

NORTH CAROLINA

WAKE COUNTY

FILED

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION

2021 MAR 12 P 4:11 FILE NO.: 19 CVS 008664

WAKE CO., C.S.C.

MIKE CAUSEY,  
COMMISSIONER OF INSURANCE  
OF NORTH CAROLINA,

Petitioner,  
vs.

SOUTHLAND NATIONAL  
INSURANCE CORPORATION,  
SOUTHLAND NATIONAL  
REINSURANCE CORPORATION,  
BANKERS LIFE INSURANCE  
COMPANY, COLORADO  
BANKERS LIFE INSURANCE  
COMPANY,  
North Carolina Domiciled  
Insurance Companies,  
Respondents.

VERIFIED PETITION  
FOR AN ORDER OF  
LIQUIDATION  
AGAINST SOUTHLAND  
NATIONAL INSURANCE  
CORPORATION AND  
PETITION SEEKING  
INJUNCTIVE RELIEF

NOW COMES Mike Causey, the Commissioner of Insurance of the State of North Carolina (the "Commissioner" or the "Petitioner"), on behalf of the State of North Carolina, who seeks an order of liquidation and other relief against Southland National Insurance Corporation ("SNIC") based on the financial condition of SNIC. In support thereof, the Petitioner respectfully shows the Court the following:

1. The Petitioner is the Commissioner of Insurance of the State of North Carolina and initiates this action in his official capacity on behalf of the State of North Carolina pursuant to N.C. Gen. Stat. §§ 58-30-15, 58-30-20, 58-30-100, 58-30-105, and Article 38 of Chapter 1 of the North Carolina General Statutes;

2. SNIC is a life and accident and health insurance company as defined in Chapter 58 of the General Statutes of North Carolina, is incorporated under the laws of the State of North Carolina and has its registered home office in Durham, NC;

3. On or about June 27, 2019, this Court entered an Order of Rehabilitation, Order Appointing Receiver and Order Granting Injunctive Relief against SNIC and the remaining above named Respondents, with the written consent of the Respondents' Directors and Controlling Shareholder, and the Court found that the Petition set forth sufficient grounds under N.C. Gen. Stat. § 58-30-75;

4. Under that Order, the Commissioner, as Rehabilitator, is administering the assets of SNIC and the remaining Respondents in accordance with N.C. Gen. Stat. § 58-30-80, *et seq.*;

5. SNIC is in such condition as to render the continuance of its business hazardous, financially, or otherwise, to its policyholders, its creditors or the public within the meaning of N.C. Gen. Stat. § 58-30-100(3), as evidenced by the attached Exhibit A, "Affidavit of the Special Deputy Rehabilitator, Mike Dinius," that is incorporated herein by reference;

6. Based upon the Rehabilitator's Quarterly Court Report of SNIC, as of December 31, 2020, the liabilities of SNIC, calculated in accordance with statutory insurance accounting principles, exceeded its assets by \$24,533,749, and SNIC is insolvent within the meaning of N.C. Gen. Stat. § 58-30-10(13);

7. The Petitioner is entitled to appointment as liquidator of SNIC under the provisions of N.C. Gen. Stat. Chapter 58, Article 30;

8. Upon the entry of an Order of Liquidation, it is in the public interest that the Court enter a preliminary injunction which prohibits the disposition, waste or impairment of the property of SNIC, or the unauthorized transaction of further business on behalf of SNIC, requires the transfer of all property of SNIC to Petitioner, prevents interference with the Petitioner or this proceeding, prohibits the commencement or prosecution of any actions against the Petitioner or SNIC, and prohibits any party or person from obtaining preferences, judgments, attachments or other liens, or the initiation of any levy against SNIC or any of its general assets;

9. Each state where SNIC is or was licensed to engage in the business of insurance has established a life and health insurance guaranty association (“Guaranty Association”) to provide protection to policyholders and beneficiaries of insurance products in the event an insurer, such as SNIC, is placed into liquidation with a finding of insolvency, subject to certain statutory limits, as provided for in the state legislation creating each such Guaranty Association (referred to herein as “GA Enabling Act(s)”). *See e.g.* N.C. Stat. § 58-62-2 *et seq.*, (establishing the North Carolina Life and Health Insurance Guaranty Association); and

10. At the request of an applicable Guaranty Association to facilitate the transition to liquidation, the Liquidator will continue to collect premiums, pay claims, and otherwise administer or arrange for the administration of the SNIC policies covered by such Guaranty Association as needed, subject to fair and reasonable terms and reconciliation as may be agreed to by the Liquidator and such Guaranty Association.

