses that had previously been paid directly by Pavonia, charged by GBIG Service Co aggregated $25.4 million compared to the estimate of $10.5 million of such affiliated charges by Enstar based on their last year of ownership ($6 million in 2017 projected over 21 months).

63. The $14.9 million increase is staggering and is inconsistent with the stability of the key financial metrics that might otherwise explain such an increase in general insurance expenses.

64. Included herein in Appendix I is the calculation of the GBIG Service Co affiliated fees excluding the back-office costs.

65. Based on the 2019 Pavonia quarterly statements, I have prepared the table below to determine the GBIG Service Co charges by quarter.

| | Three months ended 3/31/19 | Three months ended 6/30/19 | Three months ended 9/30/19 | Nine months ended 9/30/19 |
|---|---|---|---|---|
| Total General Insurance expenses incurred | $ 5,158,504 | $ 8,069,001 | $ 4,424,620 | $17,652,125 |
| Estimated back office expenses (held constant to 2017; see Appendix I) | 968,958 | 968,958 | 968,958 | 2,906,873 |
| Estimated Management Agreement expenses | $ 4,189,546 | $ 7,100,043 | $ 3,455,662 | $14,745,252 |

66. The $14.7 million insurance expense for just nine months represents an increase of $4 million (38%) over the estimated full year 2018 GBIG Service Co affiliated management fees of $10.7 million. Assuming that the GBIG Service Co fees for Q4 2019 will be the same as those charged in Q3 2019, the full year 2019 GBIG Service Co management fees, excluding the back office costs, are projected to increase by more than 70% over 2018 and will have increased over 200% from the 2017 Enstar fees. The calculations supporting the afore-described amounts are as follows:

| | Nine months ended 9/30/19 | Estimated three months ended 12/31/19 | Estimated twelve months ended 12/31/19 |
|---|---|---|---|
| Total General Insurance expenses incurred | $17,652,125 | $ 4,424,620 | $ 22,076,745 |
| Estimated back office expenses (held constant to 2017; see Appendix I) | 2,906,873 | 968,958 | 3,875,831 |
| Estimated Management Agreement expenses | $14,745,252 | $ 3,455,662 | $ 18,200,914 |

| | Estimated twelve months ended 12/31/19 | Twelve months ended 12/31/2018 | Twelve months ended 12/31/2017 |
|---|---|---|---|
| Management Agreement expenses (from schedule above) | $ 18,200,914 | $10,704,742 | $ 6,023,116 |
| Comparison to 2019 | | $ 7,496,172 | $12,177,798 |
| Percentage increase | | 70% | 202% |

67. Assuming Q4 2019 GBIG Service Co fees of $3.4 million, the excess GBIG Service Co fees charged to Pavonia in 2018 and 2019 over the estimated management service fees that would have been charged by Enstar during these years ($6 million from 2017 times 2 years) will exceed $16.9 million.

68. There was no apparent change in the operations of Pavonia which would explain the material increases in the affiliated management fees charged by GBIG Service Co as compared to those charged by Enstar. Pavonia remains in runoff with no material changes in premiums or assets.

69. Pavonia surplus has been negatively impacted from the excess GBIG Service Co management fees which has also negatively impacted the Pavonia policyholders.

70. The capital and surplus of Pavonia as of December 31, 2017 was $66.6 million and the $16.9 million of excess management fees represents 25% of Pavonia's capital and surplus. In other words, but for the excess fees charged by GBIG Service Co the capital and surplus of Pavonia would be $16.9 million higher.

71. It is logical to assume that but for such excess GBIG Service Co affiliated management fee, the purchase price for Pavonia would be greater than the current proposed purchase price. In addition, the overall security of the policyholders of Pavonia would be much stronger with $16.9 million of increased capital and surplus.

**GBIG Service Co Management Fee Charged in Q2 2019**

72. It has been my experience that insurance holding companies on the brink of receivership, such as GBIG Holdings, attempt to accumulate resources in non-insurers in advance of forthcoming regulatory actions.

73. In the second quarter of 2019, excluding estimated back office costs, the GBIG Service Co management fees were a staggering $7.1 million, which is $1.1 million greater than the full year 2017 fees charged by Enstar.

74. The four North Carolina affiliated insurers that were serviced by GBIG Service Co were all placed into rehabilitation on June 27, 2019, the same quarter in which GBIG Service Co charged Pavonia $7.1 million for management fees. Pavonia was placed into rehabilitation on July 9, 2019.

75. I have considered the possibility that the increase in the GBIG Service Co fees in Q2 2019 were the result of the proposed sale of Pavonia. I reviewed the Pavonia Q2 2019 statement including the Notes to Financial Statements. Based on my review, there were no disclosures explaining the increase in the GBIG Service Co affiliated management fees or the general insurance expenses.

76. GBIG Holdings is selling Pavonia and will receive the proceeds from the sale. In my experience, the holding company that is selling the insurance subsidiary is responsible for the transaction costs. In simple terms, the transaction costs follow the transaction proceeds. Furthermore, if GBIG Holdings does not have the liquidity to fund such transaction costs and desires to fund the transaction costs with Pavonia resources, then they could enter into a transparent transaction with Pavonia, including, but not limited to, requesting an advance, a note, or a dividend or distribution.

77. If Pavonia is paying such transaction costs through the GBIG Service Co affiliated management fee, then its surplus is being diminished and GBIG Holdings will realize increased net sale proceeds than if it paid such expenses directly. Therefore,

GBIG Holdings would benefit, which in turn would benefit the insolvent NC Insurers but not Pavonia or its policyholders.

**Summary Conclusion**

78. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Pavonia. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly statements that do not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

**Review of Affiliated Management Fees by Receivers**

79. I have provided forensic accounting services to Receivers in several states as regards analysis of affiliated management fees. In addition, I have provided testimony as regards whether such affiliated management fees were fair and reasonable.

80. My analysis and testimony have been relied upon to assert fraudulent transfer claims by Receivers against such affiliated management companies.

**Fraudulent Transfers**

81. Counsel has informed me that both Michigan and North Carolina have statutes that permit a receiver to avoid certain payments as follows:

MCL Sec. 500.8126-

Every transfer made or suffered and every obligation incurred by an insurer within 1 year prior to the filing of a successful petition for rehabilitation or liquidation under this chapter is fraudulent as to then existing and future creditors, if made or incurred without fair consideration or with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under this chapter, which is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee, for a present fair equivalent value, and except that a purchaser, lienor, or obligee, who in good faith has given a consideration less than fair equivalent value for the transfer, lien, or obligation may retain the property, lien, or obligation as security for repayment.

And,

58-30-140. Fraudulent transfers prior to petition-

(a) Every transfer made or suffered and every obligation incurred by an insurer within one year prior to the filing of a successful petition for rehabilitation or liquidation under this Article is fraudulent as to then existing and future creditors if made or incurred without fair consideration or if made or incurred with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under this Article, that is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee, for a present fair equivalent value; and except that any purchaser, lienor, or obligee, who in good faith has given a consideration less than fair for such transfer, lien, or obligation, may retain the property, lien, or obligation as security for repayment.

82. It has been my experience that receivers of insurers in rehabilitation routinely investigate transactions amongst affiliates to determine the propriety of such transactions, given that such transactions are subject to abuse.

83. I have assisted receivers on numerous occasions throughout the last twenty-seven years to identify, document, and recover payments made by insurers under management agreements where it was determined that such payments were not fair and reasonable.

84. The Michigan Receiver has not filed any reports that are available on the website. Therefore, I am uncertain what investigation, if any, has been performed as regards these material affiliate transactions. However, based on communications from Mr. James Long dated December 5, 2019, it does not appear that the Michigan Receiver has made any determinations as regards the GBIG Service Co agreements.

85. On November 20, 2019, the North Carolina Receiver filed reports on the NC Insurance Affiliates that are in rehabilitation. I have reviewed those reports filed by the North Carolina Receiver for CBLIC, Southland, and Bankers which contained, among other things, a statement regarding material contracts as follows:

> Expense Reductions
>
> The Rehabilitator is evaluating the Company's contracts to identify those that are essential for ongoing operations. As part of this effort, the Rehabilitator is also attempting to negotiate more favorable terms of essential contracts.

86. Based on the disclosures in the CBLIC, Southland, and Bankers annual statement, the contract with GBIG Service Co is a material contract, if not the most material contract.

87. I have been informed by Counsel that the Michigan Receiver has communicated with the North Carolina Receiver and determined ".... that the language you cited [the Expense Reductions] ... has nothing to do with Service Co contracts." While I accept this statement as accurate, it would be unusual for a receiver to ignore such material affiliated

agreements. Therefore, it's more logical to assume that such an analysis will be conducted at a future time.

**Affiliated Management Fees Charged to Pavonia by GBIG Service Co**

88. The afore-described analysis of the fees charged to Pavonia by GBIG Service Co, from its acquisition through present, raises substantial doubt as to whether such fees are fair and reasonable as required by the Michigan Holding Company statutes, SSAP No. 25 and Appendix A-440.

89. Furthermore, as described in SSAP No. 25, if a determination is made that such fees were not fair and reasonable, then those excess amounts could be recharacterized as a dividend or reversed entirely.

90. In this instance, given that GBIG Service Co is a wholly-owned subsidiary of Pavonia, the Michigan Receiver would be responsible to undertake the analysis to make such a determination. Through the date of this December Affidavit, the Michigan Receiver has not published any information on its website or made any reports to the Court as regards the status of Pavonia. The Michigan Receiver did file a Q3 2019 statement for Pavonia which was used in the preparation of this December Affidavit.

91. Pavonia and the NC Insurance Affiliates have been in rehabilitation approximately six months. Analysis of fraudulent transfers resulting from fees paid to affiliates are typically not performed in the first few months of an insurer, or group of insurers, being placed into rehabilitation/receivership. Therefore, it is not unusual that neither the Michigan or North Carolina Receivers have completed an analysis of such fees at this time.

92. As regards Pavonia and GBIG Service Co, the Michigan Receiver is in the untenable position of investigating and determining whether the fees charged by GBIG Service Co that were materially in excess of the fees charged by Enstar were excessive and evaluating the impact of such a determination on the sale of Pavonia and GBIG Service Co that is the subject of the Plan.

**Affiliated Management Fees Charged to Southland and Bankers by GBIG Service Co**

93. As described more fully below, I have prepared certain analysis based on my review of annual statements prepared and filed by the GBIG Management Team during the 2014 to 2018 time period for CBLIC, Southland, and Bankers.

94. Based on my review and analysis, I have identified material increases in the GBIG Service Co affiliated management fees charged to Southland and Bankers that I have been unable to identify any significant changes in the operations or assets that would support such material increase in affiliated management fees.

95. Pavonia is the parent and owner of GBIG Service Co, as such the Michigan Receiver may also be required to address any concerns raised by the North Carolina Receiver as regards whether and to what extent the fees charged by GBIG Service Co to CBLIC, Southland, and Bankers were fair and reasonable.

**Services Provided to CBLIC, Bankers, and Southland by GBIG Service Co**

96. As regards CBLIC, Southland, and Bankers, I have prepared certain analysis using historical data from the annual statement schedules and exhibits. The results of the analysis are described in the sections below.

**Services Provided to Bankers**

97. Information regarding the financial results and filings by Bankers is included in the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix B – Bankers Life Insurance Company Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

98. Based upon my review and analysis of the information contained and/or summarized in the above, I have made the following observations regarding Bankers.

- In 2017, the first full year after acquisition in 2016, the following significant events occurred related to Bankers:
  - Bankers entered into a reinsurance agreement with CBLIC whereby CBLIC assumed all annuity contracts other than those in the state of Florida.
  - Bankers entered into a cost sharing agreement with GBIG Service Co, replacing a cost sharing agreement with Bankers previous parent company.
- The 2017 decrease in assets appears to correspond to the CBLIC reinsurance agreement that transferred certain reserves and assets from Bankers to CBLIC.

- Bankers' 2017 insurance expenses increased by 122% over 2016. Those expenses increased again in 2018 by 44% over 2017, a cumulative increase of 220% over 2016 levels. The increase in the affiliated management fees charged to Bankers by GBIG Service Co from its acquisition through 2018 raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- Included in Bankers' increased general expenses were Bankers' investment expenses, which increased 71% in 2017 over 2016 and 82% in 2018 over 2017. The invested assets and total assets of Bankers have decreased during the period since its acquisition by GBIG. Therefore, the increase in investment expenses raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.
- In the years subsequent to acquisition by GBIG Holdings, Banker's net income decreased year over year.[5]

99. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Bankers. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly

[5] Bankers was initially acquired by BLI Holdings, Inc.

statement that did not properly and accurately characterize and/or properly disclose such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

**Services Provided to Southland**

100. Information regarding the financial results and filings by Southland is included the following appendices:

- Appendix A – Annual Statement Footnote. 10: Information Concerning Parent, Subsidiaries and Affiliates
- Appendix E – Southland National Insurance Corporation Annual Statement Information
- Appendix F – Analysis of Direct and Ceded Premiums from Annual Statement Data
- Appendix G – Analysis of General Insurance Expenses from Annual Statement Data
- Appendix H – Analysis of Investment Expenses from Annual Statement Data

101. Based upon my review and analysis of the information contained and/or summarized in the above, I have made the following observations regarding Southland.

- Southland was acquired by GBIG effective August 31, 2014.
- Between 2014 and 2018, Southland's cash and invested assets ranged from a low of $296 million in 2015 to a high of $354 million in 2017.
- The decrease in assets in 2016 appears to correspond to the 2016 affiliated reinsurance agreement that transferred certain reserves and assets from Southland.

- In 2015, Southland's general investment expenses increased 81% over 2014 and 90% over its 2013 levels. By 2018, its investment expenses had increased by $1.6 million over its 2013 levels or 421%.
- Southland disclosed in 2018 that it no longer had employees and that it was being managed by employees of GBIG Service Co.

102. The afore-described analysis of the fees charged to Southland by GBIG Service Co from its acquisition through present raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

103. The invested assets and total assets of Southland have remained relatively comparable since its acquisition by GBIG. Therefore, the increase in investment expenses raises substantial doubt as to whether such fees are fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

104. The GBIG Management Team is responsible for performing and/or overseeing the accounting and financial reporting functions for Southland. As such, that GBIG Management Team should have been aware of the requirements of SSAP No. 25 and Appendix A-440. To the extent that such GBIG Service Co management fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Furthermore, any annual and/or quarterly statement that did not properly and accurately characterize and/or properly disclose such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

### Services Provided to CBLIC

105. Based on my review of the financial information for the NC Insurance Affiliates and Pavonia, CBLIC was the primary operating insurance company of all the affiliated insurers. As such, the premium, invested assets, admitted assets, liabilities, and other key financial balances and metrics were not consistent from year to year. Therefore, I did not prepare any analysis as regards the affiliated management fees charged by GBIG Service Co to CBLIC.

### Books and Records Must Clearly and Accurately Disclose the Transaction

106. As regards the requirement to maintain accurate books and records, SSAP No. 25 and the Michigan and North Carolina Holding Company statutes state:

> SSAP No. 25-
>
> Transactions involving services provided between related parties shall be recorded at the amount charged. Regulatory scrutiny of related party transactions where amounts charged for services do not meet the fair and reasonable standard established by Appendix A-440, may result in (a) amounts charged being recharacterized as dividends or capital contributions, (b) transactions being reversed, (c) receivable balances being nonadmitted, or (d) other regulatory action. Expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction. See SSAP No. 70 – *Allocation of Expenses* for additional discussion regarding the allocation of expenses.
>
> Michigan-
>
> The books, accounts, and records of each party must be maintained to clearly and accurately disclose the precise nature and details of the transactions including necessary accounting information to support the reasonableness of the charges or fees to the respective parties.
>
> North Carolina-

> The books, accounts, and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.

107. SSAP No. 25 addresses the need for enhanced regulatory scrutiny as regards affiliated transactions in general, and specifically regarding compliance with the requirement that such transactions must be under terms that are fair and reasonable.

**Bankers Statutory Examination**

108. The October Affidavit addressed the reclassification by the North Carolina Receiver of certain investments that were improperly accounted for and reported by the GBIG Management Team as filed in the NC Affiliate Insurers 2018 annual statements. Those 2018 annual statements were subsequently amended by the North Carolina Receiver to correct the improper accounting and reporting of the affiliated investments.

109. Subsequent to the preparation of the October Affidavit, I became aware of a Statutory Financial Examination conducted by the NCDOI as regards Bankers' December 31, 2017 statutory basis financial statements. The Report of Examination dated May 20, 2019 found, among other things, that:

> The Company did not properly classify certain bonds as affiliated on its 2017 Annual Statement Schedule D Part 1 although each of the bonds meet the definition of affiliated as defined by the Statements of Statutory Accounting Principles ("SSAP"). SSAP No. 25 states that, "an affiliate" is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the reporting entity." The Company only reported a $5 million bond as affiliated although approximately $48.7 million in bonds reported at December 31, 2017 were affiliated. The Company is directed to comply with SSAP No. 25 in all future filings with the Department. (Refer to the Affiliated Investments in the Comments on Financial Statements).

110. The GBIG Management Team that improperly accounted for and improperly reported the affiliated investments as of December 31, 2018 also improperly accounted for and improperly reported the affiliated investments as of December 31, 2017 for Bankers.

111. The pattern of conduct by the GBIG Management Team as regards the improper accounting and reporting of the affiliated investments in both 2017 and 2018 raises concerns as to competency and/or integrity of those charged with the day to day accounting and financial reporting as well as concerns as to the competency and/or integrity of those charged with oversight and governance of those NC Affiliate Insurers.

**Conclusion**

112. Based on the afore-described analysis, there is substantial doubt as to whether affiliated management and investment fees charged to Pavonia, Southland, and Bankers by GBIG Service Co were fair and reasonable as required by the Michigan and North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

113. To the extent that such GBIG Service Co management and investment fees were not fair and reasonable, then the underlying recording of such amounts in the books and records is a violation of SSAP No. 25. Any annual and/or quarterly statement that did not properly and accurately characterize such excess affiliated expenses in accordance with SSAP No. 25 would be false and misleading.

114. If the Michigan and/or North Carolina Receiver undertakes the required detailed analysis and determines that such affiliated management and investment fees charged by GBIG Service Co were excessive, then such excess amounts could be determined to be

fraudulent transfers subject to recovery from GBIG Service Co and potentially other entities within the Greg Lindberg holding company systems.

115. A determination by the Michigan Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that such Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between Pavonia, GBIG Service Co, and the proposed acquirer of those entities.

116. As I have demonstrated herein, there is substantial doubt as to whether such affiliated management fees charged by GBIG Service Co to Pavonia were fair and reasonable as required by the Michigan Holding Company statutes, SSAP No. 25 and Appendix A-440. Based upon my analysis, such excess affiliated management fees could exceed $15 million.

117. As I have demonstrated herein, there is substantial doubt as to whether such affiliated management and investment fees charged by GBIG Service Co to Southland, and Bankers were fair and reasonable as required by the North Carolina Holding Company statutes, SSAP No. 25 and Appendix A-440.

118. A determination by the North Carolina Receiver that such management and/or investment fees were excessive would likely have a negative impact on the Plan that the Michigan Receiver has approved and submitted to the Court, thereby creating a potential conflict of interest between the Michigan Receiver and the North Carolina Receiver as regards the Plan.

119. If either the Michigan or North Carolina Receivers were to determine that such affiliated management and investment fees paid by the insurers throughout the relevant time periods were not fair and reasonable, such a determination would also cast

substantial doubt on the integrity and/or competency of the GBIG Management Team that was responsible for determining, recording, and reporting such amounts.

120. The October Affidavit focused primarily on the accounting and reporting of certain affiliated investments in the originally prepared and filed 2018 annual statements prepared by the GBIG Management Team, and those same annual statements as amended and refiled by the North Catalina Receiver. The accounting and reporting for such material affiliated investments were also performed under the oversight and day to day operational control of the same GBIG Management Team.

FURTHER AFFIANT SAYETH NOT.

Edward W. Buttner, IV

STATE OF Florida )
) SS:
COUNTY OF Duval )

SUBSCRIBED AND SWORN TO before me this 30 day of December, 2019.

Wanda S. Ruark
Notary Public

My Commission Expires:

Nov. 17, 2023
(S E A L)

WANDA S RUARK
Notary Public - State of Florida
Commission # GG 932481
My Comm. Expires Nov 17, 2023
Bonded through National Notary Assn.

# APPENDIX A

## Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates

- Southland National Insurance Corporation (2013-2015)
- Colorado Bankers Life Insurance Company (2014-2016)
- Bankers Life Insurance Company (2015-2017)
- Pavonia Life Insurance Company of Michigan (2015-2018)

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates

## SOUTHLAND NATIONAL INSURANCE CORPORATION

### *2013 (Year end prior to acquisition)*

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C. On September 24, 2013, the Company received approval from the Commissioner of the Alabama Department of Insurance ("Commissioner") to continue the payment of interest on the Surplus Note issued to its parent, CHL. The Company will pay $15,430 per month beginning November 15, 2013 and ending October 15, 2014. The Company must apply for approval to continue payments after October 15, 2014. On June 21, 2013, the Company received approval from the Commissioner to make a lump sum interest payment on the Surplus Note in the form of invested assets valued at $666,525. The asset transfers were completed in July 2013. On October 22, 2012, the Company received approval from the Commissioner of the Alabama Department of Insurance to begin the payment of interest on the Surplus Note issued to its parent, CHL. The Company paid $18,670 per month beginning November 15, 2012 and ending October 15, 2013. The Company paid a total of $884,085 in interest during 2013 and $37,340 in interest during 2012.

During the 4th quarter of 2013, the Company contributed capital in the amount of $500,000 to its wholly owned subsidiary, Southland Benefit Solutions, LLC ("SBS").

On December 31, 2012, the Company received a $150,000 dividend from SBS.

D. At December 31, 2013, the Company reported $5,236 as due from its subsidiary SBS and accrued $57,492 as an amount due to SBS.

At December 31, 2012, the Company reported $174 from as due from its subsidiary Life Connections, LLC and $2,779 from its subsidiary Southland Benefit Solutions, LLC. The Company accrued $1,530 as an amount due to its subsidiary, Life Connections, LLC and $48,683 due to its subsidiary Southland Benefit Solutions, LLC. All amounts will be settled within 90 days.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

F. The Company maintains management services agreements with Collat, Inc., and CHL. The Company maintains administrative services and sublease agreements with its subsidiary, Southland Benefit Solutions, LLC. These agreements have been filed with and approved by the Alabama Department of Insurance. All other cost allocation transactions involving one-half of one percent or more of the Company's admitted assets and other required transactions between parents, subsidiaries, and affiliates have been disclosed in Schedule Y, Part 2.

G. All outstanding shares of the Company are currently owned by CHL. Refer to Schedule Y for a complete organizational structure.

H. The Company does not own shares of its ultimate parent.

I. The Company does not have any investments in an SCA entity that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write-down for its investments in wholly owned subsidiaries during this statement period.

K. The Company does not have any investment in a foreign insurance subsidiary.

L. The Company does not utilize the look-through approach for the valuation of its downstream non-insurance holding company.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2014 (Year of acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C. Collateral Holdings, Ltd. ("CHL"), former parent of Southland National Insurance Corporation ("Southland" or "the Company"), entered into a Stock Purchase Agreement (the Agreement) on May 1, 2014 for the sale of the common stock of Southland ("the sale"), including its insurance related subsidiaries, to Southland National Holdings, LLC ("SNH"), a North Carolina limited liability company, for an agreed upon price, plus or minus any post-closing adjustments that impact surplus and subject to the terms and conditions of the Agreement. After receiving regulatory approval through a Form-A hearing held on August 20, 2014 from the Alabama Department of Insurance, the sale closed effective 08/31/2014. The financial impact of the sale on the Southland financials include the payment of deferred compensation to the previous President of Southland National Insurance Corporation , the re-class to paid in surplus of a $3,000,000 surplus note issued to the previous parent, CHL, the forgiveness of approximately $83,000 of off-balance sheet interest accrued but not approved for payment on the surplus note and the dividend of the 08/31/2014 GAAP equity of Southland Benefit Solutions, LLC (SBS), a non-insurance subsidiary of Southland, to CHL of $727,180 and the recognition of an approximately $783,000 realized loss on the disposal by dividend of SBS to CHL. On December 31, 2014, Southland National Holdings made a capital contribution of $20,400,000 to the Company.

