

FAQ

1. What is the problem with North Carolina Mutual Life Insurance Company?

The most significant issue currently impacting North Carolina Mutual Life Insurance Company (“NC Mutual” or “Company”) is a reinsurance transaction (reinsurance is insurance that is purchased by an insurance company) in which the assets securing the transaction were misappropriated by the investment manager. NC Mutual is attempting to recover these assets through all means available, including litigation. Until these assets are recovered and NC Mutual’s financial condition is stabilized, the Company will remain in Receivership for the protection of policyholders and other creditors.

2. What is Rehabilitation and what is the role of the North Carolina Department of Insurance?

When the Wake County Superior Court (“Receivership Court”) determines that an insurance company is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or the public, it may be placed in either Rehabilitation or Liquidation. Rehabilitation and Liquidation are similar to federal bankruptcy proceedings.

If it is believed that the insurance company can be rehabilitated or that claimants can be better protected by not activating the guaranty associations (see below), the insurance company is placed in Rehabilitation. The Commissioner of Insurance (in this case Mike Causey) is appointed Rehabilitator and all assets and management control of the insurance company are

transferred to him. Through his Special Deputies, the Rehabilitator evaluates the insurance company and proposes a plan to restore the insurance company to financial health while protecting the interests of policyholders and other creditors. If the Rehabilitator believes this is not possible, he will ask that the insurance company be placed in Liquidation.

3. Why a Rehabilitation with a Moratorium at NC Mutual?

Until the reinsurance matter described above is resolved, the Rehabilitator believes it is in the best interest of policyholders to place a moratorium on cash surrenders, new annuitizations and policy loans so NC Mutual can continue to make timely payment of policy benefits.

4. How long will the Moratorium last?

Although the Receivership Court did not set a time limit on the moratorium, it is believed that 24 - 36 months should be sufficient time to resolve the reinsurance transaction described above. Although the Rehabilitator cannot guarantee this timeframe, the Rehabilitator believes it is a realistic estimate at this point.

5. What if I need to get a large sum of money and my only source of funds is my policy?

There will be hardship withdrawals allowed during the moratorium period.

7. What are the requirements of the Hardship Program, and what do I have to do to get my money?

The purpose of the Hardship Program is to allow people in hardship situations to obtain their money. Surrenders, annuitizations and policy loans will be allowed on a case-by-

case basis for genuine hardship situations upon written application to the address below or via email at NCMutual@ncdoi.gov :

North Carolina Mutual Life Insurance Company
Hardship Committee
c/o North Carolina Department of Insurance
1203 Mail Service Center
Raleigh, NC 27699-1203

The Rehabilitator has developed the initial uniform criteria to deal with hardship cases with examples of the documentation required. The hardship criteria and application are available via this link [insert button].

NC Mutual has established a Hardship Committee consisting of personnel from the North Carolina Department of Insurance and from the staff of NC Mutual. They will meet every week and will review the applications received and either approve, deny or request additional information that will help you qualify.

8. Can I apply for a 1035 exchange?

Generally, a 1035 exchange is defined as a surrender and is therefore subject to the Moratorium

9. Will death benefits be paid during the Moratorium?

Yes. At this time, all death benefits will be processed promptly.

10. Will I be allowed to put additional funds in my annuities or buy a new annuity contract?

No. Any funds received or drafted from your account will be returned to you.

13. I have a Universal Life Policy with North Carolina Mutual. How am I affected by the moratorium?

You may continue to pay into your policy but the withdrawal prohibitions apply regarding surrenders. Additionally, no partial surrenders are available to UL policyholders at this time.

14. What happens if the misappropriated assets are not recovered?

If this happens, the Company may be placed in Liquidation and you may receive something less than the full value on your account if your account is in excess of guaranty fund limits in your state. For amounts in excess of guaranty fund limits, you would receive additional amounts from NC Mutual based on asset values.

15. What is Liquidation and what would this mean to me?

If the Company is put into Liquidation, the job of the Commissioner as Liquidator is to collect all the assets of the Company and liquidate them to pay the policyholders and other creditors of the Company. To do this, he follows the priority of distribution in N.C. Gen. Stat. §58-30-220. There are 5 classes of claims and the Liquidator must pay all claims of a particular class before he can begin paying a lower class. The classes are as follows:

1. The Liquidator's cost of administration;
2. Policyholder claims;
3. Claims of government;
4. Limited employee claims;
5. Everyone else.

Unfortunately, Liquidation can be a long and involved process. The Liquidator must first determine how much money he will have to pay people before he can disperse payments. This is more difficult than it sounds. Usually, it involves lawsuits to collect the money and assets of an insurance company. Then those assets have to be sold to maximize their value so as many people as possible can be paid. Sometimes it can take years.

However, there is a safety net to protect most policyholders. Each state where the Company wrote business has a guaranty association that has the responsibility to pay policyholder claims. Every state guaranty association imposes limits subject to each state guaranty association law on the amount of net cash surrender values and death benefits that are provided. Benefits provided by the guaranty associations are generally for any single life irrespective of the number of policies. For example, net cash surrender value caps range from \$100,000 in most states to \$300,000 (such as in North and South Carolina), and \$500,000 in Washington. Total aggregate benefits provided by guaranty associations (which include death benefits and net cash surrender values) range from \$300,000 in most states to \$500,000 in certain other states such as Washington. In addition, some state guaranty association laws provide for reduction of the rate of interest credited on policies and annuities below that specified in the policies in certain situations or provide other reductions in the amount that may be covered (for example, California will only cover 80% of the contractual obligations). The guaranty associations then file a claim for the payments with the liquidating company. If NC Mutual does go into liquidation, you will be advised how you can get the covered portion of your claim paid by your guaranty association.