

NORTH CAROLINA
WAKE COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
18 CVS 14480

FILED

MIKE CAUSEY,
COMMISSIONER OF INSURANCE
OF NORTH CAROLINA,

Petitioner,

v.

NORTH CAROLINA MUTUAL
LIFE INSURANCE COMPANY,
A North Carolina Domiciled
Insurance Company,

Respondent.


2020 JUN 15 P 1:19
WAKE CO., C.S.C.
RP

REHABILITATOR'S
MONTHLY REPORT

NOW COMES the Commissioner of Insurance of North Carolina and Rehabilitator of North Carolina Mutual 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 December 3, 2018, which requires the Rehabilitator, until further order of this Court, to make a monthly 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 Exhibit A, is the monthly report of activity of the Rehabilitator as of November 30, 2019, and a balance sheet, summary of operations and statement of cash flow as of September 30, 2019, of North Carolina Mutual Life Insurance Company, as prepared by the Special Deputy Rehabilitator on behalf of the Rehabilitator.

This the 15 day of January, 2020.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,


Heather H. Freeman
Assistant Attorney General
N. C. State Bar No. 28272
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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

M. Keith Kapp
Williams Mullen
P.O. Box 1000
Raleigh, NC 27602

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 15 day of January, 2020.

JOSH STEIN
ATTORNEY GENERAL
Attorney for Petitioner,



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NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY
NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR
AS OF NOVEMBER 30, 2019,
A BALANCE SHEET
AS OF SEPTEMBER 30, 2019
AND
A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW
THROUGH SEPTEMBER 30, 2019

INTRODUCTION

BACKGROUND

North Carolina Mutual Life Insurance Company (hereinafter, “NC Mutual” or “Company”) was originally chartered under the laws of the State of North Carolina as a mutual assessment company on February 28, 1899, with the name North Carolina Mutual and Provident Association. An amendment to the charter was filed at the office of the Secretary of State of North Carolina on August 6, 1913, establishing the Association as a legal reserve company. In 1919, the Company’s name was changed to North Carolina Mutual Life Insurance Company. On December 3, 2018, the Wake County Superior Court (hereinafter, the “Court”) issued an Order of Rehabilitation (hereinafter, “Order”) against NC Mutual and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator (hereinafter, the “Rehabilitator”). On December 3, 2018, the Court also issued a Confidentiality Order to ensure the confidentiality of the Rehabilitation proceeding and to seal the court file pursuant to N.C. Gen. Stat. §§ 58-30-20 and 58-30-70. On February 1, 2019, the Court issued an Order to Rescind Confidentiality Order and Unseal the Court File. In addition, on February 1, 2019, the Court entered an Order Granting Motion for Moratorium on Policy Surrenders and Other Relief (hereinafter “Moratorium”).

PURPOSE OF THIS REPORT

The purpose of this report is to provide a monthly 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 NC Mutual, and to provide a balance sheet 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 reports as additional facts are discovered.

SUMMARY

NC MUTUAL PROPERTY

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of NC Mutual.
- The Rehabilitator completed the sale of certain assets of its wholly owned subsidiary, North Carolina Mutual Financial, LLC (“NCMF”), on June 17, 2019. NC Mutual received approximately \$4 million of cash from the sale of such assets and transfer of NCMF’s retained assets.
- The Rehabilitator is in the process of discontinuing the current operations of NC Mutual’s other wholly owned subsidiary, North Carolina Mutual Insurance Agency, LLC. During the month of January 2019, the lead for the pre-need sales resigned.
- The Rehabilitator had previously received one unsolicited offer to purchase a portion of NC Mutual’s mortgage loan portfolio. On September 13, 2019, the Rehabilitator received an offer to purchase a portion of NC Mutual’s mortgage loan portfolio. The Rehabilitator is currently evaluating the offer. The Rehabilitator also anticipates a second offer from the purchase of all or a portion of the mortgage loans.

- The Rehabilitator is currently evaluating real property held for sale by NC Mutual to determine the appropriate disposition of these assets.
- The Rehabilitator has received an offer to novate NC Mutual's Cancer and Dread Disease Medical Insurance Coverage book of business. The Rehabilitator is evaluating the necessary steps and regulatory approvals needed to complete the proposed transaction.
- The Rehabilitator is currently evaluating NC Mutual's remaining in-force business and reinsurance programs in furtherance of determining the feasibility of a successful rehabilitation.
- The Rehabilitator has entered into eight non-disclosure agreements with parties that have expressed a potential interest in making an investment in NC Mutual and has provided requested due diligence materials related thereto. The Rehabilitator continues to have ongoing discussions with interested parties.
- The Rehabilitator has been made aware of a pending unclaimed property audit involving thirty-one (31) state Departments of Revenue. The Rehabilitator is working with Verus Analytics, LLC (the appointed auditor) to address the timing and process for completing the audit.