Prior to the sale, during the second quarter of 2014, the Company contributed capital in the amount of $500,000 and assets valued at $61,865 to its then wholly owned subsidiary, SBS.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

On September 24, 2013, the Company received approval from the Commissioner of the Alabama Department of Insurance ("Commissioner") to continue the payment of interest on the Surplus Note issued to its then parent, CHL. The Company paid $15,430 per month beginning November 15, 2013 and ended August 15, 2014. On June 21, 2013, the Company received approval from the Commissioner to make a lump sum interest payment on the Surplus Note in the form of invested assets valued at $666,525. The asset transfers were completed in July 2013. On October 22, 2012, the Company received approval from the Commissioner of the Alabama Department of Insurance to begin the payment of interest on the Surplus Note issued to its parent, CHL. The Company paid $18,670 per month beginning November 15, 2012 and ending October 15, 2013. The Company paid a total of $123,440 in interest during 2014 and $884,085 in interest during 2013.

During the 4th quarter of 2013, the Company contributed capital in the amount of $500,000 to its then wholly owned subsidiary, SBS.

D. At December 31, 2014, the Company reported $32,400 as due to an affiliated company, Eli Research and $52,319 to an affiliated company, Academy Association, Inc. These companies are not under a common holding company, but do have a common ultimate owner.

   At December 31, 2013, the Company reported $5,236 as due from its subsidiary SBS and accrued $57,492 as an amount due to SBS.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

F. The Company is in the process of obtaining new management services agreements with its parent and affiliated companies. The Company will not pay any management fees until such time as these agreements are approved by the North Carolina Department of Insurance.

   Prior to the sale, the Company maintained management services agreements with Collat, Inc., and CHL. The Company maintained administrative services and sublease agreements with its subsidiary, Southland Benefit Solutions, LLC. These agreements were filed with and approved by the Alabama Department of Insurance.

G. All outstanding shares of the Company are currently owned by SNH. Refer to Schedule Y for a complete organizational structure.

H. The Company does not own shares of its ultimate parent.

I. The Company does not have any investments in an SCA entity that exceed 10% of its admitted assets.

J. The Company did not recognize any impairment write-down for its investments in wholly owned subsidiaries during this statement period.

K. The Company does not have any investment in a foreign insurance subsidiary.

L. The Company does not utilize the look-through approach for the valuation of its downstream non-insurance holding company.

# Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2015 (Year after acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates:**

A., B., & C.

2015 - During the year 2015, Southland National Insurance Corporation (the Company) was involved, along with its parent, Southland National Holdings, Inc, (SNH) in the acquisition and disposition of certain assets as outlined below:

On November 30, 2015, SNH contributed CBX, LLC and its subsidiary Colorado Benefits Administrators (CBA) to the Company with a value of $100,000.

On November 30, 2015, CBA purchased certain assets from Colorado Bankers Life Insurance Company (CBL) for $10,000,000.

On December 1, 2015, the Company purchased Preferred Financial Corporation (PFC) and its subsidiary CBL from Dearborn National Life Insurance Company for $60,000,000.

On December 31, 2015, PFC contributed additional capital to CBL of $2,000,000.

On December 31, 2015, the Company sold CBX, LLC and its subsidiary CBA to Greg E. Lindberg for $10,000,000.

On December 31, 2015, PFC sold CBL to SNH for $60,000,000. PFC paid a dividend of $24 million to the Company.

On December 31, 2015, the Company transferred PFC to SNH for $1.

On December 31, 2015, the Company funded a Surplus Note issued by CBL in the amount of $9,000,000.

On December 31, 2015, the Company purchased $24,000,000 of preferred stock of CBL from SNH.

On December 31, 2015, SNH contributed $36 million to the Company.

D. At December 31, 2015, the Company reported $518,779 as due to its parent SNH for Asset Management Fees. In addition, the Company reported $10,078 as due to an affiliated company, Eli Research and $18,853 to an affiliated company, Academy Association, Inc.

E. The Company has not issued any guarantees or undertakings for the benefit of an affiliate or related party that resulted in a material contingent exposure to any related party.

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F. The Company maintains an Asset Management Agreement with SNH and approved by the North Carolina Department of Insurance. The fees for this agreement are based on the value of the investment portfolio and are estimated monthly and trued-up in the following month. Amounts paid and accrued related to 2015 were $3,274,854.

G. All outstanding shares of the Company are currently owned by the parent company, Southland National Holdings Incorporated, an insurance holding company domiciled in the state of North Carolina.

H. The Company has no ownership in any upstream entities within its holding company structure.

I. Investment in SCA – None

J. Investment in impaired SCA – None

K. Investment in foreign insurance subsidiary – None

L. The Company does not have any investments in a downstream non-insurance holding company.

M. Non-Insurance SCA Investments - None

N. Insurance SCA Investments - None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

## COLORADO BANKERS LIFE INSURANCE COMPANY:

### *2014 (Year end prior to acquisition)*

**10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

A, B, C.

All outstanding common stock of the Company is owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company, Chicago, Illinois owns 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

The Company has a sales agreement with its parent company for the payment of commissions on the sale of insurance policies. The amount the Company paid to its parent company in sales commissions for 2014 was $20,889,362.

D. As of December 31, 2014, the Company had a receivable from Dearborn National Life Insurance Company, an affiliated company, related to reinsurance assumed by the Company of $139,487 included on line 16.3 of the asset page. As of January 1, 2015 this reinsurance was recaptured by Dearborn National Life Insurance Company. Payables to Preferred Financial Corporation and Dearborn National Life Insurance Company related to commissions and expenses in the amounts of $180,439 and $153,228 respectively are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company did not have any other management or service contracts other than cost allocation agreements with the Company and its parent or affiliates.

G. All outstanding common stock of the Company is owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company, Chicago, Illinois owns 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

All related transactions are designed to be arms length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2015 (Year of acquisition)***

**10. <u>Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties</u>**

A, B, C.

All outstanding common stock of the Company was owned by Preferred Financial Corporation, domiciled in the State of North Carolina through December 31, 2015. Dearborn National Life Insurance Company, Chicago, Illinois owned 100% of the outstanding common stock of Preferred Financial Corporation. Health Care Service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owns 100% of the outstanding common stock of Dearborn National Life Insurance Company.

On January 1, 2015 Dearborn National Life Insurance Company commuted the reinsurance ceded to the company. This treaty was effective January 1, 2010 through January 1, 2015. The Company paid Dearborn National Life Insurance Company $1,047,460 on January 23, 2015 consisting of reserves of $2,743,388 less net deferred premium of $1,428,502 less an unamortized ceding commission of $267,426.

Certain assets of the Company were sold to Colorado Benefits Administrators (CBA) on November 30, 2015 for $10 million. The Company recognized a gain on the sale of $10,110,160.

The Company paid a dividend of $10 million to its parent Preferred Financial Corporation on November 30, 2015.

The Company has a sales agreement with Preferred Financial Corporation its affiliate company for the payment of commissions on the sale of insurance policies. The amount the Company paid to its parent company in sales commissions for 2015 was $21,199,561.

On December 1, 2015 Preferred Financial Corporation was purchased from Dearborn National Life Insurance Company for $60 million by Southland National Insurance Company. The Company was included in this sale.

On December 30, 2015 Preferred Financial Corporation contributed additional capital to the Company of $2 million.

Preferred Financial Corporation sold the company for $60 million to Southland National Holding Corporation on December 31, 2015. Preferred Financial Corporation paid a dividend of $60 million to its new parent Southland National Holding Corporation.

On December 31, 2015 the Company acquired a $9 million surplus note from its affiliate Southland National Insurance Corporation.

One December 31, 2015 the Company entered into a funds withheld reinsurance agreement with Southland National Reinsurance Corporation, an affiliate. The Company ceded 100% of its annuity business with reserves totaling $161,914,132. Southland National Reinsurance Corporation is wholly owned by Southland National Holding Company.

Southland National Holdings is 100% owned by Greg Lindberg. Greg Lindberg has personally guaranteed the reinsurance contract between Colorado Bankers Life Insurance and Southland National Reinsurance Corporation, with a maximum loss amount of $30 million.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

On December 1, 2015 Preferred Financial Corporation contributed capital to the Company of $3.5 million dollars.

D. As of December 31, 2015, the Company had a payable Preferred Financial Corporation of $328,604 and Colorado Benefits Administrators of $912,820 both are affiliates, these items are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company did not have any other management or service contracts other than cost allocation agreements with the Company and its parent or affiliates. Colorado Bankers Life Insurance Company is currently utilizing assets owned by Colorado Benefits Administrators. All costs associated with the assets are currently being passed through directly to Colorado Bankers Life Insurance Company.

G. At December 31, 2015 all outstanding common stock of the Company is owned by Southland National Holding Corporation domiciled in the State of North Carolina. At December 31, 2015 all outstanding preferred stock of the Company is owned by Southland National Insurance Corporation domiciled in the State of North Carolina.

All related transactions are designed to be arms length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2016 (Year after acquisition)***

**10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

A, B, C.

Prior to December 1, 2015, all outstanding common stock of the Company was owned by Preferred Financial Corporation, domiciled in the State of Colorado. Dearborn National Life Insurance Company of Chicago, Illinois owned 100% of the outstanding common stock of Preferred Financial Corporation and Health Care service Corporation, a Mutual Legal Reserve Company of Chicago, Illinois owned 100% of the outstanding common stock of Dearborn National life Insurance Company.

On January 1, 2015 Dearborn National Life Insurance Company commuted reinsurance ceded to the Company. The commuted treaty had been effective from January 1, 2010 through January 1, 2015. In connection with the commutation, the Company paid Dearborn National Life Insurance Company \$1,047,460 on January 23, 2015 consisting of reserves of \$2,743,388 less net deferred premium of \$1,428,502 less an unamortized ceding commission of \$267,426.

Certain assets of the Company were sold to Colorado Benefits Administrators dba Global Bankers Insurance Group on November 30, 2015. The Company recognized a gain on the sale of \$10,110,160.

The Company paid a dividend of \$10 million to its parent Preferred Financial Corporation on November 30, 2015.

On December 1, 2015 Preferred Financial Corporation contributed additional capital to the Company of \$3.5 million, by covering the tax liability related to the gain on sale of assets on November 30, 2015.

On December 1, 2015 Preferred Financial Corporation was purchased from Dearborn National Life Insurance Company by Southland National Insurance Corporation. The Company was included in this sale and was immediately redomiciled to the State of North Carolina.

On December 30, 2015 Preferred Financial Corporation contributed additional capital to the Company of \$2 million.

Preferred Financial Corporation sold the Company for \$60 million to Southland National Holdings, Inc. on December 31, 2015. Preferred Financial Corporation paid a dividend of \$60 million to its new parent Southland National Insurance Corporation.

On December 31, 2015 the Company acquired a \$9 million surplus note from its affiliate Southland National Insurance Corporation.

On December 31, 2015 the Company entered into a funds withheld reinsurance agreement with Southland National Reinsurance Corporation, an affiliate. The Company ceded 100% of its annuity business with reserves totaling \$161,914,132. Southland National Reinsurance Corporation is wholly owned by Southland National Holdings, Inc. During the fourth quarter 2016, the Company recognized reserve corrections resulting in a prior period adjustment of \$805,462 to Funds Withheld on Reinsurance. As of December 31, 2016, the Company had a receivable of \$251,972 under the terms of this reinsurance agreement. This amount was included as part of the amounts recoverable from reinsurers.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

Southland National Holdings, Inc. is 100% owned by Greg Lindberg. Greg Lindberg has personally guaranteed the reinsurance contract between the Company and Southland National Reinsurance Corporation, with a maximum loss amount of $5.2 million, equal to the amount of surplus relief on transfer of IMR under the reinsurance agreement.

The Company has a sales agreement with Preferred Financial Corporation, its affiliate company, for the payment of commissions on the sale of insurance policies. The amount the Company paid to its affiliate company in sales commissions for 2016 was $23,758,972.

In December 2016 the Company paid $427,500 to its affiliate Southland National Insurance Corporation on a $9 million surplus note acquired on December 31, 2015. The payment was approved by the North Carolina Insurance Commissioner.

D. As of December 31, 2016, the Company had a receivable of $277,485 from its affiliate Colorado Benefits Administrators and $54,039 from its parent Southland National Holdings, Inc. These items are on line 23 of the asset page. As of December 31, 2016 the Company also had a payable to Preferred Financial Corporation of $372,988 and Eli Research LLC of $745 and are displayed on line 24.04 of the liability page.

E. There are no guarantees or undertakings for the benefit of any affiliated party, other than that disclosed in these notes.

F. The Company has a management service agreement with Colorado Benefits Administrators an affiliate as of October 1, 2016. Colorado Bankers Life Insurance Company utilized assets owned by Colorado Benefits Administrators for the period of January 1 to September 30, 2016. All costs associated with the assets were being passed directly to Colorado Bankers Life Insurance Company during that period. As of October 1, 2016 the Company paid an administrative fee to Colorado Benefits Administrators of $1,096,667 per month. This fee will increase 3% in 2017 to $1,129,567 per month.

G. At December 31, 2016 all outstanding common stock of the Company is owned by Southland National Holdings, Inc. domiciled in the State of North Carolina. At December 31, 2016 all outstanding preferred stock of the Company is owned by Southland National Insurance Corporation domiciled in the State of North Carolina.

All related transactions are designed to be arm's length; therefore, related party transactions do not have a material impact on operating results.

H. Affiliated stock value adjustments - Not Applicable

I. Investment in Subsidiary, Controlled, or Affiliated Companies – None

J. Impairment Write Downs for Investments in Subsidiary, Controlled, or Affiliated Companies – None

K. Investment in Foreign Insurance Subsidiary - None

L. Investment in Down Stream Noninsurance Holding Company – None

M. All SCA Investments – None

N. Investments in Insurance SCAs - None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

**BANKERS LIFE INSURANCE COMPANY:**

***2015 (Year end prior to acquisition)***

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships - The Company is a wholly owned subsidiary of Bankers Insurance Company.

B. Detail of Transactions Greater than ½% of Admitted Assets – On June 1, 2013, the Company entered into a loan agreement and issued a line of credit in favor of Emerge Monitoring, Inc., an affiliate, for $1,500,000. The loan agreement is in effect for a term of 5 years. Interest is computed at an annual rate of 5% until paid in full. The line of credit is evidenced by a Master Promissory Note. BFC Surety Group, Inc., a parent of the borrower, guarantees Emerge Monitoring's performance under the loan agreement and the note. On June 5, 2014 this loan was paid in full with interest of $72,730.

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties

At December 31, 2015, the Company reported $40,727 due from Bankers Insurance Group and $-0- due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Parent has agreed to provide certain management services and cost sharing allocations to all members of the group.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by the Parent, a property and casualty insurer.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2016 (Year of acquisition)***

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships – BLI Holdings, Inc. (BLI) owns 100 percent of the outstanding common stock of the Company and Southland National Insurance Corporation (SNIC) owns 100 percent of the outstanding preferred stock of the Company.

B. Detail of Transactions Greater than ½% of Admitted Assets – On December 15, 2016, 72.6 percent of the outstanding common stock was acquired by Southland National Holdings, Inc. (SNH) and 27.4 percent of the outstanding common stock was acquired by SNIC from the prior parent, Bankers Insurance Company (BIC).

Immediately upon closing the shares owned by SNIC were converted from common to preferred stock and the shares owned by SNH were transferred to BLI. BLI then contributed $5 million of surplus to the Company.

Also on December 15, 2016, the Company acquired a $3 million surplus note from BIC, the former parent.

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties

At December 31, 2016, the Company reported $-0- due from affiliates and $3,505 due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Company will be included in a new cost sharing agreement with affiliates in 2017.

G. Nature of Relationships that Could Affect Operations - BLI owns 100 percent of the outstanding common stock of the Company and SNIC owns 100 percent of the outstanding preferred stock of the Company.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

M. All SCA Investments – None

N. Investments in Insurance SCAs - None

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2017 (Year after acquisition)***

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships – BLI Holdings, Inc. (BLI) owns 100 percent of the outstanding common stock of the Company and Southland National Insurance Corporation (SNIC) owns 100 percent of the outstanding preferred stock of the Company.

B. Detail of Transactions Greater than ½% of Admitted Assets –The company received Additional paid in capital of $12,000,000 as cash in September 2017, thereby increasing the Additional Paid in Capital from $19,623,795 to $31,623,795.

At December 31, 2017, The Company has affiliate debt investments reported as bond investments on Schedule D-1. They are listed as affiliated bonds

C. Change in Terms of Intercompany Arrangements - Not applicable.

D. Amounts Due to or from Related Parties.

At December 31, 2017, the Company reported $-0- due from affiliates and $0 due to affiliates.

E. Guarantees or Contingencies for Related Parties - Not applicable.

F. Management, Service Contracts, Cost Sharing Arrangements - The Company entered into a cost sharing agreement with Global Bankers Insurance Group (GBIG), an affiliated entity that provides a variety of shared services for related insurance entities. This agreement was filed with the North Carolina Department of Insurance in March 2017 with an effective date of January 1, 2017.

G. Nature of Relationships that Could Affect Operations - BLI owns 100 percent of the outstanding common stock of the Company and SNIC owns 100 percent of the outstanding preferred stock of the Company.

H. Amount Deducted for Investment in Upstream Company - Not applicable.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - Not applicable.

J. Write down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - Not applicable.

K. Investment in Foreign Insurance Subsidiaries – Not applicable.

L. Investment in Downstream Non-Insurance Holding Company – Not applicable.

M. All SCA Investments – None

N. Investments in Insurance SCAs – None

## PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN:

### *2015*

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

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

On March 31, 2013, Pavonia Holdings, (US) Inc., acquired all of the shares of Pavonia Life Insurance Company of Delaware from HSBC Finance Corporation, a subsidiary of HSBC Holdings, plc. Pavonia Holdings (US) Inc. is a member of Enstar Group Limited. Pavonia Life Insurance Company of Delaware owned all of the shares of stock of Pavonia Life Insurance Company of Michigan, which owns all of the shares of stock of Pavonia Life Insurance Company of New York (the Company). Pavonia Life Insurance Company of Delaware was merged into Pavonia Life Insurance Company of Michigan effective November 18, 2015, with Pavonia Life Insurance Company of Michigan as the surviving entity. The Company is a Michigan-domiciled insurer in run-off. The Company owns all of the

stock of Pavonia Life Insurance Company of New York, a New York-domiciled insurer also in run-off. The financial statements reflect the results of Pavonia Life Insurance Company of Michigan and its Canadian branch.

The Company merged with its former affiliate PLICAZ effective August 3, 2015. The Company merged with its former parent PLICDE effective November 18, 2015.

On October 26, 2015, the State Department of Delaware approved an extraordinary dividend in the amount of $64,247,186 to be paid to Pavonia Holdings (US) Inc. simultaneously with the merger of Pavonia Life Insurance Company of Delaware with and into Pavonia Life Insurance Company of Michigan. With the dividend, Pavonia Life Insurance Company of Michigan became a wholly owned subsidiary of Pavonia Holdings (US) Inc.

The Company may periodically pay dividends to its parent from the Company's profits. With the permission of the Michigan Department of Insurance, the Company paid extraordinary cash dividends of $21,000,000 in 2015 and $34,000,000 in 2014 to its parent, Pavonia Life Insurance Company of Delaware out of gross paid in capital and contributed surplus.

With the permission of the Arizona Department of Insurance, PLICAZ paid an extraordinary dividend of $9,500,000 on June 30, 2015 and an extraordinary dividend of $4,000,000 on April 30, 2014.

The Company received an ordinary dividend payment of $900,785 from its subsidiary, Pavonia Life Insurance Company of New York, in September 2015 and received an extraordinary dividend payment of $4,000,000, in 2014.

The Company participates in a federal tax income allocation agreement, along with certain insurance subsidiaries. Federal income tax expense and benefits are allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2015 and December 31, 2014 were $0.

The Company did not receive a capital contribution in 2015 or 2014.

D. The Company reported $0 due from its former parent, Pavonia Life Insurance Company of Delaware at December 31, 2015 and $225,592 at December 31, 2014. The Company reported $889,837 due from its subsidiary at December 31, 2015 and $3,118,797 due from Enstar Life (US) Inc. at December 31, 2014.

The Company reported $1,890,018 due to its affiliates, at December 31, 2015 and $4,178,254 at December 31, 2014 for allocated expenses. The amounts are required to be settled in 90 days.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. The Company utilizes the services of Enstar Life (US) Inc. to provide executive management and oversight review according to a management agreement. The agreement provided that Enstar Life (US) Inc. will either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. During 2015 the Company incurred $1,668,765 for management fees, $4,621,133 for salaries and benefits, $2,807,230 for recharged expenses.

In 2014 the Company incurred $1,415,165 for management fees, $3,474,091 for salaries and benefits, $2,688,466 for recharged expenses and $134,442.

G. The Company is a wholly owned subsidiary of Pavonia Life Insurance Company of Delaware, who in turn is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. The Company owns 100% of the outstanding common stock of Pavonia Life Insurance Company of New York (PLICNY) whose carrying value is less than 10% of the admitted assets of the Company. PLICNY is a Life and Accident and Health Insurance company domiciled in the state of New York. Summarized statutory financial data for PLICNY for the periods ended December 31, 2015 and December 31, 2014, are as follows:

# Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

| | PLICNY | | | |
|---|---|---|---|---|
| | 12/31/2015 | | 12/31/2014 | |
| Total Assets | $ | 31,497,326 | $ | 32,058,680 |
| Total Liabilites | $ | 21,021,897 | $ | 22,050,831 |
| Net Income | $ | 1,410,845 | $ | 1,113,483 |

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company does not have an investment in a SCA entity that exceeds 10% of admitted assets.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company does not have an investment in a downstream noninsurance holding company.

Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

## *2016 (Year end prior to acquisition)*

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

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

On March 31, 2013, Pavonia Holdings, (US) Inc., acquired all of the shares of Pavonia Life Insurance Company of Delaware ("PLICDE") from HSBC Finance Corporation, a subsidiary of HSBC Holdings, plc. Pavonia Holdings (US) Inc. is a member of Enstar Group Limited. PLICDE owned all of the shares of stock of Pavonia Life Insurance Company of Michigan ("The Company") until November 18, 2015 when PLICDE was merged into the Company with the Company as the surviving entity. On October 26, 2015, the Delaware Department of Insurance approved an extraordinary dividend in the amount of $84,247,186 to be paid to Pavonia Holdings (US) Inc. simultaneously with the merger of PLICDE and the Company. With the dividend, the Company became a wholly owned subsidiary of Pavonia Holdings (US) Inc. Effective August 3, 2015 a former affiliate, Pavonia Life Insurance Company of Arizona ("PLICAZ") was also merged with and into the Company. The Company is a Michigan-domiciled insurer in run-off. The Company owns all of the stock of Pavonia Life Insurance Company of New York, a New York-domiciled insurer also in run-off. The financial statements reflect the results of Pavonia Life Insurance Company of Michigan and its Canadian branch.

The Company may periodically pay dividends to its parent from the Company's profits. With the permission of the Michigan Department of Insurance and Financial Services, the Company paid extraordinary cash dividends of $21,000,000 on June 19, 2015 to its former parent, PLICDE out of gross paid in capital and contributed surplus.

With the permission of the Arizona Department of Insurance, PLICAZ paid an extraordinary dividend of $9,500,000 on May 06, 2015 to its former parent, PLICDE.

