

NORTH CAROLINA
WAKE COUNTY

FILED

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

2022 NOV -1 P 1: 23

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

BY

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.)

VERIFIED PETITION FOR AN
ORDER OF LIQUIDATION AGAINST
COLORADO BANKERS LIFE
INSURANCE COMPANY AND
BANKERS LIFE INSURANCE
COMPANY

NOW COMES Mike Causey, the Commissioner of Insurance of the State of North Carolina in his Official Capacity, (the "Commissioner" or the "Petitioner"), and seeks an order of liquidation, a declaration of insolvency, and other relief against Bankers Life Insurance Company ("BLIC") and Colorado Bankers Life Insurance Company ("CBLIC") based on the insolvent financial condition of those companies. 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 pursuant to N.C. Gen. Stat. §§ 58-30-15, 58-30-20, 58-30-100, 58-30-105;

2. Both BLIC and CBLIC are life, accident, and health insurance companies as defined in Chapter 58 of the General Statutes of North Carolina, are incorporated under the laws of the State of North Carolina and have their registered home offices in Raleigh, NC;

3. On or about June 27, 2019, this Court entered an Order of Rehabilitation, Order Appointing Receiver and Order Granting Injunctive Relief against BLIC and CBLIC and the remaining above-named Respondents, with the written consent of the Respondents' Directors and Controlling Shareholder. The Court found that the Petitioner was entitled to appointment as the Rehabilitator of Respondents under Article 30 of Chapter 58 of the North Carolina General Statutes;

4. Under that Order, the Commissioner, as Rehabilitator, has title to the assets of BLIC, CBLIC, and the other Respondents in accordance with N.C. Gen. Stat. § 58-30-80, *et seq.*;

5. Pursuant to N.C. Gen. Stat. § 58-30-100, "[t]he Commissioner may petition the Court for an order directing him to liquidate a domestic insurer . . . on the basis . . . that the insurer is insolvent or that the insurer is in such condition that the further transaction of business would be hazardous, financial or otherwise, to its policyholders, its creditors, or the public." N.C. Gen. Stat. §

58-30-100(2)-(3).

6. An insurance company is insolvent if it “is unable to pay its obligations when they are due, or that its admitted assets do not exceed its liabilities plus the greater of (i) any capital and surplus required by law for its organization; or (ii) the total par or stated value of its authorized and issued capital stock.” N.C. Gen. Stat. § 58-30-10(13). Liabilities “includes reserves required by statute, by Department rules, or by specific requirements imposed by the Commissioner upon a subject company at the time of admission or subsequent thereto, except those reserves that are an allocation of surplus as specified in N.C. Gen. Stat. § 58-65-95.” N.C. Gen. Stat. § 58-30-10(13).

7. BLIC is insolvent and 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(2)-(3), as evidenced by the attached Exhibit A, “Affidavit of Jeffrey A. Trendel,” that is incorporated herein by reference;

8. Based upon the Rehabilitator’s Quarterly Court Report of BLIC, as of June 30, 2022, BLIC had admitted assets of \$253,163,012.00, liabilities of \$354,062,743.00, and the par value of its stock was \$3,000,000.00. Therefore, the liabilities of BLIC, exceeded its admitted assets and the par value of its stock by \$100,899,731.00, and BLIC is insolvent within the meaning of N.C. Gen. Stat. § 58-30-10(13);

9. CBLIC is insolvent and 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(2)-(3), as evidenced by the attached Exhibit A, "Affidavit of Jeffrey A. Trendel," that is incorporated herein by reference;

10. Based upon the Rehabilitator's Quarterly Court Report of CBLIC, as of June 30, 2022, CBLIC had admitted assets of \$1,369,052,180.00, liabilities of \$2,508,953,520.00, and the par value of its stock was \$2,5000,000.00. Therefore, CBLIC's liabilities exceeded its admitted assets and the par value of its stock by \$1,139,901,340.00, and CBLIC is insolvent within the meaning of N.C. Gen. Stat. § 58-30-10(13);

11. The Petitioner is entitled to appointment as Liquidator of BLIC and CBLIC under the provisions of Article 30 of Chapter 58 of the North Carolina General Statutes;

12. Upon the entry of an Order of Liquidation, it is in the public interest that the Court enter a preliminary injunction to the fullest extent authorized under North Carolina law, including but not limited to, N.C. Gen. Stat. §§ 58-30-20 and 58-30-130, which preliminary injunction prohibits the disposition, waste or impairment of the property of BLIC and CBLIC, or the unauthorized transaction of further business on behalf of BLIC and CBLIC, requires the transfer of all property of BLIC and CBLIC to Petitioner,

prevents interference with the Petitioner or this proceeding, prohibits the commencement or prosecution of any actions against the Petitioner or BLIC and CBLIC, and prohibits any party or person from obtaining preferences, judgments, attachments or other liens, or the initiation of any levy against BLIC and CBLIC or any of their general assets;