EXPENSE REDUCTIONS

- The Rehabilitator is evaluating all of NC Mutual'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.
- The Rehabilitator has canceled unnecessary services such as cell phones issued to staff of NC Mutual.
- NC Mutual's staff has been reduced by nine positions resulting in an annualized savings of approximately \$1,200,000 in salaries and benefits. The Rehabilitator has also terminated non-essential independent contractors.
- The Rehabilitator has terminated NC Mutual's annual statutory financial audit as financial statements prepared during the Rehabilitation proceeding will be prepared under the supervision of the Rehabilitator's staff. Termination of the audit resulted in an approximate expense reduction of \$173,000.
- The Rehabilitator has replaced certain IT equipment of NC Mutual that will result in an annualized expense reduction of approximately \$70,000.
- The Rehabilitator met with the landlord regarding the spaces currently rented for the Company's home office to discuss the possibility of downsizing the amount of space it is currently under contract for and as a means to reduce NC Mutual's monthly rent. The landlord is amenable to working with the Rehabilitator to reduce the expense and to keep the Company's presence at the property.
- The Rehabilitator has adjusted current services provided by NC Mutual's appointed actuary resulting in annualized expense reduction of approximately \$42,000.

LITIGATION

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

North Carolina Mutual Life Insurance Company v. Stamford Brook Capital, LLC, et al., Civil Action No. 1:16-cv-1174; United States District Court for the Middle District of North Carolina, Durham Division

This complaint was filed on September 23, 2016, to recover \$34 million of assets improperly transferred to and through the named defendants. An amended complaint was filed on August 8, 2018, adding additional causes of action including breach of fiduciary duty, breach of contract, fraud, RICO Act violations, unfair and deceptive trade practices, civil conspiracy, conversion, unjust enrichment and other similar causes of action.

NC Mutual has obtained entries of default against five corporate defendants and one individual defendant.

Defendant Reifler, who is appearing *pro se*, answered NC Mutual's complaint and brought counterclaims and a third-party complaint against NC Mutual, Michael Lawrence and James Speed. NC Mutual and Lawrence filed Motions to Dismiss the counterclaims and third-party claims for failure to state a claim pursuant to Rule 12(b)(6). Reifler responded to Lawrence's Motion to Dismiss on December 27, 2018, and Lawrence's response was due January 10, 2019. On or about January 4, 2019, Defendant Wasitowski filed a Motion to Dismiss and Or To Transfer Venue. On January 7, 2019, Lawrence filed a Reply in Support of Motion to Dismiss. On January 28, 2019, Defendant Reifler filed a Motion for Entry of Default against Third-Party Defendant James Speed. On January 28, 2019, the Clerk of Court entered an Entry of Default against Speed. On January 31, 2019, Speed filed a Motion to Vacate the Entry of Default and Motion to Dismiss. On January 31, 2019, Plaintiff filed a Response in Opposition to Defendant Wasitowski's Motion to Dismiss and Or To Transfer Venue. On February 14, 2019, Defendant Wasitowski filed a Reply Memorandum of Law in Support of His Motion to Dismiss and Or, In the Alternative, To Transfer Venue. On March 15, 2019, Plaintiffs filed a Voluntary Dismissal without Prejudice as to Defendant Summit Trust Co. On or about June 12, 2019, Reifler filed a Motion for Leave to File Amended Counterclaim and Third-party Complaint, a Memorandum of Law in support of his Motion for Leave, and a Notice of Change of Address. On July 8, 2019, NC Mutual and Michael Lawrence filed their Responses in Opposition to Reifler's Motion for Leave to File Amended Counterclaim and Third-party Complaint. On July 22, 2019, Reifler filed his Reply to NC Mutual's and Michael Lawrence's Responses in Opposition to Reifler's Motion for Leave to File Amended Counterclaim and Third-party Complaint. On July 24, 2019, the motion, responses and replies were submitted to the judge's chambers. On September 27, 2019, the United States District Court for the Middle District of North Carolina Durham Division granted NC Mutual's Motion to Dismiss Defendant Reifler's counterclaims, denied Defendant Wasitowski's Motion to Dismiss and or to Transfer Venue, granted Lawrence's Motion to Dismiss Third-party Complaint, granted Speed's Motion to Dismiss Third-party Complaint, vacated the default judgment against Speed, and denied Defendant Reifler's Motion to File Amended Counterclaims against NC Mutual and Amended Third-party Claims against Lawrence and Speed. Defendant Wasitowski was required to answer NC Mutual's Amended Complaint on or before October 11, 2019 following the Court's denial of his Motion to Dismiss and or To Transfer Venue. On October 11, 2019, Wasitowski filed an Answer to NC Mutual's Amended Complaint. On October 24, 2019, the Clerk entered an order requiring the parties to hold their rule 26(f) planning conference on or before November 28, 2019, and setting the initial pretrial conference for December 12, 2019. On November 11, 2019, the parties filed a Joint Rule 26(f) Report and Plan with the Court. On December 2, 2019, the Court entered an order adopting the parties' Joint Rule 26(f) Report, requiring the parties to submit the name of an agreed-upon mediator on or before December 27, 2019, and ordering that mediation be completed midway through the discovery period. On December 2, 2019, Defendant Port Royal filed a Motion to Compel Arbitration seeking to have NC Mutual's claims

against it resolved in private arbitration. NC Mutual must file a response to Port Royal's Motion to Compel Arbitration on or before December 23, 2019.