Pre-merger, the Company's former parent PLICDE, with the permission of the Delaware Department of Insurance paid extraordinary cash dividends of $30,500,000 to its parent, Pavonia Holdings (US), Inc. on June 23, 2015. The Company received a dividend payment of $9,500,000 from its former subsidiary PLICAZ on May 06, 2015. PLICDE also received a dividend payment of $21,000,000 from its former subsidiary, Pavonia Life Insurance Company of Michigan on June 19, 2015.

The Company received an ordinary dividend payment of $900,785 from its subsidiary, Pavonia Life Insurance Company of New York, on June 30, 2015.

There were no dividend payments made in 2016.

The Company participates in a federal income tax allocation agreement, along with its subsidiary. Federal income tax expense and benefits are allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2016 and December 31, 2015 were $786,454 and $444,743 respectively.

The Company did not receive a capital contribution in 2016 or 2015.

D. The Company reported $910,587 at December 31, 2016 and $889,837 at December 31, 2015 due from its subsidiary, Pavonia Life Insurance Company of New York. The Company reported $651,435 and $0 due from other affiliates at December 31, 2016 and December 31, 2015 respectively.

The Company reported $2,468,329 due to its affiliates, at December 31, 2016 and $1,746,589 at December 31, 2015 for shared expenses. The amounts are required to be settled in 90 days.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2016, the Company utilizes the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The agreement provides that Enstar (US) Inc. will either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement in 2016 was $ 9,993,577

During 2015, the Company utilized the services of Enstar Life (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement. The amount incurred under this agreement was $8,734,825.

G. The Company is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. The Company owns 100% of the outstanding common stock of Pavonia Life Insurance Company of New York (PLICNY) whose carrying value is less than 10% of the admitted assets of the Company. PLICNY is a Life and Accident and Health Insurance company domiciled in the state of New York. Summarized statutory financial data for PLICNY for the periods ended December 31, 2016 and December 31, 2015, are as follows:

| | PLICNY | |
|---|---|---|
| | 12/31/2016 | 12/31/2015 |
| Total Assets | $ 33,137,694 | $ 31,497,326 |
| Total Liabilities | $ 21,736,040 | $ 21,021,897 |
| Net Income | $ 1,091,361 | $ 1,410,845 |

## Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has an investment in a U.S. insurer, Pavonia Life Insurance Company of New York, that does not exceed 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company does not have an investment in a downstream noninsurance holding company.

M. The Company does not have any SCA investments in noninsurance foreign entities.

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

# Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

## *2017 (Year of acquisition)*

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

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

On December 29, 2017, The Company sold all the stock of Pavonia Life Insurance Company of New York ("PLIC NY"), a New York-domiciled insurer, to Laguna Life Holdings SARL, ("Laguna Life") a subsidiary of Enstar Group Limited. The Company received $13,079,000 and recorded a gain from the sale of $1,676,245.

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

The Company may periodically pay dividends to its parent from the Company's profits. The Company paid no dividends in 2017 or 2016.

Prior to the sale the Company participated in a federal income tax allocation agreement, along with PLIC NY. Federal Income tax expense and benefits were allocated in the ratio that the Company's tax return liability or benefit bears to the sum of separate return tax liabilities and benefits of the group. Total amounts exchanged under the agreement for December 31, 2017 and December 31, 2016 were $0 and $786,454 respectively.

The Company did not receive a capital contribution in 2017 or 2016.

D. The Company reported $0 at December 31, 2017 and $889,837 at December 31, 2016 due from PLIC NY. The Company reported $0 and $651,435 due from Enstar (US) Inc. at December 31, 2017 and December 31, 2016 respectively.

The Company reported $0 due to its affiliates, at December 31, 2017 and $2,468,329 at December 31, 2016 for shared expenses.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2017, the Company utilized the services of Enstar (US) Inc. to provide all necessary executive management, oversight review and administrative services to manage the Company according to a management agreement in effect prior to the sale on December 29, 2017. The agreement provided that Enstar (US) Inc. would either provide the services or arrange for the provision of services for all third party fees and expenses incurred by Pavonia Holdings (US) Inc. and its affiliates. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The amount incurred under this agreement was $6,023,116 and $9,993,577 in 2017 and 2016, respectively.

G. The Company is a wholly owned subsidiary of Pavonia Holdings (US) Inc., a non-insurance holding company incorporated in the state of Delaware. On December 29, 2017 Laguna Life sold Pavonia Holdings (US) Inc. to Southland National Holdings.

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has no investments that exceeds 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company did not have an investment in a downstream noninsurance holding company.

M. The Company did not have any SCA investments in noninsurance foreign entities.

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

## Appendix A - Annual Statement Footnote No. 10: Information Concerning Parent, Subsidiaries and Affiliates (cont'd)

***2018 (Year after acquisition)***

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

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

On December 29, 2017, The Company sold all the stock of Pavonia Life Insurance Company of New York ("PLIC NY"), a New York-domiciled insurer, to Laguna Life Holdings SARL, ("Laguna Life") a subsidiary of Enstar Group Limited. The Company received $13,079,000 and recorded a gain from the sale of $1,676,245.

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

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

The Company may periodically pay dividends to its parent from the Company's profits. The Company paid no dividends in 2018 or 2017.

The Company did not receive a capital contribution in 2018 or 2017.

D. The Company reported $2,150 Due from Global Bankers Insurance Group LLC "GBIG" at December 31, 2018 and $0 at December 31, 2017. The Company reported $2,016,523 due to GBIG at December 31,2018 and $0 at December 31,2017.

E. The Company has not made any guarantees or undertakings for the benefit of an affiliate, which would result in a material contingent exposure of the Company's assets and liabilities.

F. In 2018, the Company utilized the services of GBIG to provide all necessary executive management, oversight review and administrative services. Under this agreement, management service expenses, salaries and benefits, and facility charges were charged to the Company. The management fee incurred under this agreement was $13,969,682 and $0 in 2018 and 2017, respectively.

G. The Company is a wholly owned subsidiary of GBIG Holdings Inc. GBIG Holdings, Inc is a direct subsidiary of GBIG Capital, LLC, a limited liability company organized under the laws of North Carolina. The ultimate controlling person is Greg Lindberg. More detailed information concerning the domicile of the above corporation and other affiliated corporations is reflected in the organization chart on Schedule Y Part 1 of this statement.

H. The Company owns no shares of upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company has no investments that exceeds 10% of admitted assets of the Company.

J. The Company does not have an investment in an impaired SCA entity.

K. The Company has no investment in a foreign subsidiary.

L. The Company did not have an investment in a downstream noninsurance holding company.

M. The Company did not have any SCA investments in noninsurance foreign entities.

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

# APPENDIX B

# Bankers Life Insurance Company Annual Statement Information

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## NET ADMITTED ASSETS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Bonds | $ 308,847,711 | $ 386,159,103 | $ 312,295,644 | $ 115,403,084 | $ 296,024,424 |
| Stocks | | | | | |
| Preferred Stocks | 13,864,004 | 13,038,124 | 9,237,186 | - | - |
| Common Stocks | 4,427,370 | 311,200 | 377,000 | 402,700 | 402,700 |
| Real Estate | | | | | |
| Properties held for the production of income | 792,113 | 777,699 | - | - | - |
| Cash, cash equivalents and short-term investments | 6,210,911 | 5,324,636 | 93,246,541 | 98,485,571 | 78,316,450 |
| Contract Loans | 129,931 | 59,797 | 39,797 | 41,689 | 41,759 |
| Other Invested assets | 3,884,489 | 2,351,064 | - | - | - |
| Receivables for securities | - | - | 13,537,573 | 4,919,443 | 13 |
| Subtotals, cash and invested assets | 338,156,529 | 408,021,623 | 428,733,741 | 219,252,487 | 374,785,346 |
| Investment income due and accrued | 2,990,074 | 3,695,860 | 3,321,680 | 1,306,718 | 3,515,345 |
| Premiums and considerations | | | | | |
| Uncollected premiums and agents' balances in course of collection | 230 | 1,073 | 4,830 | 7,699 | - |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | - | - | - | - | 470 |
| Reinsurance | | | | | |
| Amounts recoverable from reinsurers | 3,857,105 | 6,161,764 | 14,555,673 | 12,784,566 | 16,108,622 |
| Other amounts receivable under reinsurance contracts | 9 | - | - | - | - |
| Current federal and foreign income tax recoverable and interest theron | - | - | - | 20,231 | - |
| Net deferred tax asset | 736,998 | 841,969 | 750,596 | 917,692 | 2,973,335 |
| Receivables from parent, subsidiaries and affiliates | - | 40,727 | - | - | - |
| Aggregate write-in for other than invested assets | - | 27,000 | - | - | 20,109 |
| Total assets, excluding separate accounts, segregated accounts and protected cell accounts | 345,740,945 | 418,790,016 | 447,366,520 | 234,289,393 | 397,403,227 |
| From separate accounts, segregated accounts and protected cell accounts | - | - | - | - | - |
| **Total** | $ 345,740,945 | $ 418,790,016 | $ 447,366,520 | $ 234,289,393 | $ 397,403,227 |

| **DETAIL OF WRITE-INS** | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Rent Receivables | - | 27,000 | - | - | 20,109 |
| TOTAL | - | 27,000 | - | - | 20,109 |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## LIABILITIES AND SURPLUS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Aggregate reserve for life contracts | $ 143,795,188 | $ 220,076,341 | $ 276,978,116 | $ 98,925,150 | $ 358,702,874 |
| Liability for deposit-type contracts | 19,109,292 | 19,601,000 | 15,878,076 | 3,436,144 | 4,730,744 |
| Life | 100,128 | 295,397 | 394,251 | 305,579 | 242,728 |
| Other amounts payable on reinsurance | | | 14,535,543 | 35,201,360 | 25,612 |
| Interest Maintenance Reserve | 1,251,506 | 1,188,648 | 462,854 | 496,334 | 144,227 |
| Commissions to agents due or accrued | 8,717 | 1,502 | - | | |
| General expenses due or accrued | 255,008 | 212,713 | 8,640 | 22,612 | 39,794 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 258,848 | 94,870 | 102,142 | 97,407 | - |
| Current federal and foreign income taxes | 367,434 | 8,089 | - | - | 437,662 |
| Unearned investment income | 3,445 | 1,757 | 1,061 | 1,061 | 304 |
| Amounts withheld or retained by company as agent or trustee | 11,606 | 6,757 | 27,202 | 29,299 | 292,714 |
| Remittances and items not allocated | 4,072,699 | 2,227,016 | 1,630,209 | 7,232,832 | 158,455 |
| Asset valuation reserve | 1,271,543 | 1,944,611 | 2,222,021 | 1,264,743 | 1,939,775 |
| Funds held under reinsurance treaties with unaffiliated and certified reinsurers | 150,712,987 | 145,122,642 | 107,201,445 | 51,192,928 | - |
| Payable to parent, subsidiaries and affiliates | 22,605 | - | 3,505 | - | 109,015 |
| Payable for securities | 9,476 | - | 543,425 | 355,620 | - |
| Aggregate write-ins for liablities | 1,458,918 | 5,458,206 | - | - | 120 |
| Total liabilities | 322,709,400 | 396,239,549 | 419,988,490 | 198,561,069 | 364,824,024 |
| **SURPLUS** | | | | | |
| Common capital stock | 3,000,000 | 3,000,000 | 2,176,504 | 2,176,504 | 2,176,504 |
| Preferred capital stock | - | | 823,496 | 823,496 | 823,496 |
| Aggregate write-ins for other than special surplus funds | 1,793,268 | 1,444,258 | 793,805 | 274,626 | 24,541 |
| Surplus notes | | | 3,000,000 | 3,000,000 | 3,000,000 |
| Gross paid-in and contributed surplus | 14,623,795 | 14,623,795 | 19,623,795 | 31,623,795 | 41,623,795 |
| Unassigned funds (surplus) | 3,614,478 | 3,482,414 | 960,431 | (2,170,097) | (15,069,133) |
| Totals | 23,031,541 | 22,550,467 | 27,378,031 | 35,728,324 | 32,579,203 |
| **Total Liabilities and surplus** | **$ 345,740,941** | **$ 418,790,016** | **$ 447,366,521** | **$ 234,289,393** | **$ 397,403,227** |
| **DETAIL OF WRITE-INS** | | | | | |
| Invested Assets in Funds Withheld Account | $ 1,458,918 | $ 5,458,206 | | | |
| Unclaimed Property | | | | | 120 |
| TOTAL | $ 1,458,918 | $ 5,458,206 | $ - | $ - | $ 120 |
| Deferred Gain on Ceded Reinsurance | $ 1,793,268 | $ 1,444,258 | $ 793,805 | $ 274,626 | $ 24,541 |
| TOTAL | $ 1,793,268 | $ 1,444,258 | $ 793,805 | $ 274,626 | $ 24,541 |
| TOTAL | $ - | $ - | $ - | $ - | $ - |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | |
| Premiums and annuity considerations for life and A&H contracts | $ 98,953,254 | $ 77,459,958 | $ 57,463,930 | $ (176,570,941) | $ 267,922,351 |
| Considerations for supplementary contracts with life contingencies | 189,315 | 481,708 | (137,764) | 459,781 | - |
| Net investment income | 5,869,099 | 9,770,277 | 17,706,800 | 10,353,999 | 13,036,213 |
| Amortization of Interest Maintenance Reserve (IMR) | 173,939 | 239,737 | 14,013 | 73,235 | 100,537 |
| Commissions and expense allocations on reinsurance ceded | 758,745 | 651,574 | 918,606 | 4,285,970 | 1,941,191 |
| Charges and fees for deposit-type contracts | 431,306 | 544,555 | 130,795 | 35,188 | 123,336 |
| Aggregate write-ins for miscellaneous income | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| Totals | 106,425,034 | 89,189,260 | 76,132,199 | (161,330,527) | 283,152,267 |
| | | | | | |
| Death Benefits | | 2,802 | - | 128,310 | 238,564 |
| Annuity benefits | 69,488 | 76,722 | 58,866 | 58,634 | 43,524 |
| Surrender benefits and withdrawals for life contracts | 1,590,940 | 4,489,942 | 6,296,033 | 5,801,878 | 20,573,519 |
| Interest and adjustments on contract or deposit-type contract funds | 1,025,662 | 1,192,061 | 981,967 | 446,832 | 249,571 |
| Payments on supplementary contracts with life contingencies | 177,625 | 180,263 | 237,701 | 331,391 | 294,349 |
| Increase in aggregate reserves for life and A&H contracts | 95,345,267 | 76,281,154 | 56,901,777 | (178,052,963) | 257,752,188 |
| Totals | 98,208,982 | 82,222,944 | 64,476,344 | (171,285,918) | 279,151,715 |
| | | | | | |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 3,082,843 | 2,334,177 | 1,611,864 | 5,479,782 | 9,250,504 |
| Commissions and expense allocations on reinsurance assumed | | | | 150,000 | - |
| General insurance expenses and fraternal expenses | 3,144,003 | 2,560,586 | 1,974,217 | 4,385,606 | 6,327,869 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 576,688 | 279,107 | 212,726 | 354,042 | 691,412 |
| Aggregate write-ins for deductions | - | - | 6,318,053 | 3,832,067 | 1,140,270 |
| Totals | 105,012,516 | 87,396,814 | 74,593,204 | (157,084,421) | 296,561,770 |
| Net gain from operations before dividends to policyholders and federal | 1,412,518 | 1,792,446 | 1,538,995 | (4,246,106) | (13,409,503) |
| Federal and foreign income taxes incurred (excluding tax on capital gains) | 278,788 | 391,781 | 823,636 | (226,961) | 524,766 |
| | | | | | |
| Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) | 1,133,730 | 1,400,665 | 715,359 | (4,019,145) | (13,934,269) |
| | | | | | |
| Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) | 181,898 | (9,791) | (83,517) | - | 34,202 |
| **Net income (loss)** | 1,315,628 | 1,390,874 | 631,842 | (4,019,145) | (13,900,067) |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **CAPITAL & SURPLUS ACCOUNT** | | | | | |
| Capital and surplus, December 31, prior year | 25,969,031 | 23,031,543 | 22,550,467 | 27,378,031 | 35,728,324 |
| Net Income | 1,315,628 | 1,390,875 | 631,842 | (4,019,145) | (13,900,067) |
| Change in net unrealized capital gains or (losses) | 370,031 | (818,805) | 584,390 | (8,801) | 11,203 |
| Change in Net unrealized foreign exchange capital gain (loss) | | | | | (390,784) |
| Change in net deferred income tax | 114,762 | (91,698) | 2,947,670 | (1,522,378) | 3,584,125 |
| Change in nonadmitted assets | 5,418 | 60,631 | (2,704,759) | 1,462,515 | (1,528,482) |
| Change in asset valuation reserve | (809,350) | (673,068) | (277,411) | 957,279 | (675,031) |
| Change in surplus notes | (1,000,000) | - | 3,000,000 | - | - |
| Paid in | - | - | 5,000,000 | 12,000,000 | 10,000,000 |
| Dividends to stockholders | (2,500,000) | | (3,703,715) | | |
| Aggregate write-in for gains and losses in surplus | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |
| Net change in capital and surplus | (2,937,486) | (481,075) | 4,827,564 | 8,350,293 | (3,149,121) |
| Capital and surplus as of statement date | $ 23,031,545 | $ 22,550,468 | $ 27,378,031 | $ 35,728,324 | $ 32,579,203 |
| | | | | | |
| **DETAIL OF WRITE-INS** | | | | | |
| Administrative and Service Fee Income | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| | 49,376 | 41,451 | 35,819 | 32,241 | 28,639 |
| | | | | | |
| Reinsurance Funds Withheld Investment Income | | | 6,318,053 | 3,832,067 | 1,140,270 |
| | - | - | 6,318,053 | 3,832,067 | 1,140,270 |
| | | | | | |
| Deferred Gain on Ceded Reinsurance | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |
| | (433,975) | (349,010) | (650,453) | (519,177) | (250,085) |

# APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## GENERAL EXPENSES (EXHIBIT 2)
## FYE 2014 - 2018

| | 2014 | | | | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 88,164 | $ 32 | $ 2,216 | $ 88,412 | $ 89,380 | $ 15 | $ 2,209 | $ 91,604 | $ 63,684 | $ 5 | $ 6,470 | $ 70,159 |
| Salaries and wages | 1,542,828 | 576 | 152,680 | 1,696,262 | 1,373,863 | 230 | 128,379 | 1,502,472 | 937,303 | 78 | 123,315 | 1,060,696 |
| Contributions for benefit plans for employees | 140,944 | 52 | 5,089 | 146,085 | 117,457 | 20 | 6,843 | 124,320 | 65,943 | 6 | 5,374 | 71,323 |
| Other employee welfare | 90,400 | 34 | | 90,434 | 107,088 | 18 | 3,020 | 110,126 | 79,890 | 7 | 7,451 | 87,348 |
| Legal fees and expenses | 19,044 | 7 | 29,852 | 48,903 | 58,350 | 10 | | 58,360 | 58,784 | 5 | | 58,789 |
| Medical examination fees | | | | - | | | | - | | | | - |
| Inspection report fees | | | | - | | | | - | | | | - |
| Fees of public accountants and consulting actuaries | 408,120 | 152 | | 408,272 | 284,881 | 47 | | 284,928 | 331,297 | 27 | | 331,324 |
| Expense of investigation and settlement of policy claims | | | | - | | | | - | | | | - |
| Traveling expenses | 19,796 | 8 | 2,380 | 22,184 | 23,928 | 4 | 2,644 | 26,576 | 16,254 | 1 | 2,484 | 18,739 |
| Advertising | 21,483 | 8 | 3,643 | 25,134 | 49,161 | 6 | | 49,167 | 23,712 | 2 | | 23,714 |
| Postage, express, telegraph and telephone | 46,271 | 17 | 3,204 | 49,492 | 47,735 | 8 | 2,786 | 50,529 | 57,133 | 5 | 3,964 | 61,102 |
| Printing and stationery | 71,165 | 27 | 72 | 71,264 | 21,687 | 4 | 47 | 21,738 | 16,555 | 1 | 307 | 16,863 |
| Cost or depreciation of furniture and equipment | 69,636 | 26 | 26,183 | 95,845 | 72,647 | 14 | 26,325 | 98,986 | 125,130 | 10 | 42,309 | 167,449 |
| Rental of equipment | 86,072 | 32 | 45,793 | 131,897 | 138,438 | 23 | | 138,461 | 82,521 | 5 | | 82,526 |
| Cost or depreciation of EDP equipment and software | | | | - | | | | - | | | | - |
| Books and periodicals | 100 | | | 100 | 2,817 | | | 2,817 | 6,007 | | | 6,007 |
| Bureau and association fees | 31,139 | 12 | 273 | 31,424 | 51,487 | 9 | | 51,496 | 35,231 | 3 | | 35,234 |
| Insurance, except on real estate | 20,523 | 8 | 844 | 21,375 | 23,521 | 4 | 1,467 | 24,992 | 16,095 | 1 | 1,837 | 17,933 |
| Miscellaneous losses | | | | - | | | | - | | | | - |
| Collection and bank service charges | 7,472 | 3 | | 7,475 | 12,344 | 2 | | 12,346 | 10,343 | 1 | | 10,344 |
| Sundry general expenses | 21,369 | 8 | | 21,377 | (28,250) | (5) | (7,259) | (35,514) | 2,748 | | | 2,748 |
| Group service and administration fees | | | | - | | | | - | | | | - |
| Agency conferences other than local meetings | 10,765 | | | 10,765 | 5,982 | | | 5,982 | 9,509 | | | 9,509 |
| Real estate expenses | | | | - | | | 11,901 | 11,901 | | | 13,454 | 13,454 |
| Investment expenses not included elsewhere | | | 28,551 | 28,551 | | | | - | | | | - |
| Aggregate write-ins for expenses | 449,708 | 3 | 141,290 | 591,001 | 107,658 | 3 | 221,615 | 329,276 | 55,919 | 1 | 246,837 | 302,757 |
| General expenses incurred | $ 3,142,997 | $ 1,005 | $ 442,250 | $ 3,586,252 | $ 2,560,174 | $ 412 | $ 399,977 | $ 2,960,583 | $ 1,974,058 | $ 158 | $ 453,802 | $ 2,428,018 |

### DETAIL OF WRITE-INS

| | 2014 Life Insurance | 2014 Accident & Health Insurance | 2014 Investment | 2014 Total | 2015 Life Insurance | 2015 Accident & Health Insurance | 2015 Investment | 2015 Total | 2016 Life Insurance | 2016 Accident & Health Insurance | 2016 Investment | 2016 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contract Labor | $ 7,993 | $ 3 | $ 339 | $ 8,335 | $ 18,154 | $ 3 | | $ 18,157 | $ 15,778 | $ 1 | | $ 15,779 |
| Consulting | 425,762 | | 140,951 | 566,713 | 90,173 | | 221,615 | 311,788 | 30,825 | | 246,837 | 277,662 |
| Charitable Contribution | 15,953 | | | 15,953 | (669) | | | (669) | 9,316 | | | 9,316 |
| Totals | $ 449,708 | $ 3 | $ 141,290 | $ 591,001 | $ 107,658 | $ 3 | $ 221,615 | $ 329,276 | $ 55,919 | $ 1 | $ 246,837 | $ 302,757 |