13. Each state where BLIC and CBLIC 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 BLIC and CBLIC, 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 “G.A. Enabling Act(s)”). *See, e.g.*, N.C. Gen. Stat. § 58-62-2 *et seq.* (establishing the North Carolina Life and Health Insurance Guaranty Association); and

14. 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 BLIC and CBLIC 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 BLIC and CBLIC, and that the Liquidator be vested with all other duties, powers, authorities, and obligations as are provided for Liquidators by N.C. Gen. Stat. Chapter 58, Article 30;
2. To order that the Order of Liquidation shall be deemed entered and shall become effective, for all purposes under Chapter 58 of the North Carolina General Statutes, ninety (90) days after the later of: (1) the entry of this Order; or (2) if appealed, the issuance of a mandate affirming this Order of Liquidation so that such Order of Liquidation is final and not subject to further appeal;
3. To order that this Court retains jurisdiction over the rehabilitation of Respondents BLIC and CBLIC until the Order of Liquidation shall become effective as referenced above, *see* N.C. Gen. Stat. § 58-30-15;
4. To order that the Liquidator be vested with the title to all assets of BLIC and CBLIC 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 BLIC and CBLIC'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;

5. 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 BLIC and CBLIC, wherever located be delivered to the Liquidator, and to conduct BLIC and CBLIC's business and administer BLIC and CBLIC's assets and affairs under the general supervision of this Court;

6. 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;

7. 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 BLIC and CBLIC 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 BLIC and CBLIC, its assets and property, and of conducting the delinquency proceedings against BLIC and CBLIC 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 or any Special Deputy Liquidator, including all such expenses associated with the period during which BLIC and CBLIC were in Rehabilitation, shall be paid out of the funds or assets of BLIC and CBLIC 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;

8. 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;

9. 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 BLIC and CBLIC as may be required to carry out the Order of Liquidation;

10. To relieve the Liquidator from the notice requirements of N.C. Gen. Stat. § 58-30-125(a)(3), to the extent that they may apply, as BLIC and CBLIC have no insurance agents presently;

11. 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 BLIC and CBLIC or with the Liquidator in the performance of his duties, and further enforce the automatic, nondiscretionary statutory prohibition against any person from instituting or prosecuting any suit or other action against the Liquidator, BLIC and CBLIC or BLIC and CBLIC's property or assets, including counterclaims or crossclaims; 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 BLIC and CBLIC or their property or assets, or the levying of execution or foreclosure against BLIC and CBLIC or their property or assets, until further order of the Court; to enjoin

and restrain BLIC and CBLIC, its trustees, officers, directors, agents, employees, or third party administrators, and all other persons from the disposition, waste or impairment of any of BLIC and CBLIC'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 BLIC and CBLIC wheresoever situated, and enjoin and restrain BLIC and CBLIC, 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 BLIC and CBLIC or their property or assets;

12. To order that, pursuant to N.C. Gen. Stat. §§ 58-30-105(b) and 58-30-110, the rights and liabilities of BLIC's and CBLIC's creditors, policyholders, shareholders, and all other person shall be fixed as of the date that the Order of Liquidation becomes effective;

13. To order that any claims filed against BLIC and CBLIC in the liquidation must be filed within two years of the date that the Order of Liquidation becomes effective;

14. To order that the Liquidator, at the request of an applicable Guaranty Association, continue to collect premiums, pay claims, and otherwise

administer BLIC and CBLIC 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;

15. To set accounting and bond requirements for the Liquidator; and
16. To grant such other and further relief as the Court may deem just and proper.

This 1st day of November, 2022.

JOSHUA H. STEIN
ATTORNEY GENERAL
(Attorney for Petitioner)

By: 

Daniel S. Johnson
Special Deputy Attorney General
N.C. Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629
Telephone: (919) 716-6610
N.C. State Bar No. 9289
djohnson@ncdoj.gov

By:  (by D.S.I.)