On October 17, 2018, NC Mutual entered into a settlement agreement with Joel Schreiber regarding the repayment of loans made to Schreiber and/or various entities owned by Schreiber from NC Mutual assets improperly transferred through the named defendants in this action. The amount of repayment required by the settlement agreement totaled \$3,215,018.00, to be paid in full by February 12, 2019, with a late payment penalty of \$5,000.00 for failure to pay in full for each day that elapses beyond the initial payment due date. On February 28, 2019, the parties executed an amendment to the October 17, 2018 settlement agreement to extend the initial payment date to April 13, 2019, with consideration of a payment of \$1,000,000.00 in partial satisfaction of the full settlement amount and an increase in the late payment penalty to \$10,000.00. A \$1,000,000.00 payment was made by Schreiber on February 12, 2019. On March 16, 2019, NC Mutual and Schreiber entered into a second amendment to the October 17, 2018 settlement agreement to extend the initial payment date to May 25, 2019, with consideration of a payment of \$250,000.00 in partial satisfaction of the full settlement amount and an increase in the late payment penalty to \$15,000.00. A \$250,000.00 payment was made by Schreiber on March 18, 2019. On May 13, 2019, NC Mutual and Schreiber entered into a third amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$250,000.00 partial payment on May 13, 2019 and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by May 24, 2019, in addition to the Late Penalty being increased from \$10,000.00 to \$15,000.00 per day (as set forth in the Second Amendment to the Settlement Agreement), the balance of the Settlement Amount shall immediately increase by \$50,000.00 and the Initial Payment Date shall be deemed extended from May 25, 2019 to June 27, 2019. Pursuant to the Third Amendment, payment of \$250,000.00 was received on May 13, 2019. On June 27, 2019, NC Mutual and Schreiber entered into a fourth amendment to the October 17, 2018 settlement agreement whereby Schreiber agreed to make a \$200,000.00 partial payment on June 27, 2019 and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by August 20, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the referenced Third Amendment to Settlement Agreement). Pursuant to the Fourth Amendment, payment of \$200,000.00 was received on June 27, 2019. On August 12, 2019, NC Mutual and Schreiber entered into a fifth amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$100,000.00 partial payment no later than August 19, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by August 29, 2019, the Initial Payment Date shall be deemed extended to September 30, 2019, and the Settlement Amount of \$1,615,018.00 shall be immediately increased by \$50,000.00. In the event the new Settlement Amount is not indefeasibly paid in full by September 30, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the Third Amendment to Settlement Agreement). Pursuant to the Fifth Amendment, payment of \$100,000.00 was received on August 16, 2019. On September 18, 2019, NC Mutual and Schreiber entered into a sixth amendment to the October 17, 2018 settlement whereby Schreiber agreed to make a \$100,000.00 partial payment no later than September 20, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full by September 19, 2019, the Initial Payment Date shall be deemed extended to November 15, 2019, and the Settlement Amount of \$1,565,018.00 shall be immediately increased by \$50,000.00. In the event the new Settlement Amount is not indefeasibly paid in full by November 15, 2019, the Late Penalty shall be \$15,000.00 per day (as set forth in the Fourth Amendment to Settlement Agreement). Pursuant to the Sixth Amendment, payment of \$100,000 was received on September 20, 2019. On November 13, 2019, NC Mutual and Schreiber entered into a seventh amendment to the October 17, 2018 settlement

whereby Schreiber whereby Schreiber agreed to make a \$50,000 partial payment no later than November 15, 2019, and further agreed that in the event the balance of the Settlement Amount following such payment is not indefeasibly paid in full on November 15, 2019, the Initial Payment Date shall be deemed extended to January 15, 2020, and the Settlement Amount of \$1,515,018 shall be immediately increased by \$50,000. In the event the Settlement Amount of \$1,515,018 is not indefeasibly paid in full by January 15, 2020, the Late Penalty shall be \$15,000 per day (as set forth in the referenced Fourth Amendment to Settlement Agreement). Pursuant to the Seventh Amendment, payment of \$50,000 was received on November 15, 2019.

Marietta McClendon v. North Carolina Mutual Life Insurance Company, Case No. 3:17-cv-00404;
United States District Court Middle District of Tennessee at Nashville

Plaintiff filed her initial complaint on March 1, 2017. Her claims were for breach of contract, unjust enrichment and violation of the North Carolina Unfair or Deceptive Trade Practices Act related to a life insurance policy. Plaintiff also pled grounds seeking class certification. On June 29, 2018, NC Mutual filed a Motion for Summary Judgment on all three claims.

On September 19, 2018, the Plaintiff moved to file a Second Amended Complaint. The Court denied the motion in part. Currently, four claims are before the Court: (1) breach of contract; (2) unjust enrichment; (3) violation of North Carolina Unfair or Deceptive Trade Practices Act; and (4) violation of the Alabama Deceptive Trade Practices Act. The Court ruled that NC Mutual's Motion for Summary Judgment applies to all four claims.

On December 10, 2018, NC Mutual filed a Motion to Dismiss the North Carolina Unfair or Deceptive Trade Practices Act and the Alabama Deceptive Trade Practices Act claims.

The deposition of the Plaintiff took place on January 10, 2019. On January 14, 2019, counsel filed a Motion to Dismiss the two-consumer protection claims that the Plaintiff asserted in the most recent complaint (under both North Carolina and Alabama Law).

On February 15, 2019, NC Mutual filed a Supplemental Motion for Summary Judgment seeking judgment on the unjust enrichment, AL deceptive trade practices and NC unfair trade practices claims. On February 15, 2019, the Plaintiff filed a Motion for Partial Summary Judgment for relief on the breach of contract and AL deceptive trade practices claims, as well as for injunctive relief. The Plaintiff additionally filed a motion requesting the Court certify a class for this action and made its expert disclosures.