APPENDIX B - BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
GENERAL EXPENSES (EXHIBIT 2)
FYE 2014 - 2018

| | 2017 Life Insurance | 2017 Accident & Health Insurance | 2017 Investment | 2017 Total |
|---|---|---|---|---|
| Rent | $ 145,926 | $ 6 | | $ 145,932 |
| Salaries and wages | 1,873,114 | 63 | | 1,873,177 |
| Contributions for benefit plans for employees | 162,558 | 6 | | 162,564 |
| Other employee welfare | 7,528 | - | | 7,528 |
| Legal fees and expenses | 237,665 | 9 | | 237,674 |
| Medical examination fees | | | | - |
| Inspection report fees | 6,004 | - | | 6,004 |
| Fees of public accountants and consulting actuaries | 310,586 | 12 | | 310,598 |
| Expense of investigation and settlement of policy claims | | | | - |
| Traveling expenses | 139,140 | 6 | | 139,146 |
| Advertising | 63,916 | 3 | | 63,919 |
| Postage, express, telegraph and telephone | 88,167 | 4 | | 88,171 |
| Printing and stationery | 60,107 | 3 | | 60,110 |
| Cost or depreciation of furniture and equipment | 70,020 | 2 | | 70,022 |
| Rental of equipment | | | | - |
| Cost or depreciation of EDP equipment and software | 246,147 | 8 | | 246,155 |
| Books and periodicals | 1,592 | - | | 1,592 |
| Bureau and association fees | 62,374 | 2 | | 62,376 |
| Insurance, except on real estate | 93,734 | 3 | | 93,737 |
| Miscellaneous losses | 3,397 | - | | 3,397 |
| Collection and bank service charges | 53,620 | 2 | | 53,622 |
| Sundry general expenses | 413,278 | 12 | | 413,290 |
| Group service and administration fees | 331,664 | 7 | | 331,671 |
| Agency conferences other than local meetings | 14,721 | | | 14,721 |
| Real estate expenses | | | | - |
| Investment expenses not included elsewhere | | | 775,950 | 775,950 |
| Aggregate write-ins for expenses | - | - | - | - |
| General expenses incurred | $ 4,385,458 | $ 148 | $ 775,950 | $ 5,161,556 |

| | 2018 Life Insurance | 2018 Accident & Health Insurance | 2018 Investment | 2018 Total |
|---|---|---|---|---|
| Rent | $ 207,132 | | | $ 207,132 |
| Salaries and wages | 2,762,741 | | | 2,762,741 |
| Contributions for benefit plans for employees | 300,000 | | | 300,000 |
| Other employee welfare | 9,754 | | | 9,754 |
| Legal fees and expenses | 476,311 | | | 476,311 |
| Medical examination fees | 2,154 | | | 2,154 |
| Inspection report fees | 43,469 | | | 43,469 |
| Fees of public accountants and consulting actuaries | 251,446 | | | 251,446 |
| Expense of investigation and settlement of policy claims | 2,884 | | | 2,884 |
| Traveling expenses | 141,181 | | | 141,181 |
| Advertising | 54,313 | | | 54,313 |
| Postage, express, telegraph and telephone | 182,093 | | | 182,093 |
| Printing and stationery | 51,541 | | | 51,541 |
| Cost or depreciation of furniture and equipment | 127,809 | | | 127,809 |
| Rental of equipment | | | | - |
| Cost or depreciation of EDP equipment and software | 338,845 | | | 338,845 |
| Books and periodicals | 14,882 | | | 14,882 |
| Bureau and association fees | 22,360 | | | 22,360 |
| Insurance, except on real estate | 60,614 | | | 60,614 |
| Miscellaneous losses | | | | - |
| Collection and bank service charges | 22,714 | | | 22,714 |
| Sundry general expenses | 945,415 | | | 945,415 |
| Group service and administration fees | 301,481 | | | 301,481 |
| Agency conferences other than local meetings | 8,750 | | | 8,750 |
| Real estate expenses | | | | - |
| Investment expenses not included elsewhere | | | 1,413,060 | 1,413,060 |
| Aggregate write-ins for expenses | - | - | - | - |
| General expenses incurred | $ 6,327,871 | $ - | $ 1,413,060 | $ 7,740,931 |

DETAIL OF WRITE-INS

| | 2017 Life Insurance | 2017 Accident & Health Insurance | 2017 Investment | 2017 Total | 2018 Life Insurance | 2018 Accident & Health Insurance | 2018 Investment | 2018 Total |
|---|---|---|---|---|---|---|---|---|
| Contract Labor | | | | $ - | | | | $ - |
| Consulting | | | | - | | | | - |
| Charitable Contribution | | | | - | | | | - |
| Totals | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

# APPENDIX C

## Colorado Bankers Life Insurance Company Annual Statement Information

# APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## NET ADMITTED ASSETS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Bonds | $ 252,844,705 | $ 158,594,852 | $ 142,754,424 | $ 655,938,792 | $ 2,206,581,762 |
| Stocks | | | | | |
| Common Stocks | - | - | - | 318,700 | 1,186,700 |
| Cash, cash equivalents and short-term investments | 7,841,240 | 144,324,854 | 182,065,369 | 581,441,231 | 403,838,242 |
| Contract Loans | 4,387,481 | 5,112,715 | 5,982,815 | 6,712,408 | 7,591,174 |
| Deriviatives | - | - | - | - | 287,827 |
| Receivables for securities | - | - | 21,496 | 6,578,601 | 6,100,000 |
| Subtotals, cash and invested assets | 265,073,428 | 308,032,421 | 330,824,104 | 1,250,989,732 | 2,625,585,705 |
| Investment income due and accrued | 2,414,527 | 1,429,619 | 7,206,453 | 13,658,892 | 26,958,990 |
| Premiums and considerations | | | | | |
| Uncollected premiums and agents' balances in course of collection | 427,928 | 451,718 | 428,332 | 1,617,713 | 628,065 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 11,134,727 | 9,889,897 | 10,016,785 | 9,599,712 | 9,653,509 |
| Reinsurance | | | | | |
| Amounts recoverable from reinsurers | 107,262 | 132,542 | 523,044 | 89,887 | 56,989 |
| Other amounts receivable under reinsurance contracts | 175,702 | 26,472 | 1,037 | 40,671,888 | 2,345,475 |
| Current federal and foreign income tax recoverable and interest theron | - | - | - | - | 364,419 |
| Net deferred tax asset | 4,394,956 | 4,424,961 | 4,722,997 | 1,616,072 | 11,180,571 |
| Electronic data processing equipment and software | 200,037 | - | - | - | - |
| Receivables from parent, subsidiaries and affiliates | - | - | 331,524 | 196,164 | 312 |
| Health care and other amounts receivable | - | - | - | - | 5,485 |
| Aggregate write-in for other than invested assets | 263,194 | 34,177 | - | 35,983 | 290,988 |
| **Total** | **$ 284,191,759** | **$ 324,421,807** | **$ 354,054,276** | **$ 1,318,476,043** | **$ 2,677,070,508** |

**DETAIL OF WRITE-INS**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Miscellaneous Receivable | 263,194 | 34,177 | - | 35,983 | 290,988 |
| TOTAL | 263,194 | 34,177 | - | 35,983 | 290,988 |

# APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## LIABILITIES AND SURPLUS
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Aggregate reserve for life contracts | $ 229,442,146 | $ 90,120,496 | $ 99,075,874 | $ 839,293,723 | $ 2,112,444,784 |
| Aggregate reserve for accident and health contracts | 1,686,134 | 1,223,444 | 1,165,049 | 1,069,764 | 1,034,240 |
| Liability for deposit-type contracts | 5,718,266 | 5,969,549 | 6,437,097 | 15,769,950 | 13,910,151 |
| Life | 6,556,660 | 4,831,574 | 4,357,751 | 4,456,681 | 21,276,062 |
| Accident and health | 424,749 | 361,854 | 447,594 | 310,650 | 287,206 |
| Premiums and annuity considerations for life and A&H contracdts rec'd in advance | 164,237 | 195,230 | 185,632 | 162,763 | 1,569,822 |
| Other amounts payable on reinsurance | 355,481 | 308,030 | 313,811 | 951,467 | 571,164 |
| Interest Maintenance Reserve | 749,901 | 319,531 | 340,399 | 2,116,257 | 3,161,888 |
| Commissions to agents due or accrued | 14,461 | 14,602 | 14,233 | 33,336 | 8,439 |
| General expenses due or accrued | 1,924,200 | 644,592 | 720,549 | 2,786 | 139,484 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 289,603 | 249,074 | 248,990 | 339,385 | 1,083,141 |
| Current federal and foreign income taxes | 1,060,629 | 134,383 | 2,213,323 | - | |
| Remittances and items not allocated | 262,002 | 451,228 | 475,440 | 5,701,857 | 1,179,638 |
| Asset valuation reserve | 1,227,994 | 920,245 | 925,071 | 2,079,073 | 7,022,122 |
| Funds held under reinsurance treaties with unaffiliated and certified reinsurers | | 161,914,132 | 178,251,603 | 305,156,272 | 313,331,261 |
| Payable to parent, subsidiaries and affiliates | 333,667 | 1,241,424 | 373,733 | 104,128 | 1,877,495 |
| Payable for securities | | | | 19,081,608 | - |
| Aggregate write-ins for liablities | 86,932 | 79,816 | 19,494 | 108,613 | 360,084 |
| Total liabilities | 250,297,062 | 268,979,204 | 295,565,643 | 1,196,738,313 | 2,479,256,981 |
| **SURPLUS** | | | | | |
| Common capital stock | 2,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Preferred capital stock | | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Aggregate write-ins for other than special surplus funds | - | - | - | 11,087,114 | 9,417,399 |
| Surplus notes | | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |
| Gross paid-in and contributed surplus | 20,487,531 | 26,026,087 | 26,026,087 | 74,791,166 | 204,976,020 |
| Unassigned funds (surplus) | 10,907,166 | 17,916,516 | 20,962,546 | 24,359,450 | (28,079,891) |
| Totals | 33,894,697 | 55,442,603 | 58,488,633 | 121,737,730 | 197,813,528 |
| **Total Liabilities and surplus** | $ 284,191,759 | $ 324,421,807 | $ 354,054,276 | $ 1,318,476,043 | $ 2,677,070,509 |
| **DETAIL OF WRITE-INS** | | | | | |
| Miscellaneous Liabilities | $ 86,932 | $ 79,816 | | | |
| Unclaimed Property | | | 19,494 | 108,613 | 360,084 |
| TOTAL | $ 86,932 | $ 79,816 | $ 19,494 | $ 108,613 | $ 360,084 |
| Deferred Gain on Reinsurance | | | | $ 11,087,114 | $ 9,417,399 |
| TOTAL | $ - | $ - | $ - | $ 11,087,114 | $ 9,417,399 |

# APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | |
| Premiums and annuity considerations for life and A&H contracts | $ 90,189,256 | $ (72,175,609) | $ 61,695,593 | $ 783,210,693 | $ 1,333,935,404 |
| Net investment income | 10,512,126 | 10,973,627 | 14,941,364 | 35,154,148 | 93,211,758 |
| Amortization of Interest Maintenance Reserve (IMR) | 177,701 | 544,494 | 75,808 | 125,228 | 1,608,632 |
| Commissions and expense allocations on reinsurance ceded | | | 2,281,471 | 8,193,358 | 5,426,617 |
| Charges and fees for deposit-type contracts | | | | 52,195 | 54,848 |
| Aggregate write-ins for miscellaneous income | 589,309 | 10,699,468 | 2,103,895 | 1,843,898 | 1,624,826 |
| Totals | 101,468,392 | (49,958,020) | 81,098,131 | 828,579,520 | 1,435,862,085 |
| | | | | | |
| Death Benefits | 10,429,239 | 8,582,117 | 9,627,710 | 8,462,651 | 13,168,739 |
| Annuity benefits | 19,655,166 | 20,869,701 | 91,565 | 8,460,359 | 6,681,952 |
| Disability benefits and benefits under A&H contracts | 2,748,672 | 2,180,826 | 2,797,511 | 2,835,891 | 3,095,446 |
| Surrender benefits and withdrawals for life contracts | 2,466,118 | 2,584,497 | 2,777,204 | 3,529,111 | 65,189,448 |
| Interest and adjustments on contract or deposit-type contract funds | 188,989 | 199,733 | 212,024 | 457,869 | 630,682 |
| Payments on supplementary contracts with life contingencies | | | | 98,323 | 166,454 |
| Increase in aggregate reserves for life and A&H contracts | 23,322,054 | (138,802,945) | 8,896,983 | 732,068,205 | 1,273,300,817 |
| Totals | 58,810,238 | (104,386,071) | 24,402,997 | 755,912,409 | 1,362,233,538 |
| | | | | | |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 20,949,531 | 21,417,043 | 23,678,587 | 26,665,808 | 61,867,833 |
| Commissions and expense allocations on reinsurance assumed | 553,761 | (260,271) | 6,531 | 10,540,525 | (1,508,866) |
| General insurance expenses and fraternal expenses | 14,160,059 | 13,906,313 | 14,454,945 | 14,235,667 | 25,345,994 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 2,646,836 | 2,529,797 | 2,406,093 | 2,853,048 | 3,115,179 |
| Increase in loading on deferred and uncollected premiums | 93,786 | 791,964 | (84,897) | (1,718,408) | 1,165,396 |
| Aggregate write-ins for deductions | (142,204) | (35,332) | 9,115,664 | 4,794,655 | 9,982,340 |
| Totals | 97,072,007 | (66,036,557) | 73,979,920 | 813,283,704 | 1,462,201,414 |
| Net gain from operations before dividends to policyholders and federal income taxes | 4,396,385 | 16,078,537 | 7,118,211 | 15,295,816 | (26,339,329) |
| | | | | | |
| Federal and foreign income taxes incurred (excluding tax on capital gains) | 839,856 | 3,696,810 | 2,161,267 | 10,507,839 | 21,576,302 |
| Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) | 3,556,529 | 12,381,727 | 4,956,944 | 4,787,977 | (47,915,631) |
| Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) | 310,997 | (2,802,560) | - | 9,760,039 | (2,872,152) |
| **Net income (loss)** | **3,867,526** | **9,579,167** | **4,956,944** | **14,548,016** | **(50,787,783)** |

# APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2014 - 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **CAPITAL & SURPLUS ACCOUNT** | | | | | |
| Capital and surplus, December 31, prior year | 28,862,909 | 33,894,697 | 55,442,603 | 58,488,633 | 121,737,730 |
| Net Income | 3,867,526 | 9,579,167 | 4,956,944 | 14,548,016 | (50,787,783) |
| Change in net unrealized capital gains or (losses) | (965) | 936 | 16,560 | (16,560) | (385,542) |
| Change in Net unrealized foreign exchange capital gain (loss) | | | | (5,678,627) | (5,836,918) |
| Change in net deferred income tax | 490,263 | 1,404,521 | (2,535,261) | (3,435,320) | 28,719,296 |
| Change in nonadmitted assets | 1,067,096 | (1,048,276) | 2,798,944 | 365,329 | (19,205,344) |
| Change in reserve on account of change in valuation basis (increase) or decrease | 70,129 | (1,410,307) | | | |
| Change in asset valuation reserve | (462,267) | 307,749 | (4,826) | (1,154,001) | (4,943,049) |
| Change in surplus notes | - | 9,000,000 | - | - | - |
| Paid in | - | 5,538,556 | - | 48,765,079 | 130,184,854 |
| Change in surplus as a result of reinsurance | | 8,175,560 | | | |
| Dividends to stockholders | - | (10,000,000) | | | |
| Aggregate write-in for gains and losses in surplus | - | - | (2,186,331) | 9,855,182 | (1,669,714) |
| Net change in capital and surplus | 5,031,782 | 21,547,906 | 3,046,030 | 63,249,098 | 76,075,800 |
| Capital and surplus as of statement date | **$ 33,894,691** | **$ 55,442,603** | **$ 58,488,633** | **$ 121,737,731** | **$ 197,813,530** |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **DETAIL OF WRITE-INS** | | | | | |
| Commissions, Service & Issue Fees and Other | 589,309 | 10,699,468 | 588,643 | 611,966 | 628,142 |
| Amortization of Surplus due to IMR | | | 1,515,252 | 1,231,932 | 996,684 |
| | 589,309 | 10,699,468 | 2,103,895 | 1,843,898 | 1,624,826 |
| Modified Coinsurance Expense | (142,204) | (35,332) | 14,724 | 5,570 | (90,467) |
| Reinsurance funds withheld investment income | | | 9,100,940 | 4,789,085 | 10,072,169 |
| Fines and penalties | | | | | 638 |
| | (142,204) | (35,332) | 9,115,664 | 4,794,655 | 9,982,340 |
| Amortization of IMR from Surplus | | | (1,515,252) | (1,231,932) | |
| Correction of Prior Period Funds Withheld on Reinsurance | | | (805,462) | | |
| Tax Change | | | 134,383 | | |
| Deferred Gain on Reinsurance | | | | 11,087,114 | (1,669,714) |
| | - | - | (2,186,331) | 9,855,182 | (1,669,714) |

APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
GENERAL EXPENSES (EXHIBIT 2)
FYE 2014 - 2018

| | 2014 | | | | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 569,099 | $ 17,601 | | $ 586,700 | $ 517,470 | $ 15,455 | | $ 532,925 | $ 410,780 | $ 10,965 | | $ 421,745 |
| Salaries and wages | 5,422,590 | 249,575 | | 5,672,165 | 5,953,862 | 267,519 | | 6,221,381 | 4,563,010 | 190,125 | | 4,753,135 |
| Contributions for benefit plans for employees | 1,028,011 | 47,314 | | 1,075,325 | 993,917 | 44,659 | | 1,038,576 | 692,674 | 28,861 | | 721,535 |
| Other employee welfare | 102,546 | 4,720 | | 107,266 | 98,681 | 4,434 | | 103,115 | 67,866 | 2,828 | | 70,694 |
| Legal fees and expenses | 118,466 | 5,452 | | 123,918 | 58,598 | 2,633 | | 61,231 | 30,184 | 1,258 | | 31,442 |
| Medical examination fees | 79,794 | | | 79,794 | 104,518 | | | 104,518 | 32,042 | - | | 32,042 |
| Inspection report fees | 89,039 | | | 89,039 | 93,656 | | | 93,656 | 102,732 | - | | 102,732 |
| Fees of public accountants and consulting actuaries | 155,101 | 4,797 | | 159,898 | 201,719 | 6,025 | | 207,744 | 489,180 | 13,058 | | 502,238 |
| Expense of investigation and settlement of policy claims | 62,967 | 2,898 | | 65,865 | 43,792 | 1,968 | | 45,760 | 71,567 | 2,982 | | 74,549 |
| Traveling expenses | 69,806 | 2,159 | | 71,965 | 72,893 | 2,177 | | 75,070 | 140,376 | 3,747 | | 144,123 |
| Advertising | 1,775 | 55 | | 1,830 | 26,267 | 764 | | 27,051 | - | | | - |
| Postage, express, telegraph and telephone | 266,425 | 8,240 | | 274,665 | 278,040 | 8,304 | | 286,344 | 214,806 | 5,734 | | 220,540 |
| Printing and stationery | 192,832 | 8,604 | | 201,436 | 296,794 | 12,604 | | 309,398 | 247,802 | 9,885 | | 257,687 |
| Cost or depreciation of furniture and equipment | 86,002 | 3,958 | | 89,960 | 82,649 | 3,714 | | 86,363 | 71,659 | 2,986 | | 74,645 |
| Rental of equipment | 505,420 | 23,262 | | 528,682 | 412,431 | 18,531 | | 430,982 | 472,476 | 19,687 | | 492,163 |
| Cost or depreciation of EDP equipment and software | 147,043 | 6,768 | | 153,811 | 169,073 | 7,597 | | 176,670 | 176,935 | 7,372 | | 184,307 |
| Books and periodicals | 2,445 | 76 | | 2,521 | 1,084 | 32 | | 1,116 | 4,496 | 120 | | 4,616 |
| Bureau and association fees | 85,759 | 2,652 | | 88,411 | 61,720 | 1,843 | | 63,563 | 133,261 | 3,557 | | 136,818 |
| Insurance, except on real estate | | | | - | | | | - | 52,702 | 1,407 | | 54,109 |
| Collection and bank service charges | 533,845 | 16,511 | | 550,356 | 208,243 | 6,219 | | 214,462 | 166,449 | 4,443 | | 170,892 |
| Sundry general expenses | 563,989 | 17,454 | | 581,443 | 453,618 | 13,553 | | 467,171 | 1,220,353 | 38,727 | | 1,259,080 |
| Group service and administration fees | | | | - | | | | - | | | | - |
| Agency conferences other than local meetings | 765,929 | 35,252 | | 801,181 | 929,527 | 41,766 | | 971,293 | (99,005) | (4,125) | | (103,130) |
| Real estate expenses | | | | - | | | | - | | | | - |
| Investment expenses not included elsewhere | | | 402,885 | 402,885 | | | 337,728 | 337,728 | | | 422,897 | 422,897 |
| Aggregate write-ins for expenses | 2,114,987 | 738,839 | - | 2,853,828 | 2,301,650 | 86,292 | - | 2,387,942 | 4,620,470 | 28,510 | - | 4,648,980 |
| General expenses incurred | $ 12,963,870 | $ 1,196,187 | $ 402,885 | $ 14,562,942 | $ 13,360,202 | $ 546,109 | $ 337,728 | $ 14,244,039 | $ 14,082,815 | $ 372,127 | $ 422,897 | $ 14,877,839 |
| **DETAIL OF WRITE-INS** | | | | | | | | | | | | |
| Administrative expenses | $ 167,179 | $ 655,369 | | $ 822,548 | $ 1,239,014 | $ 44,492 | | $ 1,283,506 | $ 4,475,588 | $ 21,588 | | $ 4,497,176 |
| Allocated expense | 1,538,579 | 70,813 | | 1,609,392 | 667,943 | 30,012 | | 697,955 | (152,581) | (6,358) | | (158,939) |
| Office service expenses | 94,660 | 2,928 | | 97,588 | 127,488 | 3,808 | | 131,296 | 120,422 | 3,215 | | 123,637 |
| IT Modemizatiton | 314,569 | 9,729 | | 324,298 | 267,205 | 7,980 | | 275,185 | 377,041 | 10,065 | | 387,106 |
| Totals | $ 2,114,987 | $ 738,839 | $ - | $ 2,853,826 | $ 2,301,650 | $ 86,292 | $ - | $ 2,387,942 | $ 4,620,470 | $ 28,510 | $ - | $ 4,648,980 |

## APPENDIX C - COLORADO BANKERS LIFE INSURANCE COMPANY ANNUAL STATEMENT INFORMATION
## GENERAL EXPENSES (EXHIBIT 2)
## FYE 2014 - 2018