WHEREFORE, Petitioner prays the Court as follows:

1. To enter an Order of Liquidation containing a declaration of insolvency, appointing Mike Causey, Commissioner of Insurance of the State of North Carolina, and his successors in

office, as Liquidator of SNIC, and that the Liquidator be vested with such other duties, powers, authorities, and obligations as are provided by N.C. Gen. Stat. Chapter 58, Article 30;

2. To order that the Liquidator be vested with the title to all assets of SNIC and that the filing or recording of this Order with the Clerk of the Superior Court and the Register of Deeds of the county in which SNIC's principal office or place of business is located; or, in the case of real estate, with the Register of Deeds of the county where the property is located, shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Register of Deeds, would have imparted;

3. To authorize, empower and direct Petitioner, as Liquidator, to take into his possession and control all property, stocks, bonds, securities, bank accounts, savings accounts, monies, accounts receivable, books, papers, records, data bases, printouts and computations, whether stored by microfilm, electronic, optical, magnetic or other means, whether stored in tapes, disks, or other media, and that all other assets of any and all kinds and nature whatsoever belonging to SNIC, wherever located be delivered to the Liquidator, and to conduct SNIC's business and administer SNIC's assets and affairs under the general supervision of this Court;

4. To vest the Liquidator with such other power, authority, and duties as are provided by N.C. Gen. Stat. Chapter 58, Article 30 and with the powers and duties of a receiver under all other applicable laws of the State of North Carolina;

5. To order that pursuant to N.C. Gen. Stat. § 58-30-120, the Liquidator be authorized to appoint one or more Special Deputy Liquidators to act for the Liquidator in connection with the delinquency proceedings against SNIC and that such Special Deputy Liquidator(s) be authorized

to employ and discharge at the prevailing customary rates such counsel, clerks or assistants as the Liquidator or such Special Deputy Liquidator(s) shall deem to be necessary, or to utilize State employees for said purposes if he has determined that the use of State employees to conduct certain aspects of the liquidation is the most cost effective method of administering the delinquency proceeding and that this action benefits the estate and its creditors; and to further authorize such Liquidator or Special Deputy Liquidator(s) to obtain such bonds, errors and omissions type insurance, or excess liability insurance in addition to any such insurance that may be already provided for employees of the Department of Insurance, as a reasonably prudent person charged with the duties would deem to be appropriate; and that all expenses of taking possession of and administering and conserving SNIC, its assets and property, and of conducting the delinquency proceedings against SNIC and otherwise dealing with its business and property, whether incurred by or at the direction of the Rehabilitator or any Special Deputy Rehabilitator or by the Liquidator and any Special Deputy Liquidator, shall be paid out of the funds or assets of SNIC pursuant to N.C. Gen. Stat. § 58-30-120(a)(4) and considered class-one claims under N.C. Gen. Stat. § 58-30-220(1), all in accordance with Article 30 of Chapter 58 of the North Carolina General Statutes;

6. To order that the Liquidator is authorized, empowered and directed to incur such expenses for communication and traveling expenses for himself, his agents or attorneys as may be necessary in the proper administration of his duties as Liquidator and also to incur such other expenses as the Liquidator may deem advisable or necessary in order to properly conduct and perform his duties as Liquidator and that any compensation and expenses paid by the Liquidator be reported to the Court and approved on an interim basis subject to the jurisdiction of the Court to approve the amounts of final compensation and expenses;

7. To authorize the Petitioner, as Liquidator, to notify state or federal regulators of this action, and to take any action relating to the licenses or certificates of SNIC as may be required to carry out the Order of Liquidation;

8. To grant injunctive relief pursuant to N.C. Gen. Stat. §§ 58-30-20 and 58-30-130 to prohibit any person from interfering in any manner with the property or assets of SNIC or with the Liquidator in the performance of his duties, and further enjoin and restrain any person from instituting or prosecuting any suit or other action against the Liquidator, SNIC or SNIC's property or assets; to stay all persons, firms and corporations with notice of the Court's Order from the obtaining of preferences, judgments, attachments, garnishments, or liens against SNIC or its property or assets, or the levying of execution or foreclosure against SNIC or its property or assets, until further order of the Court; to enjoin and restrain SNIC, its trustees, officers, directors, agents, employees, or third party administrators, and all other persons from the disposition, waste or impairment of any of SNIC's property, assets, or records; to enjoin the transaction of further business unless supervised and approved by the Liquidator or his agents or deputies, until further order of the Court; to order all such persons to transfer to the Liquidator any and all property or assets of SNIC wheresoever situated, and enjoin and restrain SNIC, its trustees, officers, agents, servants, employees, third party administrators, directors or attorneys from doing or permitting to be done anything which may allow or suffer the obtainment of preferences, judgments, attachments or other liens, or the initiation of a levy against SNIC or its property or assets, without prior permission of this Court;

9. To order that the Liquidator, at the request of an applicable Guaranty Association, continue to collect premiums, pay claims, and otherwise administer SNIC policies covered by such Guaranty Association as needed, subject to fair and reasonable terms and reconciliation as may be agreed to by the Liquidator and such Guaranty Association;

10. To set accounting and bond requirements for the Liquidator; and

11. To grant such other and further relief as the Court may deem just and proper.

This 12 day of March, 2021.

