

NORTH CAROLINA

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

WAKE COUNTY

MIKE CAUSEY,  
COMMISSIONER OF INSURANCE  
OF NORTH CAROLINA,

Petitioner,

v.

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

Respondent.

REHABILITATOR'S  
MONTHLY REPORT

WAKE COUNTY, N.C.

2019 FEB - 1 PM 3:11

FILED

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 January 31, 2019, and a balance sheet, summary of operations and statement of cash flow as of November 30, 2018, of North Carolina Mutual Life Insurance Company, as prepared by the Special Deputy Rehabilitator on behalf of the Rehabilitator.

This the 1<sup>st</sup> day of February, 2019.

JOSH STEIN  
ATTORNEY GENERAL  
Attorney for Petitioner,



Heather H. Freeman  
Assistant Attorney General  
N. C. State Bar No. 28272  
N. C. Department of Justice  
P. O. Box 629  
Raleigh, NC 27602-0629  
(919) 716-6610  
[hfreeman@ncdoj.gov](mailto:hfreeman@ncdoj.gov)

**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 1<sup>st</sup> day of February, 2019.

JOSH STEIN  
ATTORNEY GENERAL  
Attorney for Petitioner,

  
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N. C. Department of Justice  
P. O. Box 629  
Raleigh, NC 27602-0629  
(919) 716-6610  
[hfreeman@ncdoj.gov](mailto:hfreeman@ncdoj.gov)

**NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY  
NORTH CAROLINA COMMISSIONER OF INSURANCE AS REHABILITATOR  
AS OF JANUARY 31, 2019,  
A BALANCE SHEET  
AS OF NOVEMBER 30, 2018  
AND  
A SUMMARY OF OPERATIONS AND STATEMENT OF CASH FLOW  
THROUGH NOVEMBER 30, 2018**

## **INTRODUCTION**

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### **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.

### **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 November 30, 2018, and a summary of operations and statement of cash flow through November 30, 2018.

### **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 monthly reports as additional facts are discovered.

### **SUMMARY**

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#### **NC MUTUAL PROPERTY**

- In accordance with the Order, the Rehabilitator has taken possession of all known assets and property of NC Mutual.
- The Rehabilitator has received two offers and a third Letter of Intent for a proposed purchase of NC Mutual’s wholly owned subsidiary, North Carolina Mutual Financial, LLC. The Rehabilitator is responding to the interested parties and is evaluating both offers and will negotiate towards reaching a mutually acceptable transaction. In the interim, the Rehabilitator will continue to adequately fund the operations of such subsidiary to preserve the value of the asset.
- The Rehabilitator is currently evaluating the operations of NC Mutual’s other wholly owned subsidiary, North Carolina Mutual Insurance Agency, LLC, to determine the appropriate disposition of this asset. During the month of January, the lead for the pre-need sales resigned.
- The Rehabilitator has received one unsolicited offer to purchase a portion of NC Mutual’s mortgage loan portfolio and the Rehabilitator will follow-up with this interested party. The

Rehabilitator's staff is currently evaluating the liquidity needs of NC Mutual to determine the necessity of selling the mortgage loans in the near term. If a determination is made that it is in the best interest of NC Mutual to liquidate the mortgage loan portfolio, or a portion thereof, the Rehabilitator will seek additional offers.

- The Rehabilitator is currently evaluating real property held for sale by NC Mutual to determine the appropriate disposition of these assets.

#### 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 seven positions resulting in an annualized savings of approximately \$1,100,000 in salaries and benefits. The Rehabilitator is also in the process of terminating non-essential independent contractors that will result in additional expense reductions.
- 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 \$18,000.
- 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.

#### 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 have filed motions to dismiss the counterclaims and third-party claims for failure to state a claim pursuant to Rule 12(b)(6). NC Mutual's motion to dismiss is ripe for resolution. 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's 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.

***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. On June 29, 2018, NC Mutual filed a Motion for Summary Judgment on all three claims. The motion is still before the Court.

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 Judgement 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 Plaintiff has pled grounds seeking class certification. The Court has not certified a class and a motion for class certification has not been filed. Discovery is ongoing and 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).

#### **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.

#### **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 NOVEMBER 30, 2018**

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 management of NC Mutual as of November 30, 2018, and prior to entry of the Rehabilitation order. The financial statements have been prepared in accordance with Statutory Accounting Principles promulgated by the National Association of Insurance Commissioners.

The Rehabilitator is in the process of evaluating the accuracy of the financial statements. Future financial statements, beginning with the December 31, 2018 statements, will be prepared under the direct supervision of the Rehabilitator's staff.