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 258,545 | $ 778 | | $ 259,323 | $ 418,153 | $ 13,622 | | $ 431,775 |
| Salaries and wages | 5,917,610 | 246,567 | | 6,164,177 | 9,379,583 | 253,370 | | 9,632,953 |
| Contributions for benefit plans for employees | 657,791 | 27,408 | | 685,199 | 1,156,826 | 37,685 | | 1,194,511 |
| Other employee welfare | 27,382 | 1,141 | | 28,523 | 53,282 | 1,736 | | 55,018 |
| Legal fees and expenses | 273,375 | 11,391 | | 284,766 | 1,524,883 | 49,674 | | 1,574,557 |
| Medical examination fees | 97,662 | - | | 97,662 | 161,829 | 5,272 | | 167,101 |
| Inspection report fees | 196,573 | - | | 196,573 | 148,676 | 4,843 | | 153,519 |
| Fees of public accountants and consulting actuaries | 420,458 | 1,265 | | 421,723 | 668,277 | 21,770 | | 690,047 |
| Expense of investigation and settlement of policy claims | 17,176 | 718 | | 17,894 | 28,597 | 932 | | 29,529 |
| Traveling expenses | 465,460 | 1,401 | | 466,861 | 472,828 | 15,403 | | 488,231 |
| Advertising | 7,711 | 23 | | 7,734 | 73,754 | 2,403 | | 76,157 |
| Postage, express, telegraph and telephone | 347,062 | 1,044 | | 348,106 | 415,355 | 13,531 | | 428,886 |
| Printing and stationery | 270,904 | 11,206 | | 282,110 | 180,881 | 5,893 | | 186,774 |
| Cost or depreciation of furniture and equipment | 217,116 | 9,047 | | 226,163 | 3,231,990 | 105,284 | | 3,337,274 |
| Rental of equipment | (1,696) | (71) | | (1,767) | | | | - |
| Cost or depreciation of EDP equipment and software | 586,021 | 24,418 | | 610,439 | 935,444 | 31,124 | | 966,568 |
| Books and periodicals | 5,040 | 15 | | 5,055 | 39,561 | 1,289 | | 40,850 |
| Bureau and association fees | 66,658 | 261 | | 66,919 | 62,428 | 2,034 | | 64,462 |
| Insurance, except on real estate | 296,158 | 891 | | 297,049 | 325,216 | 10,594 | | 335,810 |
| Collection and bank service charges | 163,792 | 493 | | 164,285 | 276,360 | 9,003 | | 285,363 |
| Sundry general expenses | 1,480,663 | 20,326 | | 1,500,989 | 3,337,159 | 108,712 | | 3,445,871 |
| Group service and administration fees | 1,764,647 | 45,334 | | 1,809,981 | 1,677,294 | 54,638 | | 1,731,932 |
| Agency conferences other than local meetings | | | | - | 8,528 | 278 | | 8,806 |
| Real estate expenses | | | | - | | | | - |
| Investment expenses not included elsewhere | | | 2,780,858 | 2,780,858 | | | 12,784,912 | 12,784,912 |
| Aggregate write-ins for expenses | 254,315 | 21,588 | - | 275,903 | - | - | - | - |
| General expenses incurred | $ 13,810,425 | $ 425,242 | $ 2,780,858 | $ 17,016,525 | $ 24,596,904 | $ 749,090 | $ 12,784,912 | $ 38,130,906 |
| **DETAIL OF WRITE-INS** | | | | | | | | |
| Administrative expenses | | | | $ - | | | | $ - |
| Allocated expense | | | | - | | | | - |
| Office service expenses | 254,315 | 21,588 | | 275,903 | | | | - |
| IT Modernizatiton | | | | - | | | | - |
| Totals | $ 254,315 | $ 21,588 | $ - | $ 275,903 | $ - | $ - | $ - | $ - |

# APPENDIX D

# Pavonia Life Insurance Company Annual Statement Information

# APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
## NET ADMITTED ASSETS
### FYE 2014 - 2018 and three quarters ended September 30, 2019

| | 2014 | 2015 | 2016 | 2017 | 2018 | 3/30/2019 | 6/30/2019 | 9/30/2019 |
|---|---|---|---|---|---|---|---|---|
| Bonds | $ 277,894,917 | $ 921,028,417 | $ 956,522,161 | $ 859,967,093 | $ 948,008,233 | $ 987,181,606 | $ 969,032,122 | $ 972,212,194 |
| Common Stocks | 10,007,867 | 10,475,429 | 11,401,654 | - | - | - | - | - |
| Cash, cash equivalents and short-term investments | 36,441,871 | 42,087,569 | 19,184,724 | 124,903,189 | 95,498,661 | 51,377,319 | 44,064,768 | 32,752,988 |
| Contract Loans | 21,203,253 | 19,499,231 | 17,661,380 | 16,037,640 | 14,599,494 | 14,339,223 | 14,091,617 | 13,855,162 |
| Other invested assets | 16,532,317 | 42,755,991 | 15,113,867 | 5,048,763 | 16,685,352 | 18,565,056 | 20,525,986 | 22,978,587 |
| Receivables for securities | 361,435 | 9,525,936 | 7,404 | 134,375 | 68,847 | 141,295 | 18,309 | 11,714 |
| Subtotals, cash and invested assets | 362,441,660 | 1,045,372,573 | 1,021,891,189 | 1,006,091,060 | 1,074,860,587 | 1,071,604,498 | 1,047,732,822 | 1,041,810,645 |
| Investment income due and accrued | 2,676,718 | 12,085,694 | 12,131,582 | 11,416,418 | 8,535,623 | 9,465,501 | 10,114,604 | 9,230,416 |
| Premiums and considerations | | | | | | | | |
| Uncollected premiums and agents' balances in course of collection | 103,720 | 222,954 | 203,667 | 215,016 | 214,830 | 192,150 | 170,317 | 180,440 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 12,275,542 | 11,438,664 | 11,000,549 | 10,777,769 | 9,813,168 | 9,006,459 | 8,172,384 | 6,822,645 |
| Reinsurance | | | | | | | | |
| Amounts recoverable from reinsurers | 234,523 | 1,179,680 | 110,036 | 562,424 | 624,371 | 476,916 | 323,671 | 214,682 |
| Funds held by or deposited with reinsured companies | 123,136 | 148,943 | 106,315 | 79,049 | 50,802 | 40,595 | 39,466 | 35,949 |
| Other amounts receivable under reinsurance contracts | 188,229 | 153,368 | 255,017 | 65,193 | 151,422 | 712,931 | 394,078 | 76,489 |
| Current federal and foreign income tax recoverable and interest theron | 5,464,943 | 7,465,254 | 2,069,752 | 1,370,011 | - | - | - | - |
| Net deferred tax asset | 5,430,307 | 8,152,707 | 6,762,804 | 3,283,655 | 6,642,417 | 5,076,871 | 7,751,996 | - |
| Net adjustment in assets and liabilities due to foreign exchange rates | 11,489,877 | 19,622,591 | - | - | - | - | - | - |
| Receivables from parent, subsidiaries and affiliates | 3,106,500 | 889,837 | 1,462,022 | - | 15,924 | - | - | 1,376,288 |
| Aggregate write-in for other than invested assets | 2,181,664 | 74,842 | 1,418,022 | 670,632 | 554,154 | 551,992 | 405,879 | 566,461 |
| Total | $ 405,918,819 | $ 1,106,807,107 | 1,057,409,955 | $ 1,034,531,227 | $ 1,101,483,298 | $ 1,097,127,913 | $ 1,075,105,217 | $ 1,060,314,015 |

| DETAIL OF WRITE-INS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Premium Receivable from Non-Insurance Company | - | 74,842 | - | - | - | - | - | - |
| Premium Remittances in Transit | - | - | 1,333,310 | 638,973 | 438,080 | 436,928 | 293,442 | 369,736 |
| Federal Tax Interest Receivable | 1,576,574 | - | - | - | - | - | - | - |
| Prepad Software | 42,849 | - | - | - | - | - | - | - |
| Miscellaneous Receivable | 562,241 | - | 84,712 | 31,659 | 116,074 | 115,064 | 112,437 | 196,725 |
| TOTAL | 2,181,664 | 74,842 | 1,418,022 | 670,632 | 554,154 | 551,992 | 405,879 | 566,461 |

# APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
## LIABILITIES AND SURPLUS
## FYE 2014 - 2018 and three quarters ended September 30, 2019

| | 2014 | 2015 | 2016 | 2017 | 2018 | 3/31/2019 | 6/30/2019 | 9/30/2019 |
|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | |
| Aggregate reserve for life contracts | $ 239,448,186 | $ 903,234,965 | $ 894,737,491 | $ 885,333,409 | $ 876,638,275 | $ 864,857,048 | $ 859,665,815 | $ 853,328,914 |
| Aggregate reserve for accident and health contracts | 21,703,668 | 19,759,891 | 15,394,007 | 12,223,958 | 10,151,493 | 10,125,254 | 9,793,203 | 9,560,671 |
| Liability for deposit-type contracts | - | - | - | - | - | - | - | - |
| Life | 36,201,644 | 32,553,850 | 33,356,459 | 30,800,089 | 28,091,717 | 28,582,763 | 27,302,835 | 27,911,022 |
| Accident and health | 9,069,405 | 5,317,707 | 3,435,814 | 1,986,482 | 1,309,493 | 892,292 | 724,589 | 846,053 |
| Premiums and annuity considerations for life and A&H contracdts rec'd in advance | 63,849 | 46,554 | 19,267 | 26,471 | 16,495 | 22,234 | 15,551 | 6,364 |
| Other amounts payable on reinsurance | 712,664 | 2,194,345 | 233,754 | 1,166,209 | 623,003 | 1,319,257 | 1,213,658 | 1,191,881 |
| Interest Maintenance Reserve | 7,425,420 | 39,829,296 | 33,361,602 | 27,694,263 | 99,650,075 | 97,121,140 | 94,479,040 | 93,023,314 |
| Commisisons and expense allowances payable on reinsurance assumed | 70,161 | - | - | - | - | - | - | - |
| General expenses due or accrued | 1,331,979 | 2,074,617 | 2,588,465 | 2,229,314 | 872,255 | 837,644 | 876,405 | 965,850 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 380,000 | 30,967 | 61,362 | 131,715 | - | - | - | - |
| Current federal and foreign income taxes | - | - | - | - | 2,503,178 | 756,570 | 683,319 | 912,384 |
| Unearned investment income | | | | | | | | 39,736 |
| Amounts withheld or retained by company as agent or trustee | - | - | - | - | 205,092 | - | - | - |
| Remittances and items not allocated | 1,995,775 | 1,035,626 | 973,098 | 622,383 | 178,771 | 337,744 | 423,387 | 358,791 |
| Asset valuation reserve | 1,747,372 | 7,397,448 | 7,588,342 | 5,678,370 | 5,174,298 | 4,635,930 | 5,030,615 | 5,229,738 |
| Reinsurance in unauthorized and certified companies | - | | | | 128,392 | 130,968 | - | - |
| Payable to parent, subsidiaries and affiliates | 3,177,570 | 1,890,019 | 2,468,330 | - | 2,016,673 | 750,005 | 1,727,841 | - |
| Payable for securities | 297,300 | | | | | 10,351,304 | - | 2,700,000 |
| Aggregate write-ins for liablities | - | - | - | - | 147,827 | 149,110 | 149,202 | 148,709 |
| Total liabilities | $ 323,625,193 | $ 1,015,365,285 | $ 994,215,991 | $ 967,892,642 | $ 1,027,707,037 | $ 1,020,869,263 | $ 1,002,085,260 | $ 996,225,427 |
| **SURPLUS** | | | | | | | | |
| Common capital stock | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Gross paid-in and contributed surplus (Page 3, Line 33, Col 2 plus Page 4, Line51.1, Col 1) | 90,101,585 | 315,038,989 | 64,780,085 | 84,780,085 | 64,780,085 | 84,780,085 | 84,285,643 | 84,285,643 |
| Unassigned funds (surplus) | (10,307,959) | (226,097,166) | (24,086,121) | (20,641,500) | (13,523,824) | (11,021,435) | (13,765,686) | (22,697,055) |
| Totals | 82,293,626 | 91,441,823 | 83,193,964 | 66,638,585 | 73,756,261 | 76,256,650 | 73,019,957 | 64,088,588 |
| **Total Liabilities and surplus** | $ 405,918,819 | $ 1,106,807,107 | $ 1,057,409,955 | $ 1,034,531,227 | $ 1,101,463,298 | $ 1,097,127,913 | $ 1,075,105,217 | $ 1,060,314,015 |
| **DETAIL OF WRITE-INS** | | | | | | | | |
| Unclaimed Property | | | | | 147,827 | 149,110 | 149,202 | 149,202 |
| TOTAL | $ - | $ - | $ - | $ - | $ 147,827 | $ 149,110 | $ 149,202 | $ 149,202 |

# APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2015 - 2018 and three quarters ended September 30, 2019

| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 | Six months ended 6/30/2019 | Nine months ended 9/30/2019-YTD |
|---|---|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | | | |
| Premiums and annuity considerations for life and A&H contracts | $ 79,546,487 | $ 64,616,491 | $ 51,572,765 | $ 45,264,153 | $ 9,458,425 | $ 19,744,426 | $ 29,565,876 |
| Considerations for supplementary contracts with life contingencies | | | | | | | |
| Net investment income | 48,056,721 | 47,003,293 | 50,110,366 | 32,614,570 | 10,663,071 | 21,362,797 | 32,105,095 |
| Amortization of Interest Maintenance Reserve (IMR) | 7,727,545 | 4,968,409 | 5,363,051 | 8,428,763 | 2,542,159 | 4,993,882 | 7,492,645 |
| Commissions and expense allocations on reinsurance ceded | 1,517,649 | 1,086,448 | 852,728 | 792,162 | 174,174 | 342,680 | 477,164 |
| Aggregate write-ins for miscellaneous income | 331,089 | 155,781 | 222,239 | 861,206 | 95,713 | 402,824 | 341,477 |
| Totals | 137,179,491 | 117,830,422 | 108,121,149 | 87,960,854 | 22,933,542 | 46,846,609 | 69,982,257 |
| | | | | | | | |
| Death Benefits | 61,027,205 | 56,648,850 | 50,531,976 | 43,587,722 | 12,531,873 | 23,109,749 | 36,447,885 |
| Annuity benefits | 46,154,026 | 41,396,315 | 45,486,353 | 41,945,204 | 11,140,228 | 24,770,905 | 36,228,471 |
| Disability benefits and benefits under A&H contracts | 4,893,648 | 3,778,961 | 1,789,297 | 1,355,771 | (44,850) | 113,526 | 554,220 |
| Coupons, guaranteed annual pure endowments and similar benefits | - | - | - | - | - | - | - |
| Surrender benefits and withdrawals for life contracts | 1,358,741 | 1,751,134 | 1,103,265 | 696,742 | 107,593 | 341,167 | 459,349 |
| Increase in aggregate reserves for life and A&H contracts | (8,305,667) | (12,550,290) | (12,616,793) | (98,348,516) | (12,016,187) | (17,346,261) | (23,912,048) |
| Totals | 105,127,953 | 91,026,970 | 86,294,098 | (10,763,077) | 11,718,657 | 30,989,086 | 49,777,877 |
| | | | | | | | |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 6,726,050 | 3,894,153 | 3,072,101 | 2,565,981 | 561,396 | 1,105,662 | 1,598,973 |
| Commissions and expense allocations on reinsurance assumed | 7,599,227 | 7,139,712 | 6,826,616 | 6,491,863 | 1,400,207 | 3,096,970 | 4,771,478 |
| General insurance expenses and fraternal expenses | 13,737,451 | 11,262,553 | 9,898,947 | 14,580,573 | 5,158,504 | 13,227,505 | 17,652,125 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 1,642,031 | 1,496,988 | 1,527,013 | 1,503,610 | 557,242 | 767,551 | 1,307,695 |
| Increase in loading on deferred and uncollected premiums | (128,198) | (430,426) | (335,718) | 412,331 | 111,374 | 584,139 | 1,283,853 |
| Aggregate write-ins for deductions | 1,965,413 | 2,624,541 | (26,847) | 54,524 | (5,169) | 18,707 | (68,744) |
| Totals | 136,669,927 | 117,014,491 | 107,256,210 | 14,845,805 | 19,502,211 | 49,789,620 | 76,323,257 |
| Net gain from operations before dividends to policyholders and federal income taxes | 509,564 | 815,931 | 864,939 | 73,115,049 | 3,431,331 | (2,943,011) | (6,341,000) |
| Dividends to policyholders and refunds to members | - | - | - | - | - | - | - |
| Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus 30) | 509,564 | 815,931 | 864,939 | 73,115,049 | 3,431,331 | (2,943,011) | (6,341,000) |
| Federal and foreign income taxes incurred (excluding tax on capital gains) | 5,190,511 | (1,384,697) | (193,385) | (136,481) | - | 31,023 | (26,781) |
| Net gain from operations after dividends to policyholders, refunds to | (4,680,947) | 2,200,628 | 1,058,324 | 73,251,530 | 3,431,331 | (2,974,034) | (6,314,219) |
| Net realized capital gains (losses) (excluding gains (losses) transferred to | 1,209,044 | 2,094,003 | 1,453,112 | 21,394,982 | - | 86,030 | 100,748 |
| **Net income (loss) (Line 33 plus Line 34)** | (3,471,903) | 4,294,631 | 2,511,436 | 94,646,512 | 3,431,331 | (2,888,004) | (6,213,471) |
| | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 | 6/30/2019-YTD | 9/30/2019-YTD |

# APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2015 - 2018 and three quarters ended September 30, 2019

| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 | Six months ended 6/30/2019 | Nine months ended 9/30/2019-YTD |
|---|---|---|---|---|---|---|---|
| **CAPITAL & SURPLUS ACCOUNT** | | | | | | | |
| Capital and surplus, December 31, prior year | 118,513,139 | 55,410,374 | 63,193,964 | 66,638,585 | 73,756,261 | 73,756,261 | 73,756,261 |
| Net Income (Line 35) | (3,471,903) | 4,294,631 | 2,511,436 | 94,646,512 | 3,431,331 | (2,888,004) | (6,213,471) |
| Change in net unrealized capital gains or (losses) | (32,938,133) | 961,581 | (603,508) | 1,607 | (360,213) | (213,009) | 2,496,137 |
| Change in Net unrealized foreign exchange capital gain (loss) | 8,132,714 | 4,182,398 | 3,091,586 | (3,640,675) | 658,448 | 1,482,958 | 1,118,135 |
| Change in net deferred income tax | 5,600,453 | (2,076,174) | (26,840,669) | (14,636,166) | (78,546) | 1,695,768 | 2,878,282 |
| Change in nonadmitted assets | (3,423,886) | 700,554 | 23,375,803 | 17,994,927 | (1,487,000) | (596,898) | (9,529,040) |
| Change in liability for reinsurance in unauthorized and certified companies | - | - | - | (128,392) | - | 133,639 | 132,165 |
| Change in reserve on account of change in valuation basis (increase) or decrease | - | - | - | (87,624,208) | - | - | - |
| Change in asset valuation reserve | (3,202,974) | (279,401) | 1,909,973 | 504,071 | 338,369 | 143,684 | (55,439) |
| Paid In | - | - | - | - | - | (494,442) | (494,442) |
| Transferred to surplus | (1,100,012) | - | - | - | - | - | - |
| Paid In | (293,424,400) | - | - | - | - | - | - |
| Transferred from capital | 296,756,824 | - | - | - | - | - | - |
| Dividends to stockholders | | | | | | | |
| Aggregate write-in for gains and losses in surplus | - | - | - | - | - | - | - |
| Net change in capital and surplus (Lines 37 through 53) | (27,071,317) | 7,783,589 | 3,444,621 | 7,117,676 | 2,502,389 | (736,304) | (9,667,673) |
| Capital and surplus as of statement date (Lines 36 + 54) | $ 91,441,822 | $ 63,193,963 | $ 66,638,585 | $ 73,756,261 | $ 76,258,650 | $ 73,019,957 | $ 64,088,588 |
| **DETAIL OF WRITE-INS** | | | | | | | |
| Modified Coinsurance Reserve Adjustments | 326,681 | 154,562 | 219,484 | 120,910 | 95,669 | 176,041 | 176,041 |
| Miscellaneous Income | 3,167 | 180 | 1,987 | 103,815 | | 99 | 99 |
| Interest on Premiums | 1,241 | 1,039 | 768 | | 44 | - | - |
| Fees for Services | | | | 636,033 | | 226,684 | 226,684 |
| Other items on Overflow Page | | | | 448 | | | |
| | 331,089 | 155,781 | 222,239 | 861,206 | 95,713 | 402,824 | 402,824 |
| Realized Foreign Exchange Loss | 1,963,450 | 533,633 | (29,686) | 48,245 | (5,869) | (5,868) | (5,868) |
| Regulatory Penalties | 1,902 | 9,137 | 2,476 | 6,279 | 700 | 24,575 | 24,575 |
| Tax Penalties | 61 | - | | | | | |
| Ceiling Fee Paid on Commuted Reinsurance | | 2,081,771 | - | | | | |
| Other items on Overflow Page | | | 363 | | | | |
| | 1,965,413 | 2,624,541 | (26,847) | 54,524 | (5,169) | 18,707 | 18,707 |
| Adjustment to unassigned surplus for dividends paid in 2012 & 2014 | | | | | | | |
| | - | - | - | - | - | - | - |

APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
GENERAL EXPENSES (EXHIBIT 2)
FYE 2014 - 2018

| | 2014 | | | | 2015 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EXHIBIT 2 - GENERAL EXPENSES** | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 134,225 | $ 54,293 | $ - | $ 188,518 | $ 126,063 | $ 45,949 | $ - | $ 172,012 | $ 203,315 | $ 69,561 | $ - | $ 272,876 |
| Salaries and wages | 1,738,579 | 703,245 | | 2,441,824 | 2,377,849 | 866,696 | | 3,244,545 | 4,782,997 | 1,636,425 | | 6,419,422 |
| Contributions for benefit plans for employees | 350,381 | 141,727 | | 492,108 | 455,194 | 165,912 | | 621,106 | - | - | | - |
| Other employee welfare | 430,026 | 173,942 | | 603,968 | 553,675 | 201,807 | | 755,482 | - | - | | - |
| Inspection report fees | - | - | | - | - | - | | - | 44,523 | 15,233 | | 59,756 |
| Fees of public accountants and consulting actuaries | 337,843 | 136,656 | - | 474,499 | 983,453 | 358,456 | - | 1,341,909 | 650,046 | 222,403 | - | 872,449 |
| Expense of investigation and settlement of policy claims | 704,468 | 284,953 | - | 989,421 | 698,330 | 254,533 | - | 952,863 | 105,043 | 35,939 | - | 140,982 |
| Traveling expenses | 60,939 | 24,649 | - | 85,588 | 46,066 | 16,798 | - | 62,884 | 61,184 | 20,933 | - | 82,117 |
| Advertising | - | - | | - | - | - | | - | - | - | | - |
| Postage, express, telegraph and telephone | 106,388 | 43,033 | - | 149,421 | 49,169 | 17,921 | - | 67,090 | 81,364 | 27,837 | - | 109,201 |
| Printing and stationery | 10,621 | 4,296 | - | 14,917 | 15,030 | 5,478 | - | 20,508 | 31,892 | 10,843 | - | 42,535 |
| Cost or depreciation of furniture and equipment | - | - | - | - | - | - | - | - | 83,586 | 28,598 | - | 112,184 |
| Rental of equipment | 474 | 192 | - | 666 | 502 | 183 | - | 685 | - | - | - | - |
| Cost or depreciation of EDP equipment and software | 1,442,940 | 583,661 | - | 2,026,601 | 811,902 | 295,928 | - | 1,107,830 | 126,674 | 43,340 | - | 170,014 |
| Books and periodicals | 2,830 | 1,145 | - | 3,975 | 3,942 | 1,437 | - | 5,379 | 4,614 | 1,579 | - | 6,193 |
| Bureau and association fees | 24,937 | 10,087 | | 35,024 | 50,071 | 18,250 | | 68,321 | 13,864 | 4,743 | | 18,607 |
| Insurance, except on real estate | 5,957 | 2,410 | | 8,367 | 9,099 | 3,316 | | 12,415 | 33,561 | 11,483 | | 45,044 |
| Collection and bank service charges | 404,963 | 163,805 | | 568,768 | 305,040 | 111,183 | | 416,223 | 264,157 | 90,377 | | 354,534 |
| Sundry general expenses | 55,998 | 22,651 | | 78,649 | 95,892 | 34,951 | | 130,843 | 134,780 | 46,113 | | 180,893 |
| Group service and administration fees | 2,470,733 | 999,398 | | 3,470,131 | 3,249,959 | 1,184,572 | | 4,434,531 | 1,743,288 | 596,438 | | 2,339,726 |
| Agency expense allowance | - | - | | - | - | - | | - | - | - | | - |
| Investment expenses not included elsewhere | - | - | 333,929 | 333,929 | - | - | 1,607,741 | 1,607,741 | - | - | 2,091,726 | 2,091,726 |
| Aggregate write-ins for expenses | (48,673) | (18,879) | - | (65,552) | 238,591 | 86,234 | - | 322,825 | 26,838 | 9,182 | - | 36,020 |
| General expenses incurred | $ 8,235,629 | $ 3,331,264 | $ 333,929 | $ 11,900,822 | $ 10,067,847 | $ 3,669,604 | $ 1,607,741 | $ 15,345,192 | $ 8,391,526 | $ 2,871,027 | $ 2,091,726 | $ 13,354,279 |
| | | | | | | | | | | | | |
| **DETAIL OF WRITE-INS** | | | | | | | | | | | | |
| Other general & admin expenses | $ (46,673) | $ (18,879) | | $ (65,552) | $ 236,591 | $ 86,234 | $ - | $ 322,825 | $ 26,838 | $ 9,182 | $ - | $ 36,020 |
| Goodwill Amortization | | | | - | | | | - | | | | - |
| Other Interest | | | | - | | | | - | | | | - |
| Totals | $ (46,673) | $ (18,879) | $ - | $ (65,552) | $ 236,591 | $ 86,234 | $ - | $ 322,825 | $ 26,838 | $ 9,182 | $ - | $ 36,020 |