On February 19, 2019, NC Mutual filed additional exhibits in support of its Supplemental Motion for Summary Judgment. On February 19, 2019, an Order was issued to transmit the file to the District Judge for consideration of the pending dispositive motions.

On May 10, 2019, Plaintiff filed a Motion for Leave to File Supplemental Memorandum in Support of Plaintiff's Motion for Class Certification. On May 22, 2019, counsel filed a Defendant's Motion To Ascertain Status of two of the pending dispositive motions, a motion to dismiss and the motion for summary judgment. Counsel informed the court that resolution of these motions in favor of NC Mutual could resolve the case or even partial resolution could narrow the issues related to class certification. On May 24, 2019, NC Mutual filed a Notice of Filing in Support of Defendant's Response in Opposition to Plaintiff's Motion for Leave to File Late-filed Motion for Class

Certification. On May 31, 2019, Plaintiff filed a Reply in Support of Plaintiff's Motion for Leave to File Supplemental Memorandum in Support of Plaintiff's Motion for Class Certification. On June 5, 2019, NC Mutual filed a Motion for Leave to File Sur-reply, which was granted. On June 6, 2019, NC Mutual filed its Sur-reply Opposing Plaintiff's Late-filed Motion for Class Certification. On June 14, 2019, NC Mutual filed a Notice to the Court of Binding Legal Authority Regarding Defendant's Motion for Summary Judgment, NC Mutual's Opposition to Plaintiff's Motion for Partial Summary Judgment, a filing of exhibits in support of its Response in opposition to Plaintiff's Motions for (a) Class Certification and (b) for Partial Summary Judgment, a Statement of Undisputed Material Facts in support of Motion for Summary Judgment, and NC Mutual's Opposition to Plaintiff's Motion for Class Certification. On June 14, 2019, Plaintiff's Opposition to Defendant's Supplemental Motion for Summary Judgment was filed along with the Declaration of Annika K. Martin in Support of Plaintiff's Opposition to Defendant's Supplemental Motion for Summary Judgment. On June 18, 2019, Plaintiff's Response to Defendant's Statement of Undisputed Material Facts in Support of its Supplemental Motion for Summary Judgment was filed. The parties have continued with discovery, including conducting depositions of named experts. On June 28, 2019, NC Mutual filed its Reply in Support of its Supplemental Motion for Summary Judgment. On the same day, Plaintiff filed her Reply Brief in Support of Plaintiff's Motion for Partial Summary Judgment and a Reply in Support of her Motion for Class Certification, along with a Declaration of her attorney in Support of Plaintiff's Reply in Support of her Motion for Summary Judgment. On July 23, 2019, NC Mutual filed a Motion for Leave to File Sur-reply.

On July 26, 2019, the federal court issued an Order which: (1) dismissed Plaintiff's North Carolina and Alabama deceptive trade practices claims; (2) dismissed Plaintiff's unjust enrichment claim; and, (3) granted Plaintiff partial summary judgment on her breach of contract claim with regard to the period within the applicable statute of limitation. On August 9, 2019, NC Mutual filed a Motion and Memorandum in support of 12(b)(1) Motion to Dismiss for Lack of Subject Matter Jurisdiction and a Supplemental Brief Opposing Class Certification. On August 9, 2019, Plaintiff filed a Supplemental Brief regarding Class Certification. On August 23, 2019, Plaintiff filed its Opposition to NCM's Rule 12(b)(1) Motion to Dismiss for Lack of Subject Matter Jurisdiction. On August 30, 2019, NC Mutual filed a Reply in Support of its 12(b)(1) Motion to Dismiss. On September 12, 2019, Plaintiff filed an Unopposed Motion to Set Case Management Conference. On September 19, 2019, the Court held a telephone conference call to discuss the trial schedule and issued an Order continuing the trial until March 24, 2020. On September 25, 2019, the federal court issued an Order for Plaintiff to Show Cause why the case should not be dismissed for lack of subject matter jurisdiction. On October 10, 2019, Plaintiff's filed a Memo in Response to Court Order to Show Cause Why This Court Has Subject Matter Jurisdiction Over This Action, along with a declaration by Plaintiff's expert in support of Plaintiff's Response to Order to Show Cause. On October 17, 2019, NC Mutual filed a Motion for Leave to Respond in Opposition to Plaintiff's Response to the Order to Show Cause.

North Carolina Mutual Life Insurance Company v. Bradley Reifler, Case No. 17-35075; United States Bankruptcy Court, Southern District of New York

On January 20, 2017, Bradley Reifler filed a bankruptcy petition in the United States Bankruptcy Court, Southern District of New York. On May 1, 2017, NC Mutual filed a Verified Complaint for Non-Dischargeability of Debts and Denial of Discharge. On September 12, 2017, NC Mutual issued