JOSHUA H. STEIN  
ATTORNEY GENERAL

By: 

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NORTH CAROLINA

WAKE COUNTY

VERIFICATION

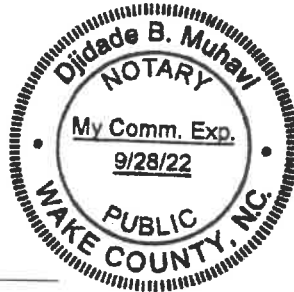
I, JEFFREY A. TRENDEL, being first duly sworn, deposes and says that he is a DEPUTY COMMISSIONER for the North Carolina Department of Insurance; that he has read the foregoing Petition; and that the contents of same are true and correct of his own knowledge, except as to those matters and things therein set forth upon information and belief, and as to those, here verily believes it to be true.

This 12<sup>th</sup> day of March, 2021.



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Sworn to and subscribed before me  
this 12 day of March, 2021.



Djjade B. Muhavi  
Notary Public

My Commission Expires: 9/28/22

## CERTIFICATE OF SERVICE

I, the undersigned attorney, do hereby certify that a copy of the foregoing pleading or paper was served on the following by depositing copies thereof in the United States mail, first class postage prepaid, as provided by Rule 5 of the North Carolina Rules of Civil Procedure:

Tamre Edwards  
Corporate Secretary  
Global Bankers Insurance Group, LLC  
2327 Englert Drive  
Durham, NC 27713

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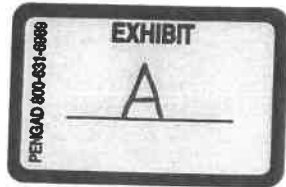
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This 12 day of March, 2021.

By: Heather H. Freeman

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SUPERIOR COURT DIVISION  
FILE NO.: 19 CVS 008664

WAKE COUNTY

MIKE CAUSEY,  
COMMISSIONER OF INSURANCE )  
OF NORTH CAROLINA, )

Petitioner, )

vs. )

SOUTHLAND NATIONAL )  
INSURANCE CORPORATION, )  
SOUTHLAND NATIONAL )  
REINSURANCE CORPORATION, )  
BANKERS LIFE INSURANCE )  
COMPANY, COLORADO )  
BANKERS LIFE INSURANCE )  
COMPANY, )  
North Carolina Domiciled )  
Insurance Companies, )

Respondents. )

AFFIDAVIT OF MIKE DINIUS

Mike Dinius, being first duly sworn, deposes and says as follows:

1. I am a resident of Marion County, Indiana, and I have personal knowledge of the facts set out in this affidavit, except as to those matters set out on information and belief, and as to those matters, I believe them to be true.

2. I am a Certified Public Accountant, and the CEO of Noble Consulting Services, Inc.

3. The purpose of this affidavit is to inform the Court of the current financial condition of SNIC.

4. Based upon the Rehabilitator's Quarterly Court Report of SNIC, as of December 31, 2020, the liabilities of SNIC; calculated in accordance with statutory insurance accounting

principles exceeded its assets by \$24,533,749 and SNIC is insolvent within the meaning of N.C. Gen. Stat. §§ 58-30-10(13) and 58-30-100(2).


5. SNIC has approximately \$17.7 million of liquid assets as of December 31, 2020, of which \$4.5 million represents State Deposits to which the Rehabilitator does not have access. That leaves approximately \$13.2 million of liquid assets from which to pay claims and to fund operations. State Deposits are funds deposited by insurance companies with state departments of insurance pursuant to individual state requirements.

6. For 2021, SNIC is projected to pay approximately \$20 million in claims and \$5 million in administrative and rehabilitation expenses, while receiving only \$2 million in premiums and \$1.5 million in interest.

7. SNIC can operate approximately 5 – 6 months before it is out of cash and liquid assets. Some cash will be needed for administration of the liquidation. I have estimated that SNIC would have insufficient liquid funds to administer the liquidation if not placed into liquidation by on or around March 31, 2021.

8. In November 2020, SNIC defaulted on its reinsurance agreement with North Carolina Mutual and can no longer make the necessary monthly payments.

9. The total policyholder obligations of SNIC, excluding the reinsurance agreement with North Carolina Mutual Insurance Company, are approximately \$165 million.

  
Mike Dinius  
Special Deputy Rehabilitator

NORTH CAROLINA

WAKE COUNTY

Sworn to and signed before me this 11<sup>th</sup> day of March, 2021.

  
NOTARY PUBLIC

My Commission Expires: 11/16/2025