APPENDIX D - PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN ANNUAL STATEMENT INFORMATION
GENERAL EXPENSES (EXHIBIT 2)
FYE 2014 - 2018

| | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **EXHIBIT 2 - GENERAL EXPENSES** | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ - | $ - | $ - | $ - | $ 464,162 | $ 145,495 | $ - | $ 609,677 |
| Salaries and wages | 2,569,917 | 836,896 | | 3,406,813 | 3,498,815 | 1,096,685 | | 4,595,500 |
| Contributions for benefit plans for employees | - | - | | - | 303,447 | 95,114 | | 398,561 |
| Other employee welfare | 1,055,917 | 343,861 | | 1,399,778 | 558,064 | 174,922 | | 732,986 |
| Inspection report fees | - | - | | - | - | - | | - |
| Fees of public accountants and consulting actuaries | 562,811 | 183,280 | - | 746,091 | 2,308,033 | 723,440 | - | 3,031,473 |
| Expense of investigation and settlement of policy claims | 670,939 | 218,492 | - | 889,431 | 419,513 | 131,494 | - | 551,007 |
| Traveling expenses | 5,971 | 1,944 | - | 7,915 | 198,729 | 62,291 | - | 261,020 |
| Advertising | - | - | | - | 16,114 | 5,051 | | 21,165 |
| Postage, express, telegraph and telephone | 29,089 | 9,473 | - | 38,562 | 251,477 | 78,824 | - | 330,301 |
| Printing and stationery | 5,962 | 1,941 | - | 7,903 | 88,121 | 27,621 | - | 115,742 |
| Cost or depreciation of furniture and equipment | - | - | - | - | 272,969 | 85,561 | - | 358,530 |
| Rental of equipment | 486 | 158 | - | 644 | - | - | - | - |
| Cost or depreciation of EDP equipment and software | 976,201 | 317,901 | - | 1,294,102 | 1,470,493 | 460,918 | - | 1,931,411 |
| Books and periodicals | 12,336 | 4,017 | - | 16,353 | 33,794 | 10,593 | - | 44,387 |
| Bureau and association fees | 14,372 | 4,680 | | 19,052 | 54,219 | 16,995 | | 71,214 |
| Insurance, except on real estate | - | - | | - | 124,194 | 38,928 | | 163,122 |
| Collection and bank service charges | 242,540 | 78,983 | | 321,523 | 256,662 | 80,449 | | 337,111 |
| Sundry general expenses | 33,011 | 10,750 | | 43,761 | 87,617 | 27,463 | | 115,080 |
| Group service and administration fees | 1,254,652 | 408,578 | | 1,663,230 | 516,421 | 161,869 | | 678,290 |
| Agency expense allowance | - | - | | - | 2,755 | 864 | | 3,619 |
| Investment expenses not included elsewhere | - | - | 784,317 | 784,317 | - | - | 1,571,249 | 1,571,249 |
| Aggregate write-ins for expenses | 33,032 | 10,757 | - | 43,789 | 175,399 | 54,978 | - | 230,377 |
| General expenses incurred | $ 7,467,236 | $ 2,431,711 | $ 784,317 | $ 10,683,264 | $ 11,101,018 | $ 3,479,555 | $ 1,571,249 | $ 16,151,822 |
| | | | | | | | | |
| DETAIL OF WRITE-INS | | | | | | | | |
| Other general & admin expenses | $ 33,032 | $ 10,757 | $ - | $ 43,789 | $ 40,170 | $ 12,591 | $ - | $ 52,761 |
| Goodwill Amortization | | | | - | 131,758 | 41,299 | | 173,057 |
| Other Interest | | | | - | 3,471 | 1,088 | | 4,559 |
| Totals | $ 33,032 | $ 10,757 | $ - | $ 43,789 | $ 175,399 | $ 54,978 | $ - | $ 230,377 |

# APPENDIX E

## Southland National Insurance Corporation Annual Statement Information

# APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
## NET ADMITTED ASSETS
## FYE 2013 - 2018

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Bonds | $ 148,126,174 | $ 207,833,327 | $ 175,611,615 | $ 163,226,791 | $ 236,247,880 | $ 256,201,649 |
| Stocks | | | | | | |
| Preferred Stocks | 375,000 | 375,000 | 24,000,000 | 32,310,000 | 32,310,000 | 32,310,000 |
| Common Stocks | 778,793 | 2,286,386 | 3,789,583 | 10,289,916 | 5,600 | 4,990 |
| Mortgage Loans on Real Estate | | | | | | |
| First liens | 168,626 | - | 712,041 | 3,295,585 | 3,547,256 | 2,380,170 |
| Real Estate | | | | | | |
| Properties held for the production of income | - | - | - | - | 739,918 | - |
| Properties held for sale | - | - | - | - | 308,180 | 376,913 |
| Cash, cash equivalents and short-term investments | 14,201,790 | 94,836,871 | 82,839,812 | 110,840,968 | 67,431,075 | 37,252,738 |
| Contract Loans | 112,915 | 5,673,320 | 109,840 | 495,880 | 798,447 | 364,213 |
| Derivatives | - | - | - | - | - | - |
| Other Invested assets | - | - | 9,000,000 | 9,000,000 | 9,000,000 | 9,000,000 |
| Receivables for securities | - | - | 3,371 | - | 4,546,079 | 5,690,080 |
| Subtotals, cash and invested assets | 163,763,298 | 311,004,904 | 296,066,262 | 329,459,140 | 354,934,435 | 343,580,753 |
| Investment income due and accrued | 1,907,291 | 2,109,481 | 8,155,759 | 5,849,170 | 6,251,524 | 3,170,301 |
| Premiums and considerations | | | | | | |
| Uncollected premiums and agents' balances in course of collection | 43,504 | 130,277 | 730,717 | 45,989,919 | 694,429 | 80,815 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 685,399 | 2,475,635 | 261,017 | 543,860 | 481,856 | 610,244 |
| Reinsurance | | | | | | |
| Amounts recoverable from reinsurers | 242,096 | - | 868,301 | 1,563,943 | 3,190,532 | 3,037,144 |
| Funds held by or deposited with reinsured companies | - | - | - | - | 44,408,947 | - |
| Other amounts receivable under reinsurance contracts | 17,348 | 2,293 | 472,152 | 709,941 | 4,221,917 | 961,232 |
| Current federal and foreign income tax recoverable and interest theron | - | - | - | - | - | 1,547,515 |
| Net deferred tax asset | 68,470 | 2,129,586 | 525,511 | 1,144,369 | 305,449 | 872,246 |
| Guaranty funds receivable or on deposit | 214,351 | 218,613 | 114,927 | 105,790 | 48,889 | - |
| Electronic data processing equipment and software | 27,867 | - | - | - | 19,862 | - |
| Receivables from parent, subsidiaries and affiliates | 4,236 | - | - | - | 2,792,533 | 250 |
| Health care and other amounts receivable | - | 6,078 | 9,173 | 13,322 | 16,461 | 550 |
| Aggregate write-in for other than invested assets | 117,200 | 67,360 | 155,441 | 48,762 | 953,485 | 146,131 |
| Total | $ 167,092,060 | $ 318,144,227 | $ 307,359,260 | $ 385,428,216 | $ 418,320,319 | $ 354,007,181 |
| DETAIL OF WRITE-INS | | | | | | |
| Premium Tax Offset | 117,200 | 67,360 | 55,441 | 48,762 | 46,976 | - |
| Miscellaneous Receivable | - | - | - | - | 824,705 | 83,013 |
| Initial Escrow for new acquisitions | - | - | 100,000 | - | - | - |
| Ceded Insurance premium asset | - | - | - | - | 81,804 | - |
| Premiums in Transit | - | - | - | - | - | 63,118 |
| Total | 117,200 | 67,360 | 155,441 | 48,762 | 953,485 | 146,131 |

# APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
## LIABILITIES AND SURPLUS
## FYE 2013 - 2018

| LIABILITIES | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Aggregate reserve for life contracts | $ 149,657,789 | $ 278,745,427 | $ 114,535,391 | $ 195,883,019 | $ 230,838,718 | $ 184,078,945 |
| Aggregate reserve for accident and health contracts | 157,738 | 110,793 | 74,540 | 72,896 | 71,109 | 87,280 |
| Liability for deposit-type contracts | | | | | | |
| Life | 1,261,366 | 1,315,580 | 980,705 | 963,337 | 1,489,275 | 1,227,266 |
| Accident and health | 93,973 | 137,547 | 200,465 | 2,057 | - | 573,103 |
| Policyholder dividends | | | 9 | 16,297 | 16,299 | - |
| Provision for policyholders' dividends and coupons payable in estimated amounts | | | | | | |
| Dividends apportioned for payment | | | | | 92,349 | 92,349 |
| Premiums and annuity considerations for life and A&H contracdts rec'd in advance | 305,096 | 387,914 | 60,943 | 226,732 | 391,297 | 289,742 |
| Contract liabilities not included elsewhere | | | | 79,834 | 183,775 | - |
| Other amounts payable on reinsurance | - | 301,368 | 1,769,942 | 4,339,009 | 5,534,507 | 4,058,433 |
| Interest Maintenance Reserve | 3,540,348 | 8,700,177 | 3,719,007 | 3,273,855 | 4,615,604 | 3,307,086 |
| Commissions to agents due or accrued | 1,675 | 820 | 611 | 392 | 257 | - |
| Commisisons and expense allowances payable on reinsurance assumed | | | 419,033 | 2,014,399 | 405,985 | 428,933 |
| General expenses due or accrued | 291,982 | 306,533 | 434,516 | 570,116 | 93,248 | 59,613 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 206,425 | 220,379 | 115,619 | 113,402 | 53,012 | - |
| Current federal and foreign income taxes | - | 1,900,961 | 3,853,811 | 348,429 | | |
| Unearned investment income | 1,276 | 35,433 | | 12,367 | 12,367 | 3,841 |
| Amounts withheld or retained by company as agent or trustee | 2,547 | 2,224 | (5,822) | (1,374) | | 7,374 |
| Remittances and items not allocated | (9,650) | (7,837) | (10,200) | (11,366) | 28,008 | 364,589 |
| Asset valuation reserve | 1,254,186 | 2,576,442 | 5,662,669 | 2,349,868 | 2,703,403 | 2,057,080 |
| Reinsurance in unauthorized and certified companies | 1,286 | | 525,545 | 114,829 | | 749,364 |
| Funds held under reinsurance treaties with unaffiliated and certified reinsurers | | | 140,062,952 | 137,959,142 | 137,599,529 | 133,007,438 |
| Payable to parent, subsidiaries and affiliates | 57,492 | 84,719 | 554,117 | 54,000 | | 1,345,457 |
| Funds held under coinsurance | 100,313 | | | | | |
| Aggregate write-ins for liablities | 698,913 | 438,906 | 422,480 | 406,370 | 390,568 | 365,586 |
| Total liabilities | 157,622,755 | 295,257,386 | 273,376,333 | 348,787,610 | 384,519,310 | 332,103,479 |

| SURPLUS | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Common capital stock | 1,502,718 | 1,502,718 | 1,502,718 | 1,502,718 | 1,502,718 | 1,502,718 |
| Aggregate write-ins for other than special surplus funds | - | - | - | 10,695,305 | 8,836,112 | 5,379,354 |
| Surplus notes | 3,000,000 | | | | | |
| Gross paid-in and contributed surplus | 7,838,042 | 31,238,042 | 31,348,042 | 31,348,042 | 65,283,086 | 65,283,086 |
| Unassigned funds (surplus) | (2,871,455) | (9,853,919) | 1,132,166 | (6,905,459) | (38,634,708) | (47,075,257) |
| Less Treasury Stock, at cost | | | | | | |
| Shares common | - | - | - | - | 3,186,200 | 3,186,200 |
| Totals | 9,469,305 | 22,886,841 | 33,982,926 | 36,640,606 | 33,801,008 | 21,903,701 |
| **Total Liabilities and surplus** | $ 167,092,060 | $ 318,144,227 | $ 307,359,259 | $ 385,428,216 | $ 418,320,318 | $ 354,007,180 |

| DETAIL OF WRITE-INS | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Deferred Compensation Liability | 670,441 | 438,906 | 422,480 | 406,370 | 390,568 | 355,371 |
| Deferred Gain on Sale of Bldg | 28,472 | | | | | |
| Miscellaneous Liability | | | | | | 10,215 |
| TOTAL | $ 698,913 | $ 438,906 | $ 422,480 | $ 406,370 | $ 390,568 | $ 365,586 |
| Deferred Reinsurance Gain | | | | 10,695,305 | 8,836,112 | 5,379,354 |
| TOTAL | $ - | $ - | $ - | $ 10,695,305 | $ 8,836,112 | $ 5,379,354 |

# APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
## STATEMENT OF INCOME
## FYE 2013 - 2018

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **UNDERWRITING INCOME** | | | | | | |
| Premiums and annuity considerations for life and A&H contracts | $ 6,524,718 | $ 145,173,721 | $ (152,436,105) | $ 94,404,648 | $ 7,536,074 | $ (36,050,690) |
| Net investment income | 6,463,965 | 7,386,449 | 10,359,343 | 18,149,870 | 22,379,283 | 15,337,803 |
| Amortization of Interest Maintenance Reserve (IMR) | 571,516 | 1,170,146 | 741,634 | 709,320 | 801,941 | 728,807 |
| Commissions and expense allocations on reinsurance ceded | 17,752 | 13,882 | 25,979,165 | 6,603,236 | 7,337,609 | 7,321,170 |
| Aggregate write-ins for miscellaneous income | 571,411 | 45,975 | 6,860 | 13,892 | 325,915 | 18,074 |
| Totals | 14,149,362 | 153,790,173 | (115,349,103) | 119,880,966 | 38,380,822 | (12,644,836) |
| | | | | | | |
| Death Benefits | 18,049,047 | 16,330,993 | 13,305,123 | 12,021,271 | 20,316,561 | 14,999,472 |
| Matured endowments (excl guaranteed annual pure endowments) | - | 32,739 | 15,905 | | | - |
| Annuity benefits | 17,108 | 39,849 | 14,752 | 1,334,565 | 5,500,349 | 4,715,768 |
| Disability benefits and benefits under A&H contracts | 2,069,236 | 2,429,674 | 3,271,272 | 2,099,114 | 1,405,475 | 2,252,911 |
| Coupons, guaranteed annual pure endowments and similar benefits | | | | | 24 | (98) |
| Surrender benefits and withdrawals for life contracts | 181,367 | 207,534 | 118,272 | 216,590 | 1,164,495 | 914,532 |
| Interest and adjustments on contract or deposit-type contract funds | | | | 16,287 | | |
| Increase in aggregate reserves for life and A&H contracts | (9,091,496) | 129,040,693 | (164,246,289) | 81,345,983 | (12,231,857) | (46,743,601) |
| Totals | 11,225,262 | 148,081,482 | (147,520,965) | 97,033,810 | 16,155,047 | (23,861,016) |
| | | | | | | |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 309,463 | 359,970 | 465,221 | 603,386 | 623,073 | 685,061 |
| Commissions and expense allocations on reinsurance assumed | - | 6,187,000 | 5,152,317 | 8,057,863 | 6,063,870 | 3,438,475 |
| General insurance expenses and fraternal expenses | 2,987,276 | 3,429,118 | 8,304,579 | 4,636,021 | 11,191,945 | 9,842,842 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 292,457 | 221,747 | 250,663 | 299,220 | 655,124 | 661,386 |
| Increase in loading on deferred and uncollected premiums | (211,337) | 1,583,963 | (1,788,302) | 414,024 | (223,718) | (125,809) |
| Aggregate write-ins for deductions | - | - | - | 11,336,533 | 10,722,618 | 8,110,864 |
| Totals | 14,603,121 | 159,863,280 | (135,136,487) | 122,380,857 | 45,187,959 | (1,248,197) |
| Net gain from operations before dividends to policyholders and federal income taxes | (454,059) | (6,073,107) | 19,787,384 | (2,499,891) | (6,807,137) | (11,396,639) |
| Dividends to policyholders and refunds to members | - | - | - | - | 97,364 | 78,511 |
| Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes | (454,059) | (6,073,107) | 19,787,384 | (2,499,891) | (6,904,501) | (11,475,150) |
| | | | | | | |
| Federal and foreign income taxes incurred (excluding tax on capital gains) | - | 1,900,961 | 3,849,143 | 348,429 | (1,480,395) | (1,543,694) |
| | | | | | | |
| Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) | (454,059) | (7,974,068) | 15,938,241 | (2,848,320) | (5,424,106) | (9,931,456) |
| | | | | | | |
| Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) | 674,609 | 754,948 | 499,542 | 1,158,186 | (6,669) | (450,210) |
| **Net income (loss)** | 220,550 | (7,219,120) | 16,437,783 | (1,690,134) | (5,430,775) | (10,381,666) |

APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
STATEMENT OF INCOME
FYE 2013 - 2018

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **CAPITAL & SURPLUS ACCOUNT** | | | | | | |
| Capital and surplus, December 31, prior year | 9,691,837 | 9,469,305 | 22,886,841 | 33,982,928 | 34,032,391 | 33,801,008 |
| Net Income | 220,550 | (7,219,120) | 16,437,783 | (1,690,134) | (5,430,775) | (10,381,666) |
| Change in net unrealized capital gains or (losses) | (828,402) | 185,011 | 1,800,427 | (2,505,690) | 414 | (101,221) |
| Change in net deferred income tax | 756,180 | 2,107,641 | (6,492,358) | 1,865,827 | (2,716,659) | 3,182,529 |
| Change in nonadmitted assets | (666,831) | (7,846) | 5,652,788 | (1,942,153) | 2,949,266 | (2,571,814) |
| Change in liability for reinsurance in unauthorized and certified companies | 86,502 | 1,286 | (525,545) | 410,716 | 114,829 | (749,363) |
| Change in reserve on account of change in valuation basis (increase) or decrease | | | | | | |
| Change in asset valuation reserve | 9,468 | (1,322,256) | (3,055,027) | 3,312,802 | (175,678) | 646,324 |
| Change in surplus notes | - | (3,000,000) | - | - | - | - |
| Paid in | - | 23,400,000 | 110,000 | - | 7,348,429 | - |
| Dividends to stockholders | - | (727,160) | | | | |
| Aggregate write-in for gains and losses in surplus | - | - | (2,831,983) | 3,186,312 | (2,321,211) | (1,922,096) |
| Net change in capital and surplus | (222,533) | 13,417,536 | 11,096,085 | 2,657,680 | (231,385) | (11,897,307) |
| Capital and surplus as of statement date | $ 9,469,304 | $ 22,886,841 | $ 33,982,926 | $ 36,640,606 | $ 33,801,006 | $ 21,903,701 |
| **DETAIL OF WRITE-INS** | | | | | | |
| Other Income | 33,475 | 33,475 | 6,860 | 13,892 | 325,915 | 18,074 |
| Rental Income | 12,500 | 12,500 | | | | |
| | 45,975 | 45,975 | 6,860 | 13,892 | 325,915 | 18,074 |
| Investment credits to reinsurers | | | | 11,336,533 | 10,722,618 | 8,110,864 |
| | - | - | - | 11,336,533 | 10,722,618 | 8,110,864 |
| Unamortized Ceding Commission & Expense Allocation - SNRC | | | 4,991,119 | | | |
| Adj to Surplus-Reinsurance Assumed-North Carolina Mutual Life Ins Co. | | | (7,823,102) | | (788,003) | - |
| Initial Ceding Commission STD RE Less Amort-SNRC/SNG/STD RE | | | | (667,499) | (1,533,208) | (1,922,096) |
| Prior year FIT Expense reversal | | | | 3,853,811 | | |
| | - | - | (2,831,983) | 3,186,312 | (2,321,211) | (1,922,096) |

# APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
## GENERAL EXPENSES (EXHIBIT 2)
## FYE 2013 - 2018

| | 2013 | | | | 2014 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | $ 125,076 | $ 51,324 | | $ 176,400 | $ 20,846 | $ 8,554 | | $ 29,400 | $ - | | | $ - |
| Salaries and wages | 731,206 | 3,770 | | 734,976 | 637,794 | 2,872 | | 640,666 | 124,185 | | | 124,185 |
| Contributions for benefit plans for employees | 65,405 | 382 | | 65,787 | 54,508 | 397 | | 54,905 | 1,242 | | | 1,242 |
| Other employee welfare | 3,512 | 13 | | 3,525 | 2,208 | 5 | | 2,213 | 14,027 | | | 14,027 |
| Legal fees and expenses | 21,289 | - | 225 | 21,514 | 116,033 | 3 | | 116,036 | 812,442 | | 4,000 | 816,442 |
| Medical examination fees | | | | - | | | | - | | | | - |
| Inspection report fees | 50 | 1 | | 51 | | | | - | 1,895 | | | 1,895 |
| Fees of public accountants and consulting actuaries | 550,783 | 5,959 | | 556,742 | 667,145 | 5,383 | | 872,528 | 1,646,425 | 15,430 | | 1,661,855 |
| Expense of investigation and settlement of policy claims | 216 | 179 | | 395 | | 191 | | 191 | | 871 | | 871 |
| Traveling expenses | 6,763 | 11 | | 6,774 | 12,460 | 3 | | 12,463 | 61,450 | | | 61,450 |
| Advertising | 2,455 | | | 2,455 | 1,200 | | | 1,200 | 21,590 | 1 | | 21,591 |
| Postage, express, telegraph and telephone | 63,501 | 83 | | 63,584 | 24,504 | 37 | | 24,541 | 19,211 | 17 | | 19,228 |
| Printing and stationery | 33,281 | 178 | | 33,459 | 10,454 | 116 | | 10,570 | 11,814 | 109 | | 11,923 |
| Cost or depreciation of furniture and equipment | 2,288 | | | 2,286 | | | | - | | | | - |
| Rental of equipment | 14,115 | | | 14,115 | 5,670 | | | 5,670 | | | | - |
| Cost or depreciation of EDP equipment and software | 24,806 | 11 | | 24,817 | 5,307 | 2 | | 5,309 | | | | - |
| Books and periodicals | 4,032 | 17 | 1,500 | 5,549 | 2,541 | | | 2,541 | 6,433 | 12 | | 6,445 |
| Bureau and association fees | 3,922 | 3 | | 3,925 | 9,152 | 3 | | 9,155 | 107,927 | | | 107,927 |
| Insurance, except on real estate | 45,045 | | | 45,045 | 37,037 | | | 37,037 | 52,705 | | | 52,705 |
| Miscellaneous losses | 61,449 | 2 | | 61,451 | 10,514 | (3) | | 10,511 | 10,994 | | | 10,994 |
| Collection and bank service charges | 36,853 | - | | 36,853 | 34,410 | 1,983 | | 36,393 | 36,085 | 6,999 | 500 | 43,584 |
| Sundry general expenses | 102,513 | 8 | | 102,521 | 47,102 | 30 | | 47,132 | 4,273 | 6 | | 4,279 |
| Group service and administration fees | 442,930 | 382,724 | | 825,654 | 780,440 | 489,591 | | 1,270,031 | 4,689,540 | 588,797 | | 5,278,337 |
| Agency expense allowance | | | | - | | | | - | | | | - |
| Agency conferences other than local meetings | 19,748 | - | | 19,746 | | | | - | 2,229 | | | 2,229 |
| Real estate expenses | | | | - | | | | - | | | | - |
| Investment expenses not included elsewhere | | | 374,427 | 374,427 | | | 393,861 | 393,861 | | | 713,434 | 713,434 |
| Aggregate write-ins for expenses | 180,492 | 906 | 2,683 | 184,081 | 440,316 | 310 | 2,700 | 443,326 | 67,848 | 21 | 225 | 68,094 |
| General expenses incurred | $ 2,541,726 | $ 445,551 | $ 378,835 | $ 3,366,112 | $ 2,919,641 | $ 509,477 | $ 396,561 | $ 3,825,679 | $ 7,692,315 | $ 612,263 | $ 718,159 | $ 9,022,737 |
| **DETAIL OF WRITE-INS** | | | | | | | | | | | | |
| Depreciation-Leaseholder Improvements | $ 2,918 | | | $ 2,918 | $ 243 | | | $ 243 | | | | $ - |
| Reinsurance Expense Net of Recoverable | (148,259) | | | (148,259) | 288,127 | | | 288,127 | | | | - |
| EOP Expenses & Maintenance | 287,549 | 906 | 2,683 | 291,138 | 151,946 | 310 | 2,700 | 154,956 | 67,848 | 21 | 225 | 68,094 |
| New Company Set-up Fees/Office Service Expense | 38,284 | | | 38,284 | | | | | | | | |
| Office Service Expense | | | | - | | | | - | | | | - |
| Computer Service Expense | | | | - | | | | - | | | | - |
| Utilities & Miscellaneous | | | | - | | | | - | | | | - |
| Admin Fee Allocaiton | | | | - | | | | - | | | | - |
| Administrative Fee Expense Allocation | | | | - | | | | - | | | | - |
| Computer Service Costs | | | | | | | | | | | | |
| Goodwill Amortization | | | | | | | | | | | | |
| Interest and Penalties | | | | | | | | | | | | |
| Miscellaneous | | | | - | | | | - | | | | - |
| Totals | $ 180,492 | $ 906 | $ 2,683 | $ 184,081 | $ 440,316 | $ 310 | $ 2,700 | $ 443,326 | $ 67,848 | $ 21 | $ 225 | $ 68,094 |