multiple deposition notices with subpoenas seeking documents. On November 16, 2017, the Court issued a Scheduling Order mandating that discovery end on March 15, 2018. An extension to discovery was granted up to March 19, 2018. On December 28, 2017, the Court ordered Defendant Reifler to turn over computers and electronic devices to forensic expert for analysis. On January 16, 2018, NC Mutual filed a Motion for Contempt alleging Defendant Reifler's violations of the Court Order regarding electronic devices and seeking judgment by default against Defendant Reifler as a penalty. On February 6, 2018, the Court issued an Order finding Defendant Reifler in contempt and ordering him to fully comply with the Order regarding electronic devices and to pay NC Mutual's attorney fees and expert fees. The Court noted that further violations by Defendant Reifler could result in entry of judgment in favor of N.C. Mutual. In March 2018, NC Mutual took multiple depositions. On May 4, 2018, following an evidentiary hearing, the Court issued an Order Finding Defendant in Continuing Contempt of Court Imposing Additional Sanctions and Entering Default Judgment. Defendant Reifler appealed the Order entering default judgment against him to the United States District Court, Southern District of New York. On January 31, 2019, the United States District Court, Southern District of New York issued an Order affirming the May 4, 2018 Order of the Bankruptcy Court and ordering the clerk of court to enter the judgment for NC Mutual and close the case. To date, Reifler has not appealed the District Court's order and his time to do so under applicable rules has expired.

Metropolitan Life Insurance Company v Willis, Brown, NC Mutual Financial LLC and Knight and Lindsey Funeral Home, LLC, Case No. 19-CV-6-KS-MTP; United States District Court, Southern District of Mississippi

NC Mutual is named in an interpleader action filed in the United States District Court, Southern District of Mississippi. Upon information and belief, service of process on NC Mutual, or its wholly owned subsidiary NC Mutual Financial LLC, is incomplete and NC Mutual has taken no action at this time. On April 30, 2019, Plaintiff and Defendants entered into a Stipulation of Dismissal pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii).

In re Estate of Eugene Moore; Henry County Probate Court, Georgia

On February 28, 2019, NC Mutual received service of process regarding an Order of Notice of a Petition for Discharge of Personal Representative in an estate action filed in Henry County Probate Court, Georgia. NC Mutual has taken no action at this time.

OTHER MATTERS

- The Rehabilitator is currently evaluating an alternative business continuity/disaster recovery solution to reduce current expenses and to address NC Mutual's aging computer hardware.
- The Rehabilitator has purchased a one-year extended reporting period on NC Mutual's expired Directors & Officers insurance policy. On November 15, 2019, the Rehabilitator filed a notice of claim under the Directors & Officers insurance policy.
- Pursuant to the Moratorium Order, the Rehabilitator has imposed a moratorium on cash surrenders, annuitizations, and policy loans against NC Mutual 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 NC Mutual for annuity benefits and cash withdrawals for NC Mutual policyholders who petition for payment

under claims of legitimate hardship. NC Mutual continues to receive and evaluate claims of hardship on a case-by-case basis.

- The Rehabilitator has evaluated options related to funding of NC Mutual's defined pension plan and has determined that it is in the best interest of NC Mutual to make annual contributions in the minimum required amount. As such, NC Mutual made a \$116,500 contribution on June 14, 2019.
- On March 27, 2019, in accordance with NC Mutual's bylaws, the Rehabilitator held the annual meeting of policyholders.

CONTINUATION OF BUSINESS

A final decision as to the course of action to take with NC Mutual has not yet been determined.

INTRODUCTION TO NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2019

Introduction and Basis of Presentation: NC Mutual is a North Carolina domiciled life, accident and health insurance company that was placed in rehabilitation by the Wake County Superior Court on December 3, 2018. NC Mutual is under the control of the Commissioner of Insurance of the State of North Carolina, who is the Rehabilitator of NC Mutual. It is the Rehabilitator's responsibility to take possession of the assets of NC Mutual and to administer them under the general supervision of the Court.

The accompanying unaudited financial statements were prepared by NC Mutual staff under the supervision of the Rehabilitator, 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.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	5,824,586	0	5,824,586	5,812,628
2. Stocks:				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	491,171	0	491,171	395,593
3. Mortgage loans on real estate:				
3.1 First liens	5,028,583	240,711	4,787,873	4,972,599
3.2 Other than first liens	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances)	61,847	7	61,840	61,840
5. Cash (\$.....4,716,918), cash equivalents (\$.....0) and short-term investments (\$.....445,309)	5,162,227	0	5,162,227	1,848,761
6. Contract loans (including \$.....0 premium notes)	1,954,268	(925)	1,955,194	2,101,452
7. Derivatives	0	0	0	0
8. Other invested assets	1,315,549	1,305,182	10,367	4,126,917
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	19,838,232	1,544,974	18,293,257	19,319,790
13. Title plants less \$.....0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	26,007	0	26,007	10,763
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	657,853	0	657,853	800,067
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)	135,196	0	135,196	143,550
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0)	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	610,857	0	610,857	661,464
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	2,870,666	0	2,870,666	3,153,294
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon ...	294,158	0	294,158	294,157
18.2 Net deferred tax asset	0	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	928	0	928	1,851
21. Furniture and equipment, including health care delivery assets (\$.....0)	58,524	58,524	0	0
22. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	470,945	299,649	171,296	129,184
24. Health care (\$.....0) and other amounts receivable	0	0	0	0
25. Aggregate write-ins for other-than-invested assets	2,602,010	530,912	2,071,098	1,415,923
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	27,565,375	2,434,059	25,131,316	25,930,042
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. TOTAL (Lines 26 and 27)	27,565,375	2,434,059	25,131,316	25,930,042
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	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. CSV OFFICERS INSURANCE	1,370,476	0	1,370,476	1,383,825
2502. ADVANCES TO AGENTS	15	15	0	0
2503. PREPAID RENT / EXPENSES	114,078	114,078	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	1,117,440	416,818	700,622	32,098
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,602,010	530,912	2,071,098	1,415,923

