

STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE

WAKE COUNTY

SUPERIOR COURT DIVISION

FILE NO. 19 CVS 8664

FILED
2020 SEP 15 A 11:00

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,

Defendants.

(81)

ORDER MODIFYING
MORATORIUM ORDER

THIS MATTER is before the undersigned on the motion of Mike Causey, Commissioner of Insurance of the State of North Carolina, as Rehabilitator (“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”), moving the Court, pursuant to N.C. Gen. Stat. § 58-30-85(b) and (c) and other applicable provisions of law, to modify the Court’s June 27, 2019 Order Granting Motion For Moratorium On Policyholder Surrenders and Other Relief.

Having considered the Rehabilitator's motion, the relevant portions of the record, and the applicable law, the Court hereby finds as follows:

1. The Rehabilitator seeks to modify the Court's June 27, 2019 Order Granting Motion For Moratorium On Policyholder Surrenders and Other Relief (the "Moratorium Order").

2. Prior to being placed into rehabilitation, CBL and BLIC issued certain annuity contracts and riders (collectively, the "Contracts").

3. The Contracts provide that the Contract owner may surrender the Contract for its full surrender value or make a withdrawal of less than the surrender value, until the earlier of (a) the maturity date; (b) the death of the owner; or (c) the death of the annuitant (if the owner is not a natural person).

4. Surrenders within certain years were subject to surrender charges. Typically, the surrender charges would decrease each year. After the number of years set forth in the Contract passed, there would be no surrender charge. A full surrender terminates the Contract.

5. The Moratorium Order, *inter alia*, imposed a moratorium on loans, annuitizations and cash surrender rights under policies of Respondents, and ordered that the Rehabilitator adopt and implement a policy to provide substitute benefits in lieu of the contractual obligations of the Respondents for policyholders who petition for payment under claims of legitimate hardship.

6. The Rehabilitator seeks an order of this Court modifying the Moratorium Order to allow the Rehabilitator: a) to offer Contract owners a one-time option to surrender the full balance of a Contract with a current account value of less than \$1,000, less applicable fees and surrender charges, but not to include Contracts with values of \$7.00 or less ("*De minimis Account Values*"); and, b) if the Contract value is \$1,000 or greater, to offer a one-time option to

withdraw 10% of the Contract value, up to a total maximum of \$15,000 per Contract owner, less applicable fees and surrender charges.

7. The Rehabilitator is authorized by statute, including N.C. Gen. Stat. § 58-30-85(b) and (c), to take such actions as he considers necessary or appropriate for the accomplishment of or in aid of rehabilitating Respondents.

8. Modification of the Moratorium Order will allow the Contract owners to access at least some of the value of their Contracts during this rehabilitation proceeding, at a time when many people are facing financial distress.

9. All policyholders should benefit from the Rehabilitator's proposal, in light of current potential financial distress of the policyholders, and the administrative benefit and savings to the rehabilitation effort.

10. That the Rehabilitator's proposal is fair and equitable, and will not cause undue or material harm to other policyholders or creditors of CBL or BLIC, or to the general public.

Based on the foregoing findings, the Court concludes that the Rehabilitator's Motion to Modify should be granted for good cause shown and in the Court's discretion.

Now therefore, pursuant to N.C. Gen. Stat. § 58-30-85(b) and (c) and other applicable provision of law, it is ORDERED as follows:

1. That the Rehabilitator's Motion to Modify the Court's June 27, 2019 Order Granting Motion For Moratorium On Policyholder Surrenders and Other Relief is ALLOWED and the Moratorium Order is modified as follows:

a. To allow the surrender of all Contracts with a Contract value of less than \$1,000, less applicable fees and surrender charges, excluding Contracts with *De minimis* Account Values, unless the Contract owner opts-out; and

b. To allow Contract owners with a Contract value of \$1,000 or greater, a one-time option to withdraw 10% of the Contract value, up to a total maximum of \$15,000 per Contract owner, less applicable fees and surrender charges.

4. That the Rehabilitator notify the Contract owners by sending a letter to each owner. The letter will provide the owner's Contract value.


a. If the Contract value is less than \$1,000, the letter will explain that the Contract will automatically be surrendered unless the Contract owner opts-out. These Contract owners will be provided an opportunity to “opt-out” of the surrender and retain the full value of their Contract. The letters attached as Exhibits A and B to the Motion to Modify, which are substantially in the form that will be sent to these Contract owners, are approved.

b. If the Contract value is \$1,000 or greater, the letter will explain the Contract owner has a one-time option to withdraw 10% of the Contract value, and will state the maximum amount that the owner may withdraw, up to \$15,000 per Contract owner, less applicable fees and surrender charges. The letter will direct the Contract owner to a website to request a withdrawal. The letter attached as Exhibit C to the Motion to Modify, which is substantially in the form that will be sent to these Contract owners, is approved.

5. The letters shall be mailed over approximately a three week period to allow sufficient time for processing the withdrawals.

6. The Moratorium Order otherwise remains in full force and effect.

SO ORDERED this the 15 day of September, 2020.



The Honorable A. Graham Shirley, II
Superior Court Judge Presiding