# APPENDIX E - SOUTHLAND NATIONAL INSURANCE CORPORATION ANNUAL STATEMENT INFORMATION
## GENERAL EXPENSES (EXHIBIT 2)
## FYE 2013 - 2018

| | 2016 | | | | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total | Life Insurance | Accident & Health Insurance | Investment | Total |
| Rent | | | | $ - | $ 380,722 | | $ 4,204 | $ 384,926 | $ 487,946 | | | $ 487,946 |
| Salaries and wages | 145,653 | | | 145,653 | 4,283,788 | | - | 4,283,788 | 3,091,303 | | | 3,091,303 |
| Contributions for benefit plans for employees | | | | - | 382,226 | | - | 362,226 | 469,044 | | | 469,044 |
| Other employee welfare | 356 | | | 356 | 18,091 | | - | 18,091 | 314,912 | | | 314,912 |
| Legal fees and expenses | 73,410 | | | 73,410 | 276,060 | | 71 | 276,131 | - | | | - |
| Medical examination fees | | | | - | 12,911 | | 309 | 13,220 | 4,474 | | | 4,474 |
| Inspection report fees | 2,145 | | | 2,145 | 2,264 | | - | 2,264 | - | | | - |
| Fees of public accountants and consulting actuaries | 1,409,064 | 12,184 | | 1,421,248 | 753,823 | (1,217) | 5,656 | 758,262 | 1,717,375 | | | 1,717,375 |
| Expense of investigation and settlement of policy claims | 1 | 1,203 | | 1,204 | 5,565 | 2,338 | - | 7,903 | 35,417 | | | 35,417 |
| Traveling expenses | (8,045) | | | (8,045) | 330,700 | | 394 | 331,094 | 157,863 | | | 157,863 |
| Advertising | 69 | 1 | | 70 | 4,894 | | 107 | 5,001 | 32,898 | | | 32,898 |
| Postage, express, telegraph and telephone | 15,184 | 5 | | 15,189 | 155,379 | | 1,079 | 156,458 | 169,139 | | | 169,139 |
| Printing and stationery | 14,475 | | | 14,475 | 130,283 | | 456 | 130,739 | 42,012 | | | 42,012 |
| Cost or depreciation of furniture and equipment | | | | - | 219,041 | | 961 | 220,002 | 181,314 | | | 181,314 |
| Rental of equipment | | | | - | - | | - | - | - | | | - |
| Cost or depreciation of EDP equipment and software | | | | - | 495,050 | | 407 | 495,457 | 436,798 | | | 436,798 |
| Books and periodicals | | | | - | 7,348 | | - | 7,348 | 20,226 | | | 20,226 |
| Bureau and association fees | 18,360 | | | 18,360 | 43,916 | | - | 43,916 | 29,293 | | | 29,293 |
| Insurance, except on real estate | 219,770 | | | 219,770 | 263,996 | | - | 263,996 | 123,033 | | | 123,033 |
| Miscellaneous losses | (44) | | | (44) | (2,988) | 5 | - | (2,983) | - | | | - |
| Collection and bank service charges | 65,258 | 8,042 | | 73,300 | 61,637 | 4,857 | - | 66,494 | 81,934 | | | 81,934 |
| Sundry general expenses | 1,344 | 6 | | 1,350 | 1,906,707 | | - | 1,906,707 | 78,937 | | | 78,937 |
| Group service and administration fees | 1,871,414 | 760,034 | | 2,631,448 | 1,081,685 | 222,826 | 689,290 | 1,993,801 | 2,030,381 | 330,326 | | 2,360,707 |
| Agency expense allowance | | | | - | | | | - | 1,490 | | | 1,490 |
| Agency conferences other than local meetings | | | | - | | | | - | | | | - |
| Real estate expenses | | | | - | | | 23,315 | 23,315 | | | | - |
| Investment expenses not included elsewhere | | | 576,509 | 576,509 | | | | - | | | 1,971,820 | 1,971,820 |
| Aggregate write-ins for expenses | 26,133 | - | - | 26,133 | 170,037 | - | 3,189 | 173,226 | 6,727 | - | - | 6,727 |
| General expenses incurred | $ 3,854,547 | $ 781,475 | $ 576,509 | $ 5,212,531 | $ 10,963,135 | $ 228,809 | $ 729,438 | $ 11,921,382 | $ 9,512,516 | $ 330,326 | $ 1,971,820 | $ 11,814,662 |
| **DETAIL OF WRITE-INS** | | | | | | | | | | | | |
| Depreciation-Leaseholder Improvements | | | | $ - | | | | $ - | | | | $ - |
| Reinsurance Expense Net of Recoverable | | | | - | | | | - | | | | - |
| EDP Expenses & Maintenance | 26,133 | | | 26,133 | 431 | | | 431 | | | | - |
| New Company Set-up Fees/Office Service Expense | | | | | | | | | | | | |
| Office Service Expense | | | | - | 124,224 | | | 124,224 | | | | - |
| Computer Service Expense | | | | - | 31,820 | | 1,852 | 33,672 | | | | - |
| Utilities & Miscellaneous | | | | - | 22,973 | | 1,337 | 24,310 | | | | - |
| Admin Fee Allocaiton | | | | - | (14) | | | (14) | | | | - |
| Administrative Fee Expense Allocation | | | | - | (45,933) | | | (45,933) | | | | - |
| Computer Service Costs | | | | | 31,785 | | | 31,785 | | | | - |
| Goodwill Amortization | | | | | | | | | 90,950 | | | 90,950 |
| Interest and Penalties | | | | | | | | | 2,976 | | | 2,976 |
| Miscellaneous | | | | - | 4,751 | | | 4,751 | (87,199) | | | (87,199) |
| Totals | $ 26,133 | $ - | $ - | $ 26,133 | $ 170,037 | $ - | $ 3,189 | $ 173,226 | $ 6,727 | $ - | $ - | $ 6,727 |

# APPENDIX F

## Analysis of Direct and Ceded Premiums

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)
- Pavonia Life Insurance Company of Michigan (2016-2018)

Appendix F - Analysis of Direct and Ceded Premiums
Southland National Reinsurance Corporation

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **8,066,237** | **7,230,362** | **7,322,680** | **7,781,251** | **10,909,305** | **11,292,637** |
| | | | | | | |
| **Assumed:** | | | | | | |
| North Carolina Mutual Life Ins Co | - | 114,187,555 | 7,019,154 | 7,003,521 | 6,385,553 | 5,597,687 |
| Atlantic Coast Life Ins Co | - | - | - | 46,419,218 | 1,825,026 | (43,119,362) |
| Investors Heritage Life Ins Co | - | - | - | 43,710,818 | 941,839 | 778,657 |
| | - | **114,187,555** | **7,019,154** | **97,133,557** | **9,152,418** | **(36,743,018)** |
| **Ceded:** | | | | | | |
| Affiliated: | | | | | | |
| Southland Natl Reins Corp | - | - | 162,927,063 | 7,326,860 | 6,584,769 | 6,053,934 |
| Bankers Life Insurance Co. | - | - | - | - | 1,078,457 | 2,096 |
| GBIG Holdings & Reinsurance Company Inc. | - | - | - | - | - | 35,660 |
| SNG Holdings & Reinsurance Company Inc. | - | - | 3,414,630 | 73,993 | - | - |
| Non-Affiliated: | | | | | | |
| Southern Financial Life Ins Co | 508,039 | 470,871 | 436,245 | 399,145 | 422,217 | 422,956 |
| Hannover Life Reassur Co of Amer | 1,033,481 | (24,226,675) | - | - | - | - |
| Optimum Re Ins Co | - | - | - | - | 198,187 | 146,901 |
| Standard Re (Malta) Limited | - | - | - | 2,710,163 | 4,242,021 | 3,938,762 |
| | **1,541,520** | **(23,755,804)** | **166,777,938** | **10,510,161** | **12,525,651** | **10,600,309** |
| | | | | | | |
| **Net** | **6,524,717** | **145,173,721** | **(152,436,104)** | **94,404,647** | **7,536,072** | **(36,050,690)** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Colorado Bankers Life Insurance Company

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **89,435,676** | **93,247,071** | **96,488,202** | **283,795,964** | **1,446,974,043** |
| | | | | | |
| **Assumed:** | | | | | |
| ELI Global Affiliated: | | | | | |
| Bankers Life Ins Co | - | - | - | 364,411,609 | 76,596,446 |
| Conservatrix | - | - | - | 111,950,000 | - |
| Non-Affiliated: | | | | | |
| Dearborn Natl Life Ins Co | 4,293,738 | - | - | - | - |
| Security Life of Denver Ins Co | 3,163 | 3,018 | 2,177 | 2,007 | 2,278 |
| Allianz Life Ins Co of N Amer | 116,470 | 116,510 | 103,346 | 93,624 | 87,091 |
| Transamerica Premier Life Ins Co | - | - | - | 14,376 | 14,454 |
| Grange Life Ins Co | - | - | - | 55,211,271 | (53,799,669) |
| Motorists Life Ins Co | 24,478 | 15,208 | 17,848 | 117,260,459 | (106,965,358) |
| | **4,437,849** | **134,736** | **123,371** | **648,943,346** | **(84,064,758)** |
| **Ceded:** | | | | | |
| ELI Global Affiliated: | | | | | |
| Southland Natl Reins Corp | - | 161,914,132 | 31,011,992 | 28,633,569 | 25,428,909 |
| Bankers Reins Co | - | - | - | 117,469,111 | - |
| Non-Affiliated: | | | | | |
| Dearborn Natl Life Ins Co | 5,872 | 2,784 | - | - | - |
| Employers Reassur Corp | 130,274 | 109,609 | 108,129 | 101,700 | 93,062 |
| General Re Life Corp | 781,695 | 561,920 | 420,212 | 384,934 | 340,627 |
| SCOR Global Life USA Reins Co | 3,312 | - | (385) | - | - |
| Optimum Re Ins Co | 2,703,639 | 2,895,648 | 3,355,273 | 2,938,011 | 3,111,283 |
| RGA Reins Co | 785 | 854 | 926 | 791 | - |
| Scottish Re US Inc | 58,690 | 72,471 | 19,835 | 500 | - |
| | **3,684,267** | **165,557,418** | **34,915,982** | **149,528,616** | **28,973,881** |
| | | | | | |
| **Net** | **90,189,258** | **(72,175,611)** | **61,695,591** | **783,210,694** | **1,333,935,404** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Bankers Life Insurance Company

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **Direct** | **77,464,794** | **57,469,206** | **185,902,152** | **319,459,903** |
| | | | | |
| **Assumed:** | | | | |
| Southland Natl Reins Corp | | | 1,943,351 | 2,096 |
| | **-** | **-** | **1,943,351** | **2,096** |
| **Ceded:** | | | | |
| Affiliated: | | | | |
| Colorado Bankers Life Ins Co | | | 364,411,610 | 76,596,446 |
| Non-Affiliated: | | | | |
| Government Personnel Mut Life Ins Co | 2,948 | 3,495 | 3,394 | 3,029 |
| Front Street Re (Cayman) Ltd | | | | (25,059,827) |
| General Reins Corp | 1,888 | 1,781 | 1,439 | |
| | **4,836** | **5,276** | **364,416,443** | **51,539,648** |
| | | | | |
| **Net** | **77,459,958** | **57,463,930** | **(176,570,940)** | **267,922,351** |

* Previously named Southland National Holdings, LLC

Appendix F - Analysis of Direct and Ceded Premiums
Pavonia Life Insurance Company of Michigan

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| **Direct** | **45,828,161** | **35,124,987** | **29,143,601** |
| | | | |
| **Assumed:** | | | |
| American Bankers Life Assur Co of FL | 802,631 | 603,639 | 457,370 |
| Wilton Reassur Life Co of NY | 181,309 | 178,203 | 163,661 |
| First Allmerica Fin Life Ins Co | 1,694,112 | 1,674,242 | 1,247,031 |
| Fidelity & Guar Life Ins Co | 13,081,308 | 12,437,340 | 11,891,070 |
| Guarantee Trust Life Ins Co | 1,620,786 | 1,445,922 | 1,282,481 |
| Jefferson Natl Life Ins Co | 239,663 | 292,979 | 263,283 |
| Lincoln Natl Life Ins Co | 972,205 | 1,097,898 | 1,995,868 |
| Old Republic Life Ins Co | - | - | |
| Renaissance Life & Hlth Ins Co of Am | 107,129 | 99,772 | 93,234 |
| Union Security Life Ins Co of NY | 29,836 | 8,230 | 13,403 |
| United Natl Life Ins Co of Amer | 340,636 | 296,676 | 264,452 |
| USAA Life Ins Co | 56 | 44 | 7 |
| Canadian Premier Life Ins Co | 701,709 | 548,760 | 497,273 |
| | **19,771,380** | **18,683,705** | **18,169,133** |
| **Ceded:** | | | |
| Americo Fin Life & Ann Ins Co | 77,595 | 83,617 | 79,323 |
| Munich Amer Reassur Co | 1,879,838 | 1,522,961 | 1,457,916 |
| US Business of Canada Life Assur Co | (1,842,990) | - | - |
| SCOR Global Life Canada Branch | 778,652 | 621,447 | 507,886 |
| Swiss Re Life & Hlth Amer Inc | 82,875 | | |
| Union Fidelity Life Ins Co | 6,249 | 5,545 | 5,258 |
| | **982,219** | **2,233,570** | **2,050,383** |
| | | | |
| **Net** | **64,617,322** | **51,575,122** | **45,262,351** |

* Previously named Southland National Holdings, LLC

# APPENDIX G

## Analysis of General Insurance Expenses Per Annual Statement Exhibit 2 (Excludes Investment Expenses)

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
SUMMARY

**SOUTHLAND NATIONAL INSURANCE CORPORATION (Acquired May 1, 2014)**

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $ 2,987,277 | $ 3,429,118 | $ 8,304,578 | $ 4,636,022 | $11,191,944 | $ 9,842,842 |
| Dollar change over prior year | | $ 441,841 | $ 4,875,460 | $ (3,668,556) | $ 6,555,922 | $ (1,349,102) |
| Percentage change over prior year | | 14.79% | 142.18% | -44.18% | 141.41% | -12.05% |
| Dollar increase over 2013, year prior to acquisition | | $ 441,841 | $ 5,317,301 | $ 1,648,745 | $ 8,204,667 | $ 6,855,565 |
| Percentage increase over year of acquisition | | 14.79% | 178.00% | 55.19% | 274.65% | 229.49% |

**COLORADO BANKERS LIFE INSURANCE COMPANY (Acquired December 31, 2015)**

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $14,160,057 | $13,906,311 | $14,454,942 | $14,235,667 | $25,345,994 |
| Dollar change over prior year | | $ (253,746) | $ 548,631 | $ (219,275) | $11,110,327 |
| Percentage change over prior year | | -1.79% | 3.95% | -1.52% | 78.05% |
| Dollar change over 2015, year of acquisition | | | $ 548,631 | $ 329,356 | $11,439,683 |
| Percentage increase over year of acquisition | | | 3.95% | 2.37% | 82.26% |

**BANKERS LIFE INSURANCE COMPANY (Acquired December 15, 2016)**

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **Total General Insurance expenses incurred** | $ 2,560,586 | $ 1,974,216 | $ 4,385,606 | $ 6,327,871 |
| Dollar change over prior year | | $ (586,370) | $ 2,411,390 | $ 1,942,265 |
| Percentage change over prior year | | -22.90% | 122.14% | 44.29% |
| Dollar change over 2016, year of acquisition | | | $ 2,411,390 | $ 4,353,655 |
| Percentage increase over year of acquisition | | | 122.14% | 220.53% |

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
SOUTHLAND NATIONAL INSURANCE CORPORATION

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| Description | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Rent | $ 176,400 | $ 29,400 | $ - | $ - | $ 380,722 | $ 487,946 |
| Salaries and wages | 734,976 | 640,686 | 124,185 | 145,653 | 4,283,788 | 3,091,303 |
| Contributions for benefit plans for employees | 65,787 | 54,905 | 1,242 | - | 362,226 | 469,044 |
| Other employee welfare | 3,525 | 2,213 | 14,027 | 356 | 18,091 | 314,912 |
| Legal fees and expenses | 21,289 | 116,036 | 812,442 | 73,410 | 276,060 | - |
| Medical examination fees | - | - | - | - | 12,911 | 4,474 |
| Inspection report fees | 51 | - | 1,895 | 2,145 | 2,264 | - |
| Fees of public accountants and consulting actuaries | 556,742 | 672,528 | 1,661,855 | 1,421,248 | 752,606 | 1,717,375 |
| Expense of investigation and settlement of policy claims | 395 | 191 | 871 | 1,204 | 7,903 | 35,417 |
| Traveling expenses | 6,774 | 12,463 | 61,450 | (8,045) | 330,700 | 157,863 |
| Advertising | 2,455 | 1,200 | 21,591 | 70 | 4,894 | 32,898 |
| Postage, express, telegraph and telephone | 63,564 | 24,541 | 19,228 | 15,189 | 155,379 | 169,139 |
| Printing and stationery | 33,459 | 10,570 | 11,923 | 14,475 | 130,283 | 42,012 |
| Cost or depreciation of furniture and equipment | 2,286 | - | - | - | 219,041 | 181,314 |
| Rental of equipment | 14,115 | 5,670 | - | - | - | - |
| Cost or depreciation of EDP equipment and software | 24,817 | 5,309 | - | - | 495,050 | 436,798 |
| Books and periodicals | 4,049 | 2,541 | 6,445 | - | 7,348 | 20,226 |
| Bureau and association fees | 3,925 | 9,155 | 107,927 | 18,360 | 43,916 | 29,293 |
| Insurance, except on real estate | 45,045 | 37,037 | 52,705 | 219,770 | 263,996 | 123,033 |
| Miscellaneous losses | 61,451 | 10,511 | 10,994 | (44) | (2,983) | - |
| Collection and bank service charges | 36,853 | 36,393 | 43,084 | 73,300 | 66,494 | 81,934 |
| Sundry general expenses | 102,521 | 47,132 | 4,279 | 1,350 | 1,906,707 | 78,937 |
| Group service and administration fees | 825,654 | 1,270,031 | 5,278,337 | 2,631,448 | 1,304,511 | 2,360,707 |
| Agency expense allowance | - | - | - | - | - | 1,490 |
| Agency conferences other than local meetings | 19,746 | - | 2,229 | - | - | - |
| Depreciation-Leaseholder Improvements | 2,918 | 243 | - | - | - | - |
| Reinsurance Expense Net of Recoverable | (148,259) | 288,127 | - | - | - | - |
| EDP Expenses & Maintenance | 288,455 | 152,256 | 67,869 | 26,133 | 431 | - |
| New Company Set-up Fees/Office Service Expense | 38,284 | - | - | - | 124,224 | - |
| Computer Service Expense | - | - | - | - | 31,820 | - |
| Utilities & Miscellaneous | - | - | - | - | 22,973 | - |
| Admin Fee Allocaiton | - | - | - | - | (14) | - |
| Administrative Fee Expense Allocation | - | - | - | - | (45,933) | - |
| Computer Service Costs | - | - | | | 31,785 | - |
| Goodwill Amortization | - | - | | | | 90,950 |
| Interest and Penalties | - | - | | | | 2,976 |
| Miscellaneous | - | - | - | - | 4,751 | (87,199) |
| General Insurance expenses incurred | $ 2,987,277 | $ 3,429,118 | $ 8,304,578 | $ 4,636,022 | $11,191,944 | $ 9,842,842 |
| | | | | | | |
| **Dollar change over prior year** | | **$ 441,841** | **$ 4,875,460** | **$ (3,668,556)** | **$ 6,555,922** | **$ (1,349,102)** |
| **Percentage change over prior year** | | **14.79%** | **142.18%** | **-44.18%** | **141.41%** | **-12.05%** |
| | | | | | | |
| **Dollar increase over 2013, year prior to acquisition** | | **$ 441,841** | **$ 5,317,301** | **$ 1,648,745** | **$ 8,204,667** | **$ 6,855,565** |
| **Percentage increase over year of acquisition** | | **14.79%** | **178.00%** | **55.19%** | **274.65%** | **229.49%** |

**NOTE:** Southland disclosed that the decrease in expenses in 2016 related "primarily to Asset Management fees due to the segreagation of assets related to [Southland National Reinsurance Corporation]. The increase in 2017 was described as "related to the infrastructure buildout by Global Bankers and investment in technology."