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. * Aggregate reserve for life contracts \$.....14,558,694 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve)	14,558,694	14,699,981
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve)	50,328	62,497
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve)	1,946,339	1,977,456
4. Contract claims:		
4.1 Life	1,454,835	1,426,206
4.2 Accident and health	35,335	35,335
5. Policyholders' dividends/refunds to members \$.....0 and coupons \$.....0 due and unpaid	0	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 \$.....0 Modco)	0	0
6.2 Policyholders' dividends and refunds to members not yet apportioned (including \$.....0 Modco)	0	0
6.3 Coupons and similar benefits (including \$.....0 Modco)	0	0
7. Amount provisionally held for deferred dividend policies not included in Line 6	0	0
8. Premiums and annuity considerations for life and accident & health contracts received in advance less \$.....0 discount; including \$.....3,058 accident and health premiums	5,923	5,562
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts	0	0
9.2 Provision for experience rating refunds, including the liability of \$.....0 accident and health experience rating refunds of which \$.....0 is for medical loss ratio rebate per the Public Health Service Act	0	0
9.3 Other amounts payable on reinsurance; including \$.....0 assumed and \$.....0 ceded	0	0
9.4 Interest Maintenance Reserve	113,152	114,165
10. Commissions to agents due or accrued-life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0	0	0
11. Commissions and expense allowances payable on reinsurance assumed	646,576	787,099
12. General expenses due or accrued	214,247	267,817
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances)	0	0
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	37,939	42,534
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses)	0	0
15.2 Net deferred tax liability	0	0
16. Unearned investment income	59,108	84,574
17. Amounts withheld or retained by reporting entity as agent or trustee	37,928	43,651
18. Amounts held for agents' account, including \$.....0 agents' credit balances	3,502	3,143
19. Remittances and items not allocated	119,151	109,940
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0
21. Liability for benefits for employees and agents if not included above	4,149,339	4,077,151
22. Borrowed money \$.....0 and interest thereon \$.....0	0	0
23. Dividends to stockholders declared and unpaid	0	0
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	110,825	618,027
24.02 Reinsurance in unauthorized and certified (\$.....0) companies	26,370,039	27,871,732
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$.....0) reinsurers	0	0
24.04 Payable to parent, subsidiaries and affiliates	0	0
24.05 Drafts outstanding	62,551	36,492
24.06 Liability for amounts held under uninsured plans	0	0
24.07 Funds held under coinsurance	692,574	842,609
24.08 Derivatives	0	0
24.09 Payable for securities	0	0
24.10 Payable for securities lending	0	0
24.11 Capital notes \$.....0 and interest thereon \$.....0	0	0
25. Aggregate write-ins for liabilities	1,767,290	1,804,303
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25)	52,435,675	54,910,274
27. From Separate Accounts Statement	0	0
28. Total Liabilities (Lines 26 and 27)	52,435,675	54,910,274
29. Common capital stock	0	0
30. Preferred capital stock	0	0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes	0	0
33. Gross paid in and contributed surplus	0	0
34. Aggregate write-ins for special surplus funds	13,719,335	14,327,105
35. Unassigned funds (surplus)	(41,023,695)	(43,307,338)
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 29 \$.....0)	0	0
36.20 shares preferred (value included in Line 30 \$.....0)	0	0
37. Surplus (Total Lines 31 to 35, Less 36) (including \$.....0 in Separate Accounts Statement)	(27,304,360)	(28,980,233)
38. Totals of Lines 29, 30 and 37	(27,304,360)	(28,980,233)
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	25,131,316	25,930,042
DETAILS OF WRITE-INS		
2501. GROUP LIFE FUNDS HELD ON DEPOSIT	1,767,290	1,804,303
2502.	0	0
2503.	0	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)	1,767,290	1,804,303
3101.	0	0
3102.	0	0
3103.	0	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)	0	0
3401. SURPLUS FROM REINSURANCE	13,719,335	14,327,105
3402.	0	0
3403.	0	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)	13,719,335	14,327,105