M. Denise Stanford
Special Deputy Attorney General
N. C. Department of Justice
P.O. Box 629
Raleigh, N.C. 27602-0629
Telephone: (919) 716-6610
N.C. State Bar No. 17601
dstanford@ncdoj.gov

CERTIFICATE OF SERVICE

I, the undersigned attorney, do hereby certify that a copy of the foregoing pleading or paper was served by electronic mail on the following:

Matthew N. Leerberg
Mark A. Finkelstein
Stephen W. Petersen
Fox Rothschild LLP
434 Fayetteville St., Suite 2800
Raleigh, NC 27601-2943
mleerberg@foxrothschild.com
mfinkelstein@foxrothschild.com
spetersen@foxrothschild.com
Attorneys for GBIG Holdings, LLC


Aaron Z. Tobin
Jared T.S. Pace
Condon Tobin Sladek Thornton PLLC
8080 Park Lane, Suite 700
Dallas, TX 75231
atobin@ctstlaw.com
Attorneys for GBIG Holdings, LLC

Gregory M. Petrick
Cadwalader, Wickersham & Taft LLP
200 Liberty Street
New York, NY 10281
gregory.petrick@cwt.com
Attorney for Greg E. Lindberg

Wes J. Camden
Caitlin M. Poe
Lauren Fussell
301 Fayetteville Street, Suite 1700
Raleigh, NC 27601
wcamden@williamsmullen.com
cpoe@williamsmullen.com
lfussell@williamsmullen.com
Counsel for BLIC and CBLIC

by electronic mail to the email addresses of record with the court set forth above in accordance with Rule 5(b)(1)a of the North Carolina Rules of Civil Procedure.

This 1st day of November, 2022.

A handwritten signature in cursive script, reading "Daniel S. Johnson", is written over a horizontal line.

Daniel S. Johnson
Special Deputy Attorney General
N.C. Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629
Telephone: (919) 716-6610
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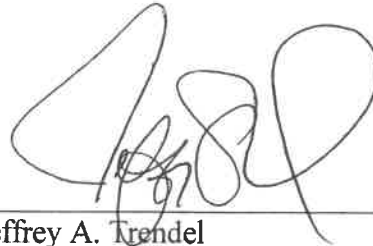
NORTH CAROLINA

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 forgoing Petition, and that the contents of the 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, he verily believes it to be true.

This the 1st day of November 2022.



Jeffrey A. Trendel

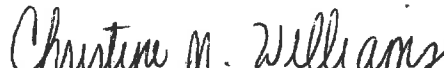
NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me:

The 1 day of November 2022.

(Official Seal)


Notary Public

My Commission Expires: 1/20/2025

NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE

SUPERIOR COURT DIVISION

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19 CVS 008664

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

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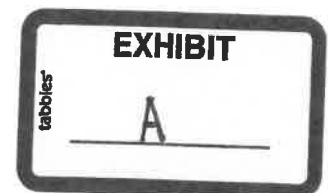
SOUTHLAND NATIONAL)
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BANKERS LIFE INSURANCE)
COMPANY, COLORADO BANKERS)
LIFE INSURANCE COMPANY,)
COLORADO BANKERS LIFE)
INSURANCE COMPANY, North)
Carolina Domiciled Insurance)
Companies,)

Respondents.)

AFFIDAVIT OF
JEFFREY A. TRENDEL

I, Jeffrey A. Trendel, do hereby state the following to be true and accurate based upon my firsthand knowledge:

1. I am a resident of North Carolina, am more than eighteen years old, and am not subject to any legal disabilities. I make the following statements on my own personal knowledge, 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 Deputy Commissioner for the North Carolina Department of Insurance.

3. The purpose of this declaration is to inform the Court of the current financial condition of Bankers Life Insurance Company ("BLIC") and Colorado Bankers Life Insurance Company ("CBLIC").

4. Based on the Rehabilitator's Quarterly Report of BLIC, as of June 30, 2022, BLIC and CBLIC are insolvent within the meaning of N.C. Gen. Stat. § 58-30-10(13).

5. As of June 30, 2022, BLIC had admitted assets of \$253,163,012.00, liabilities of \$354,062,743.00, and the par value of its stock was \$3,000,000.00. Therefore, BLIC's liabilities exceeded its admitted assets and the par value of its stock by \$100,899,731.00.

6. As of June 30, 2022, CBLIC had admitted assets of \$1,369,052,180.00, liabilities of \$2,508,953,520.00, and the par value of its stock was \$2,500,000. Therefore, CBLIC's liabilities exceeded its admitted assets and the par value of its stock by \$1,139,901,340.00.

Declarant sayeth nothing further.

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Jeffrey A. Trendel

11/1/22

Date

STATE OF NORTH CAROLINA
COUNTY OF WAKE

Sworn to and subscribed before me
this the 1 day of November, 2022.

Christine M. Williams

Notary Public

Christine M Williams

Printed Name

My Commission expires:

1/20/2025

(Notarial stamp or seal)