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
COLORADO BANKERS LIFE INSURANCE COMPANY

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| Description | 2014 | 2015 | 2016 | 2017 | 2018 |
| Rent | $ 586,700 | $ 532,925 | $ 421,745 | $ 259,323 | $ 431,775 |
| Salaries and wages | 5,672,165 | 6,221,381 | 4,753,135 | 6,164,177 | 9,632,953 |
| Contributions for benefit plans for employees | 1,075,325 | 1,038,576 | 721,535 | 685,199 | 1,194,511 |
| Other employee welfare | 107,266 | 103,115 | 70,694 | 28,523 | 55,018 |
| Legal fees and expenses | 123,918 | 61,231 | 31,442 | 284,766 | 1,574,557 |
| Medical examination fees | 79,794 | 104,518 | 32,042 | 97,662 | 167,101 |
| Inspection report fees | 89,039 | 93,656 | 102,732 | 196,573 | 153,519 |
| Fees of public accountants and consulting actuaries | 159,898 | 207,744 | 502,238 | 421,723 | 690,047 |
| Expense of investigation and settlement of policy claims | 65,865 | 45,760 | 74,549 | 17,894 | 29,529 |
| Traveling expenses | 71,965 | 75,070 | 144,123 | 466,861 | 488,231 |
| Advertising | 1,830 | 27,051 | - | 7,734 | 76,157 |
| Postage, express, telegraph and telephone | 274,665 | 286,344 | 220,540 | 348,106 | 428,886 |
| Printing and stationery | 201,436 | 309,398 | 257,687 | 282,110 | 186,774 |
| Cost or depreciation of furniture and equipment | 89,960 | 86,363 | 74,645 | 226,163 | 3,337,274 |
| Rental of equipment | 528,682 | 430,962 | 492,163 | (1,767) | - |
| Cost or depreciation of EDP equipment and software | 153,811 | 176,670 | 184,307 | 610,439 | 986,568 |
| Books and periodicals | 2,521 | 1,116 | 4,616 | 5,055 | 40,850 |
| Bureau and association fees | 88,411 | 63,563 | 136,818 | 86,919 | 64,462 |
| Insurance, except on real estate | - | - | 54,109 | 297,049 | 335,810 |
| Collection and bank service charges | 550,356 | 214,462 | 170,892 | 164,285 | 285,363 |
| Sundry general expenses | 581,443 | 467,171 | 1,259,080 | 1,500,989 | 3,445,871 |
| Group service and administration fees | - | - | - | 1,809,981 | 1,731,932 |
| Agency conferences other than local meetings | 801,181 | 971,293 | (103,130) | - | 8,806 |
| Administrative expenses | 822,548 | 1,283,506 | 4,497,176 | - | - |
| Allocated expense | 1,609,392 | 697,955 | (158,939) | - | - |
| Office service expenses | 97,588 | 131,296 | 123,637 | 275,903 | - |
| IT Modernizatiton | 324,298 | 275,185 | 387,106 | - | - |
| General expenses incurred | $14,160,057 | $13,906,311 | $14,454,942 | $14,235,667 | $25,345,994 |

| | | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Dollar change over prior year** | | **$ (253,746)** | **$ 548,631** | **$ (219,275)** | **$11,110,327** |
| **Percentage change over prior year** | | **-1.79%** | **3.95%** | **-1.52%** | **78.05%** |
| **Dollar change over 2015, year of acquisition** | | | **$ 548,631** | **$ 329,356** | **$11,439,683** |
| **Percentage increase over year of acquisition** | | | **3.95%** | **2.37%** | **82.26%** |

NOTE: SNH acquired CBL on December 31, 2015.

* Previously named Southland National Holdings, LLC

APPENDIX G - ANALYSIS OF GENERAL INSURANCE EXPENSES PER ANNUAL STATEMENT EXHIBIT 2 (EXCLUDES INVESTMENT EXPENSES)
BANKERS LIFE INSURANCE COMPANY

| Description | 2015 | Owned by GBIG Holdings* 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Rent | $ 89,395 | $ 63,689 | $ 145,932 | $ 207,132 |
| Salaries and wages | 1,374,093 | 937,381 | 1,873,177 | 2,762,741 |
| Contributions for benefit plans for employees | 117,477 | 65,949 | 162,564 | 300,000 |
| Other employee welfare | 107,106 | 79,897 | 7,528 | 9,754 |
| Legal fees and expenses | 58,360 | 58,789 | 237,674 | 478,311 |
| Medical examination fees | - | - | - | 2,154 |
| Inspection report fees | - | - | 6,004 | 43,469 |
| Fees of public accountants and consulting actuaries | 284,928 | 331,324 | 310,598 | 251,448 |
| Expense of investigation and settlement of policy claims | - | - | - | 2,884 |
| Traveling expenses | 23,932 | 16,255 | 139,146 | 141,181 |
| Advertising | 49,167 | 23,714 | 63,919 | 54,313 |
| Postage, express, telegraph and telephone | 47,743 | 57,138 | 88,171 | 182,093 |
| Printing and stationery | 21,691 | 16,556 | 60,110 | 51,541 |
| Cost or depreciation of furniture and equipment | 72,661 | 125,140 | 70,022 | 127,809 |
| Rental of equipment | 138,461 | 62,526 | - | - |
| Cost or depreciation of EDP equipment and software | - | - | 246,155 | 336,845 |
| Books and periodicals | 2,817 | 6,007 | 1,592 | 14,862 |
| Bureau and association fees | 51,496 | 35,234 | 62,376 | 22,360 |
| Insurance, except on real estate | 23,525 | 16,096 | 93,737 | 60,614 |
| Miscellaneous losses | - | - | 3,397 | - |
| Collection and bank service charges | 12,346 | 10,344 | 53,622 | 22,714 |
| Sundry general expenses | (28,255) | 2,748 | 413,290 | 945,415 |
| Group service and administration fees | - | - | 331,871 | 301,481 |
| Agency conferences other than local meetings | 5,982 | 9,509 | 14,721 | 8,750 |
| Contract Labor | 18,157 | 15,779 | | |
| Consulting | 90,173 | 30,825 | - | - |
| Charitable Contribution | (669) | 9,316 | - | - |
| General expenses incurred | $ 2,560,586 | $ 1,974,216 | $ 4,385,606 | $ 6,327,871 |
| **Dollar change over prior year** | | **$ (586,370)** | **$ 2,411,390** | **$ 1,942,265** |
| **Percentage change over prior year** | | **-22.90%** | **122.14%** | **44.29%** |
| **Dollar change over 2016, year of acquisition** | | | **$ 2,411,390** | **$ 4,353,655** |
| **Percentage increase over year of acquisition** | | | **122.14%** | **220.53%** |

**NOTE:** SNH acquired BL on December 15, 2016.

* Previously named Southland National Holdings, LLC

# APPENDIX H

## Analysis of Investment Expenses Per Annual Statement
## Exhibit 2

- Southland National Insurance Corporation (2013-2018)
- Colorado Bankers Life Insurance Company (2014-2018)
- Bankers Life Insurance Company (2015-2018)

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
SUMMARY

**SOUTHLAND NATIONAL INSURANCE CORPORATION (Acquired May 1, 2014)**

| | | Owned by GBIG Holdings* | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 378,835 | $ 396,561 | $ 718,159 | $ 576,509 | $ 729,438 | $ 1,971,820 |
| Dollar change over prior year | | $ 17,726 | $ 321,598 | $ (141,650) | $ 152,929 | $ 1,242,382 |
| Percentage change over prior year | | 4.68% | 81.10% | -19.72% | 26.53% | 170.32% |
| Dollar increase over 2013, year prior to acquisition | | $ 17,726 | $ 339,324 | $ 197,674 | $ 350,603 | $ 1,592,985 |
| Percentage increase over year of acquisition | | 4.68% | 89.57% | 52.18% | 92.55% | 420.50% |

**COLORADO BANKERS LIFE INSURANCE COMPANY (Acquired December 31, 2015)**

| | | Owned by GBIG Holdings* | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 402,885 | $ 337,728 | $ 422,897 | $ 2,780,858 | $12,784,912 |
| Dollar change over prior year | | $ (65,157) | $ 85,169 | $ 2,357,961 | $10,004,054 |
| Percentage change over prior year | | -16.17% | 25.22% | 557.57% | 359.75% |
| Dollar change over 2015, year of acquisition | | | $ 85,169 | $ 2,443,130 | $12,447,184 |
| Percentage increase over year of acquisition | | | 25.22% | 723.40% | 3685.56% |

**BANKERS LIFE INSURANCE COMPANY (Acquired December 15, 2016)**

| | | Owned by GBIG Holdings* | | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **General Investment expenses incurred** | $ 399,977 | $ 453,802 | $ 775,950 | $ 1,413,060 |
| Dollar change over prior year | | $ 53,825 | $ 322,148 | $ 637,110 |
| Percentage change over prior year | | 13.46% | 70.99% | 82.11% |
| Dollar change over 2016, year of acquisition | | | $ 322,148 | $ 959,258 |
| Percentage increase over year of acquisition | | | 70.99% | 211.38% |

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
SOUTHLAND NATIONAL INSURANCE CORPORATION

| Description | 2013 | Owned by GBIG Holdings* 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Rent | | | | | $ 4,204 | |
| Legal fees and expenses | 225 | | 4,000 | | 71 | |
| Medical examination fees | | | | | 309 | |
| Fees of public accountants and consulting actuaries | | | | | 5,656 | |
| Traveling expenses | | | | | 394 | |
| Advertising | | | | | 107 | |
| Postage, express, telegraph and telephone | | | | | 1,079 | |
| Printing and stationery | | | | | 456 | |
| Cost or depreciation of furniture and equipment | | | | | 961 | |
| Cost or depreciation of EDP equipment and software | | | | | 407 | |
| Books and periodicals | 1,500 | | | | | |
| Collection and bank service charges | | | 500 | | | |
| Group service and administration fees | | | | | 689,290 | |
| Investment expenses not included elsewhere | 374,427 | 393,861 | 713,434 | 576,509 | 23,315 | 1,971,820 |
| EDP Expenses & Maintenance | 2,683 | 2,700 | 225 | | | |
| Computer Service Expense | | | | | 1,852 | |
| Utilities & Miscellaneous | | | | | 1,337 | |
| General investment expenses incurred | $ 378,835 | $ 396,561 | $ 718,159 | $ 576,509 | $ 729,438 | $ 1,971,820 |
| | | | | | | |
| **Dollar change over prior year** | | **$ 17,726** | **$ 321,598** | **$ (141,650)** | **$ 152,929** | **$ 1,242,382** |
| **Percentage change over prior year** | | **4.68%** | **81.10%** | **-19.72%** | **26.53%** | **170.32%** |
| | | | | | | |
| **Dollar increase over 2013, year prior to acquisition** | | **$ 17,726** | **$ 339,324** | **$ 197,674** | **$ 350,603** | **$ 1,592,985** |
| **Percentage increase over year of acquisition** | | **4.68%** | **89.57%** | **52.18%** | **92.55%** | **420.50%** |

**NOTE:** Southland disclosed that the decrease in expenses in 2016 related "primarily to Asset Management fees due to the segreagation of assets related to [Southland National Reinsurance Corporation]. The increase in 2017 was described as "related to the infrastructure buildout by Global Bankers and investment in technology."

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
COLORADO BANKERS LIFE INSURANCE COMPANY

| Description | 2014 | Owned by GBIG Holdings* 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Investment expenses not included elsewhere | 402,885 | 337,728 | 422,897 | 2,780,858 | 12,784,912 |
| General investment expenses incurred | $ 402,885 | $ 337,728 | $ 422,897 | $ 2,780,858 | $12,784,912 |
| **Dollar change over prior year** | | **$ (65,157)** | **$ 85,169** | **$ 2,357,961** | **$10,004,054** |
| **Percentage change over prior year** | | **-16.17%** | **25.22%** | **557.57%** | **359.75%** |
| **Dollar change over 2015, year of acquisition** | | | **$ 85,169** | **$ 2,443,130** | **$12,447,184** |
| **Percentage increase over year of acquisition** | | | **25.22%** | **723.40%** | **3685.56%** |

**NOTE: SNH acquired CBL on December 31, 2015.**

* Previously named Southland National Holdings, LLC

APPENDIX H - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
BANKERS LIFE INSURANCE COMPANY

| Description | 2015 | Owned by GBIG Holdings* 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Rent | $ 2,209 | $ 6,470 | | |
| Salaries and wages | 128,379 | 123,315 | | |
| Contributions for benefit plans for employees | 6,843 | 5,374 | | |
| Other employee welfare | 3,020 | 7,451 | | |
| Traveling expenses | 2,644 | 2,484 | | |
| Postage, express, telegraph and telephone | 2,786 | 3,964 | | |
| Printing and stationery | 47 | 307 | | |
| Cost or depreciation of furniture and equipment | 26,325 | 42,309 | | |
| Insurance, except on real estate | 1,467 | 1,837 | | |
| Group service and administration fees | (7,259) | | | |
| Real estate expenses | 11,901 | 13,454 | | |
| Investment expenses not included elsewhere | - | - | 775,950 | 1,413,060 |
| Consulting | 221,615 | 246,837 | | |
| General Investment expenses incurred | $ 399,977 | $ 453,802 | $ 775,950 | $ 1,413,060 |
| **Dollar change over prior year** | | **$ 53,825** | **$ 322,148** | **$ 637,110** |
| **Percentage change over prior year** | | **13.46%** | **70.99%** | **82.11%** |
| **Dollar change over 2016, year of acquisition** | | | **$ 322,148** | **$ 959,258** |
| **Percentage increase over year of acquisition** | | | **70.99%** | **211.38%** |

**NOTE:** SNH acquired BL on December 15, 2016.

* Previously named Southland National Holdings, LLC

# APPENDIX I

## Analysis of Total General Expenses Per Annual Statement Exhibit 2

- Pavonia Life Insurance Company of Michigan

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Expenses Per Exhibit 2

| Description | 2016 | Owned by GBIG Holdings* 2017 | Owned by GBIG Holdings* 2018 |
|---|---|---|---|
| Rent | $ 272,876 | $ - | $ 609,677 |
| Salaries and wages | 6,419,422 | 3,406,813 | 4,595,500 |
| Contributions for benefit plans for employees | - | - | 398,561 |
| Other employee welfare | - | 1,399,778 | 732,986 |
| Inspection report fees | 59,756 | - | - |
| Fees of public accountants and consulting actuaries | 872,449 | 746,091 | 3,031,473 |
| Expense of investigation and settlement of policy claims | 140,982 | 889,431 | 551,007 |
| Traveling expenses | 82,117 | 7,915 | 261,020 |
| Advertising | - | - | 21,165 |
| Postage, express, telegraph and telephone | 109,201 | 38,562 | 330,301 |
| Printing and stationery | 42,535 | 7,903 | 115,742 |
| Cost or depreciation of furniture and equipment | 112,184 | - | 358,530 |
| Rental of equipment | - | 644 | - |
| Cost or depreciation of EDP equipment and software | 170,014 | 1,294,102 | 1,931,411 |
| Books and periodicals | 6,193 | 16,353 | 44,387 |
| Bureau and association fees | 18,607 | 19,052 | 71,214 |
| Insurance, except on real estate | 45,044 | - | 163,122 |
| Collection and bank service charges | 354,534 | 321,523 | 337,111 |
| Sundry general expenses | 180,893 | 43,761 | 115,080 |
| Group service and administration fees | 2,339,726 | 1,663,230 | 678,290 |
| Agency expense allowance | - | - | 3,619 |
| Investment expenses not included elsewhere | 2,091,726 | 784,317 | 1,571,249 |
| Other general & admin expenses | 36,020 | 43,789 | 52,761 |
| Goodwill Amortization | - | - | 173,057 |
| Other Interest | - | - | 4,559 |
| Total General expenses incurred | $ 13,354,279 | $ 10,683,264 | $ 16,151,822 |
| **Dollar change over prior year** | | **$ (2,671,015)** | **$ 5,468,558** |
| **Percentage change over prior year** | | **-20.00%** | **51.19%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 5,468,558** |
| **Percentage increase over year of acquisition** | | | **51.19%** |

**NOTE:** SNH acquired Pavonia on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Insurance Expenses (Excluding Investment Expenses)

| Description | 2016 | Owned by GBIG Holdings* 2017 | Owned by GBIG Holdings* 2018 |
|---|---|---|---|
| Rent | $ 272,876 | $ - | $ 609,677 |
| Salaries and wages | 6,419,422 | 3,406,813 | 4,595,500 |
| Contributions for benefit plans for employees | - | - | 398,561 |
| Other employee welfare | - | 1,399,778 | 732,986 |
| Inspection report fees | 59,756 | - | - |
| Fees of public accountants and consulting actuaries | 872,449 | 746,091 | 3,031,473 |
| Expense of investigation and settlement of policy claims | 140,982 | 889,431 | 551,007 |
| Traveling expenses | 82,117 | 7,915 | 261,020 |
| Advertising | - | - | 21,165 |
| Postage, express, telegraph and telephone | 109,201 | 38,562 | 330,301 |
| Printing and stationery | 42,535 | 7,903 | 115,742 |
| Cost or depreciation of furniture and equipment | 112,184 | - | 358,530 |
| Rental of equipment | - | 644 | - |
| Cost or depreciation of EDP equipment and software | 170,014 | 1,294,102 | 1,931,411 |
| Books and periodicals | 6,193 | 16,353 | 44,387 |
| Bureau and association fees | 18,607 | 19,052 | 71,214 |
| Insurance, except on real estate | 45,044 | - | 163,122 |
| Collection and bank service charges | 354,534 | 321,523 | 337,111 |
| Sundry general expenses | 180,893 | 43,761 | 115,080 |
| Group service and administration fees | 2,339,726 | 1,663,230 | 678,290 |
| Agency expense allowance | - | - | 3,619 |
| Other general & admin expenses | 36,020 | 43,789 | 52,761 |
| Goodwill Amortization | - | - | 173,057 |
| Other Interest | - | - | 4,559 |
| General insurance expenses incurred | $ 11,262,553 | $ 9,898,947 | $ 14,580,573 |
| **Dollar change over prior year** | | **$ (1,363,606)** | **$ 4,681,626** |
| **Percentage change over prior year** | | **-12.11%** | **47.29%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 4,681,626** |
| **Percentage increase over year of acquisition** | | | **47.29%** |

**NOTE:** SNH acquired BL on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Insurance Expenses (Excluding Investment Expenses)

| | | Owned by GBIG Holdings* | |
|---|---|---|---|
| Description | 2016 | 2017 | 2018 |
| Total General Insurance expenses incurred | $ 11,262,553 | $ 9,898,947 | $ 14,580,573 |
| Management Agreement expenses per Annual Statement, footnote 10F. | $ 9,993,577 | $ 6,023,116 | $ 13,969,682 |
| Non-management agreement expenses | 1,268,976 | 3,875,831 | 610,891 |

| Management Agreement expenses per Annual Statement, foonote 10F. | 2017 | 2018 |
|---|---|---|
| **Dollar change over prior year** | **$ (3,970,461)** | **$ 7,946,566** |
| **Percentage change over prior year** | **-39.73%** | **131.93%** |

| Non-management agreement expenses | 2017 | 2018 |
|---|---|---|
| **Dollar change over prior year** | **$ 2,606,855** | **$ (3,264,940)** |
| **Percentage change over prior year** | **205.43%** | **-84.24%** |

**NOTE:** SNH acquired Pavonia on December 29, 2017.

* Previously named Southland National Holdings, LLC

APPENDIX I - ANALYSIS OF GENERAL EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Management Fee Expenses

| **Excess as of September 30, 2019** | |
|---|---|
| GBIG Service Co management expenses charged: | |
| 12 months ended 12/31/18 | $ 10,704,742 |
| 9 months ended 9/30/19 | 14,745,252 |
| Total charged in 21 months | $ 25,449,994 |
| Management agreement expenses based upon 2017: | |
| 12 months ended 12/31/18 | $ 6,023,116 |
| 9 months ended 9/30/19 | 4,517,337 |
| Total - 21 months | $ 10,540,453 |
| **Excess fees charged** | |
| **2018 & 2019 through 9/30/19** | **$ 14,909,541** |

| **Excess as of December 31, 2019** | |
|---|---|
| GBIG Service Co management expenses charged: | |
| 12 months ended 12/31/18 | $ 10,704,742 |
| 12 months ended 12/31/19 | 18,200,914 |
| Total charged in 21 months | $ 28,905,656 |
| Management agreement expenses based upon 2017: | |
| 12 months ended 12/31/18 | $ 6,023,116 |
| 12 months ended 12/31/19 | 6,023,116 |
| Total - 21 months | $ 12,046,232 |
| **Excess fees charged in** | |
| **2018 & 2019 through 12/31/19** | **$ 16,859,424** |

APPENDIX I - ANALYSIS OF INVESTMENT EXPENSES PER ANNUAL STATEMENT EXHIBIT 2
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN
Total General Investment Expenses

| Description | 2016 | Owned by GBIG Holdings* 2017 | Owned by GBIG Holdings* 2018 |
|---|---|---|---|
| Investment expenses not included elsewhere | 2,091,726 | 784,317 | 1,571,249 |
| General Investment expenses incurred | $ 2,091,726 | $ 784,317 | $ 1,571,249 |
| **Dollar change over prior year** | | **$ (1,307,409)** | **$ 786,932** |
| **Percentage change over prior year** | | **-62.50%** | **100.33%** |
| **Dollar change over 2017, year of acquisition** | | | **$ 786,932** |
| **Percentage increase over year of acquisition** | | | **100.33%** |

**NOTE:** SNH acquired BL on December 29, 2017.

* Previously named Southland National Holdings, LLC

# APPENDIX J

## Annual Statement Footnote No. 12: Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- Southland National Insurance Corporation (2018)
- Colorado Bankers Life Insurance Company (2016-2017)
- Pavonia Life Insurance Company of Michigan (2018)

Appendix J - Relevant Excerpts of Annual Statement Footnote No. 12 Regarding Employees

**SOUTHLAND NATIONAL INSURANCE CORPORATION:**

***2018***

G. Consolidated Holding Company Plans

The Company has no employees. The Company is managed by employees of Global Bankers Insurance Group, LLC an affiliate ("GBIG").

**COLORADO BANKERS LIFE INSURANCE COMPANY:**

***2016 (Year after acquisition)***

H. Effective October 1, 2016, all employees of the Company were transferred to Colorado Benefits Administrators, Inc. and therefore, there are no post-retirement or Paid Time Off obligations outstanding for the Company as of the reporting date.

***2017***

H. Effective October 1, 2016, all employees of the Company were transferred Global Bankers Insurance Group, LLC and therefore, there are no post-retirement or Paid Time Off obligations outstanding for the Company as of the reporting date.

**BANKERS LIFE INSURANCE COMPANY:**

None

**PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN:**

***2018 (Year after acquisition)***

G. Consolidated/Holding Company Plans

The Company has no employees. The Company is managed by employees of GBIG.

# Exhibit “E”

***Order Granting Motion for Moratorium on Policy Surrenders and Other Relief***

STATE OF NORTH CAROLINA

WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
FILE NO. 19 CV 008664

FILED 2019 JUN 27 P 1:48

MIKE CAUSEY,
COMMISSIONER OF INSURANCE
OF NORTH CAROLINA,

Petitioner,

v.

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

Respondents.

**ORDER GRANTING MOTION FOR MORATORIUM ON POLICY SURRENDERS AND OTHER RELIEF**

THIS MATTER is before the undersigned on the Motion of Mike Causey, Commissioner of Insurance of the State of North Carolina ("Petitioner"), as Rehabilitator of Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), (collectively the "Companies" and hereinafter "Respondents"), acting through his Special Deputy, Jackie Obusek, to make orders to, pursuant to N.C. Gen. Stat. § 58-30-85(b) and (c) and other applicable provisions of law, to impose a moratorium on loans, annuitizations and cash surrender rights under policies of Respondents and to adopt a policy to deal with hardships.

The undersigned finds that: it would be in the best interests of the policyholders and creditors of Respondents Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), to impose a moratorium on cash surrenders, new annuitizations and policy loans as a necessary step to allow the Rehabilitator the time within which to conserve and collect the assets of the Companies and to evaluate the prospects for the rehabilitation of the Companies. The undersigned further finds that it is in the best interests of the policyholders of Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), for there to be adopted a hardship policy to handle cases of legitimate hardship.

Now therefore, pursuant to N.C. Gen. Stat. § 58-30-85(b) and (c) and other applicable provisions of law, it is ORDERED as follows:

1. That the Rehabilitator impose a moratorium, effective as of the date this Order filed, on cash surrenders, annuitizations, and policy loans against Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), policies until such time as the Court approves the lifting of the moratorium; and

2. That the Rehabilitator adopt and implement a policy to provide substitute benefits in lieu of the contractual obligations of Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), for annuity benefits and

cash withdrawals for Southland National Insurance Corporation ("SNIC"), Southland National Reinsurance Corporation ("SNRC"), Bankers Life Insurance Company ("BLIC"), and Colorado Bankers Life Insurance Company ("CBL"), policyholders who petition for payment under claims of legitimate hardship.

This the 27 day of June, 2019.

HONORABLE PAUL RIDGEWAY
Senior Resident Judge, Wake County Superior Court

## CERTIFICATE OF SERVICE

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

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

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

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This the 21 day of June, 2019.

Heather H. Freeman

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