SUMMARY OF OPERATIONS

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	15,618,768	12,830,828	21,371,417
2. Considerations for supplementary contracts with life contingencies	0	0	0
3. Net investment income	420,462	472,094	616,860
4. Amortization of Interest Maintenance Reserve (IMR)	508	(13,895)	(19,008)
5. Separate Accounts net gain from operations excluding unrealized gains or losses	0	0	0
6. Commissions and expense allowances on reinsurance ceded	4,100,370	4,289,368	5,688,717
7. Reserve adjustments on reinsurance ceded	0	0	0
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	0	0	0
8.2 Charges and fees for deposit-type contracts	0	0	0
8.3 Aggregate write-ins for miscellaneous income	437,041	441,045	160,594
9. Totals (Lines 1 to 8.3)	20,577,149	18,019,441	27,818,579
10. Death benefits	14,010,423	10,595,133	18,406,893
11. Matured endowments (excluding guaranteed annual pure endowments)	(34,947)	10,422	(17,138)
12. Annuity benefits	0	0	0
13. Disability benefits and benefits under accident and health contracts	17,458	19,845	27,552
14. Coupons, guaranteed annual pure endowments and similar benefits	0	0	0
15. Surrender benefits and withdrawals for life contracts	579,953	476,713	555,917
16. Group conversions	2,470	3,984	3,293
17. Interest and adjustments on contract or deposit-type contract funds	42,523	43,509	58,181
18. Payments on supplementary contracts with life contingencies	303	272	333
19. Increase in aggregate reserves for life and accident and health contracts	(153,455)	253,164	146,436
20. TOTALS (Lines 10 to 19)	14,464,726	11,403,042	19,181,468
21. Commissions on premiums, annuity considerations, and deposit type contract funds (direct business only)	82,519	89,256	123,181
22. Commissions and expense allowances on reinsurance assumed	1,586,028	1,833,901	2,395,776
23. General insurance expenses and fraternal expenses	3,756,154	6,498,957	8,132,800
24. Insurance taxes, licenses and fees, excluding federal income taxes	177,420	260,932	327,646
25. Increase in loading on deferred and uncollected premiums	(4,526)	(10,747)	(9,993)
26. Net transfers to or (from) Separate Accounts, net of reinsurance	0	0	0
27. Aggregate write-ins for deductions	151,675	186,232	297,487
28. Totals (Lines 20 to 27)	20,213,996	20,261,574	30,448,364
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	363,153	(2,242,133)	(2,629,786)
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)	363,153	(2,242,133)	(2,629,786)
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	0	0	(294,157)
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)	363,153	(2,242,133)	(2,335,629)
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR)	(103)	(2,147)	(7,972)
35. Net income (Line 33 plus Line 34)	363,049	(2,244,280)	(2,343,601)
CAPITAL AND SURPLUS ACCOUNT			
36. Capital and surplus, December 31, prior year	(28,980,233)	(25,246,385)	(25,246,385)
37. Net Income (Line 35)	363,049	(2,244,280)	(2,343,601)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(85,332)	(123,651)	(99,936)
39. Change in net unrealized foreign exchange capital gain (loss)	0	0	0
40. Change in net deferred income tax	0	0	(294,157)
41. Change in nonadmitted assets	32,556	(10,746)	68,891
42. Change in liability for reinsurance in unauthorized and certified companies	1,501,893	652,170	651,334
43. Change in reserve on account of change in valuation basis, (increase) or decrease	0	0	0
44. Change in asset valuation reserve	507,203	(139,546)	(247,847)
45. Change in treasury stock	0	0	0
46. Surplus (contributed to) withdrawn from Separate Accounts during period	0	0	0
47. Other changes in surplus in Separate Accounts Statement	0	0	0
48. Change in surplus notes	0	0	0
49. Cumulative effect of changes in accounting principles	0	0	0
50. Capital changes:			
50.1 Paid in	0	0	0
50.2 Transferred from surplus (Stock Dividend)	0	0	0
50.3 Transferred to surplus	0	0	0
51. Surplus adjustment:			
51.1 Paid in	0	0	0
51.2 Transferred to capital (Stock Dividend)	0	0	0
51.3 Transferred from capital	0	0	0
51.4 Change in surplus as a result of reinsurance	(607,770)	(756,964)	(1,001,104)
52. Dividends to stockholders	0	0	0
53. Aggregate write-ins for gains and losses in surplus	(35,527)	(766,863)	(467,428)
54. Net change in capital and surplus (Lines 37 through 53)	1,675,873	(3,389,890)	(3,733,648)
55. Capital and surplus as of statement date (Lines 36 + 54)	(27,304,360)	(28,636,255)	(28,980,233)
DETAILS OF WRITE-INS			
08.301. DEPOSIT ACCOUNTING INCOME	(13,913)	79,586	199,722
08.302. MISCELLANEOUS INCOME	464,658	620,536	821,314
08.303. CHANGE IN CSV	218,796	(259,077)	(277,960)
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	(232,500)	0	(582,482)
08.399. TOTALS (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	437,041	441,045	160,594
2701. DEFERRED COMP	188,688	212,858	324,113
2702. INC (DEC) IN GRP FUNDS ON DEPOSIT	(37,013)	(26,626)	(26,626)
2703. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	151,675	186,232	297,487
5301. SURPLUS INC / DEC - OTHER PRIOR PERIOD ADJUSTMENTS	(35,527)	206,189	302,070
5302. SURPLUS INC / DEC - OTHER SURPLUS ADJUSTMENTS	0	0	203,554
5303. SURPLUS INC / DEC - PRIOR PERIOD AUDIT ADJUSTMENTS	0	(973,052)	(973,052)
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)	(35,527)	(766,863)	(467,428)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	15,659,866	12,954,384	21,581,335
2. Net investment income	624,404	663,216	911,779
3. Miscellaneous income	3,625,211	4,103,020	5,762,033
4. TOTAL (Lines 1 to 3)	19,909,481	17,720,620	28,255,147
5. Benefit and loss related payments	14,363,744	10,983,810	18,746,900
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	5,817,148	9,717,812	12,477,982
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	1	0	0
10. TOTAL (Lines 5 through 9)	20,180,892	20,701,622	31,224,883
11. Net cash from operations (Line 4 minus Line 10)	(271,412)	(2,981,003)	(2,969,736)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	0	0	474,551
12.2 Stocks	0	0	0
12.3 Mortgage loans	203,703	277,268	405,934
12.4 Real estate	0	0	0
12.5 Other invested assets	3,935,025	303,350	553,350
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	129,563
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7)	4,138,728	580,619	1,563,398
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	0	0
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 TOTAL investments acquired (Lines 13.1 to 13.6)	0	0	0
14. Net increase (or decrease) in contract loans and premium notes	(417,923)	(122,485)	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	4,556,650	703,104	1,563,398
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	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	(31,117)	(60,431)	(58,610)
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	(940,656)	619,132	662,725
17. Net cash from financing and miscellaneous sources (Line 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	(971,772)	558,701	604,115
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)	3,313,466	(1,719,198)	(802,222)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,848,761	2,650,983	2,650,983
19.2 End of period (Line 18 plus Line 19.1)	5,162,227	931,785	1,848,761
Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:			
20.0001	0	0	0

OVERFLOW PAGE FOR WRITE-INS**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1197. Summary of remaining write-ins for Line 11 (Lines 1104 through 1196)	0	0	0	0
2504. OTHER AMOUNTS RECEIVABLE	700,622	0	700,622	32,098
2505. LEASEHOLD IMPROVEMENTS	265,456	265,456	0	0
2506. OTHER ASSETS	151,363	151,363	0	0
2597. Summary of remaining write-ins for Line 25 (Lines 2504 through 2596)	1,117,440	416,818	700,622	32,098

SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
08.304. OI CHANGE IN CONVERSION POOL ASSETS-ASSUMED	(232,500)	0	(582,482)
08.397. Summary of remaining write-ins for Line 8.3 (Lines 08.304 through 08.396)	(232,500)	0	(582,482)
2797. Summary of remaining write-ins for Line 27 (Lines 2704 through 2796)	0	0	0
5397. Summary of remaining write-ins for Line 53 (Lines 5304 through 5396)	0	0	0

* North Carolina Mutual Life Insurance Company (“Company”) and Southland National Insurance Corporation (“Southland”) entered into a Reinsurance and Administration Agreement on December 31, 2014 (“Agreement”). Pursuant to the Agreement, Southland established and thereafter maintained a Trust Account naming the Company as sole beneficiary, thereof to secure Southland’s obligations under the Agreement. As of September 30, 2019, the Trust Account contained the following assets:

Type	Amount	%
Cash	\$ 35,568,642.04	27%
Bonds	14,896,843.42	11%
Equities	9,383,698.92	7%
Promissory Notes	69,466,182.61	53%
Other	1,577,973.35	1%
	<u>\$ 130,893,340.34</u>	<u>100%</u>

As part of the Agreement, Southland was required to ensure that the Trust Account held Eligible Assets with a Statutory Book Value equal to the Required Balance at all times. The Agreement defines “Eligible Assets” as cash and/or investments of the type consistent with the requirements under the insurance laws of the State of North Carolina. As of September 30, 2019, the Trust Account held \$60.4 million in assets, detailed below, that were not income producing as required by G.S. 58-7-167. As such, these assets, which comprised 46% of the total Trust Account assets, did not qualify as Eligible Assets.

Type	Amount	%
Equities	\$ 9,383,698.92	7%
Promissory Notes	50,999,572.36	39%
	<u>\$ 60,383,271.28</u>	<u>46%</u>

On June 27, 2019, the Wake County Superior Court issued an Order of Rehabilitation against Southland and appointed the Commissioner of Insurance for the State of North Carolina as Rehabilitator. Total reinsurance credit taken by the Company, related to the Agreement, totaled \$105,817,129 as of September 30, 2019. If Southland is unable to replace the ineligible assets with eligible assets in a timely manner, the Company will be required to partially unwind the credit for reinsurance it received related to the Agreement. This adjustment will have a material impact to the following annual statement line items:

- Page 2, Line 6 – Contract loans
- Page 2, Line 14 – Investment income due and accrued
- Page 2, Line 15.1 – Uncollected premiums and agents’ balances in the course of collection
- Page 2, Line 15.2 – Deferred premiums, agents’ balances and installments booked but deferred and not yet due
- Page 2, Line 16.1 – Amounts recoverable from reinsurers
- Page 2, Line 16.3 – Other amounts receivable under reinsurance contracts
- Page 3, Line 1 – Aggregate reserve for life contracts
- Page 3, Line 4.1 – Contract claims: Life
- Page 3, Line 8 – Premiums and annuity considerations for life and accident & health contracts received in advance
- Page 3, Line 16 – Unearned investment income
- Page 3, Line 24.07 – Miscellaneous liabilities: Funds held under coinsurance

NORTH CAROLINA

WAKE COUNTY

VERIFICATION

JEFFREY A. TRENDEL, being first duly sworn, deposes and says that he is a Deputy Commissioner of Insurance for the North Carolina Department of Insurance and appointed as Special Deputy Rehabilitator for North Carolina Mutual Life Insurance Company by the Commissioner of Insurance and Rehabilitator, that he has read the foregoing monthly report of activity of the Rehabilitator as of September 30, 2019, and a balance sheet, summary of operations and statement of cash flow as of September 30, 2019, of North Carolina Mutual Life Insurance Company, and that the contents of same are true and correct to the best of his knowledge and belief.

This the 15th day of January, 2020.



Deputy Commissioner of Insurance and
Special Deputy Rehabilitator for
North Carolina Mutual Life Insurance Company

NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

The 15th day of January, 2020.
(Official Seal)


Notary Public

My Commission Expires: 1/20/2021