## 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 .....	5,811,280	0	5,811,280	6,286,946
2. Stocks:				
2.1 Preferred stocks .....	0	0	0	0
2.2 Common stocks .....	441,256	0	441,256	785,331
3. Mortgage loans on real estate:				
3.1 First liens .....	5,252,075	259,693	4,992,382	5,388,200
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 (\$.....1,093,063), cash equivalents (\$.....0) and short-term investments (\$.....384,315) .....	1,477,378	0	1,477,378	2,650,983
6. Contract loans (including \$.....0 premium notes) .....	2,113,767	1,334	2,112,433	2,188,367
7. Derivatives .....	0	0	0	0
8. Other invested assets .....	5,330,276	1,305,182	4,025,095	4,403,117
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) .....	20,487,879	1,566,215	18,921,664	21,764,784
13. Title plants less \$.....0 charged off (for Title insurers only) .....	0	0	0	0
14. Investment income due and accrued .....	14,203	0	14,203	29,600
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	698,105	0	698,105	914,398
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums) .....	145,741	0	145,741	151,563
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0) .....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	626,106	0	626,106	765,175
16.2 Funds held by or deposited with reinsured companies .....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	3,447,011	0	3,447,011	3,893,696
17. Amounts receivable relating to uninsured plans .....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0	0
18.2 Net deferred tax asset .....	294,157	36,770	257,387	257,387
19. Guaranty funds receivable or on deposit .....	0	0	0	0
20. Electronic data processing equipment and software .....	6,098	3,834	2,263	6,185
21. Furniture and equipment, including health care delivery assets (\$.....0) .....	68,776	68,776	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 .....	388,975	262,892	126,083	407,702
24. Health care (\$.....0) and other amounts receivable .....	0	0	0	0
25. Aggregate write-ins for other-than-invested assets .....	1,914,027	478,344	1,435,683	1,801,487
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	28,091,079	2,416,832	25,674,247	29,991,977
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0	0
28. TOTAL (Lines 26 and 27) .....	28,091,079	2,416,832	25,674,247	29,991,977
<b>DETAILS OF WRITE-INS</b>				
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 .....	1,414,853	0	1,414,853	1,661,784
2502. ADVANCES TO AGENTS .....	16	16	0	0
2503. PREPAID RENT / EXPENSES .....	92,447	92,447	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	406,711	385,881	20,830	139,703
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	1,914,027	478,344	1,435,683	1,801,487



## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$.....14,881,988 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve) .....	14,881,988	13,677,834
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve) .....	65,461	65,027
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve) .....	1,987,682	2,036,966
4. Contract claims:		
4.1 Life .....	1,619,364	1,646,539
4.2 Accident and health .....	36,335	36,335
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid .....	0	0
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco) .....	0	0
6.2 Dividends 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 \$.....3,291 accident and health premiums .....	20,563	6,137
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 .....	112,582	119,737
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 .....	675,305	881,212
12. General expenses due or accrued .....	94,030	419,059
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 .....	68,424	88,942
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 .....	100,882	203,299
17. Amounts withheld or retained by company as agent or trustee .....	14,528	54,712
18. Amounts held for agents' account, including \$.....0 agents' credit balances .....	213	7,099
19. Remittances and items not allocated .....	108,971	114,777
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 .....	4,218,081	4,421,530
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 .....	532,579	370,180
24.02 Reinsurance in unauthorized and certified (\$.....0) companies .....	27,822,865	28,523,067
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 .....	36,288	1,596
24.06 Liability for amounts held under uninsured plans .....	0	0
24.07 Funds held under coinsurance .....	706,878	734,283
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 .....	1,804,303	1,830,929
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25) .....	54,907,323	55,238,360
27. From Separate Accounts Statement .....	0	0
28. Total Liabilities (Lines 26 and 27) .....	54,907,323	55,238,360
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 .....	0	0
35. Unassigned funds (surplus) .....	14,407,095	15,328,208
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 29 \$.....0) .....	0	0
36.2 .....0 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) .....	(29,233,076)	(25,246,385)
38. Totals of Lines 29, 30 and 37 .....	(29,233,076)	(25,246,385)
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) .....	25,674,247	29,991,975
<b>DETAILS OF WRITE-INS</b>		
2501. GROUP LIFE FUNDS HELD ON DEPOSIT .....	1,804,303	1,830,929
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) .....	1,804,303	1,830,929
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 .....	14,407,095	15,328,208
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) .....	14,407,095	15,328,208

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	15,679,280	13,863,838	16,997,464
2. Considerations for supplementary contracts with life contingencies	0	0	0
3. Net investment income	567,746	612,804	629,683
4. Amortization of Interest Maintenance Reserve (IMR)	(17,425)	(4,996)	(5,432)
5. Separate Accounts net gain from operations excluding unrealized gains or losses	0	0	0
6. Commissions and expense allowances on reinsurance ceded	5,242,357	5,510,835	5,991,597
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	198,874	1,064,798	1,336,026
9. Totals (Lines 1 to 8.3)	21,670,832	21,047,279	24,949,338
10. Death benefits	12,928,286	11,244,199	14,094,195
11. Matured endowments (excluding guaranteed annual pure endowments)	(99)	(11,253)	(9,379)
12. Annuity benefits	0	0	0
13. Disability benefits and benefits under accident and health contracts	25,430	9,514	7,346
14. Coupons, guaranteed annual pure endowments and similar benefits	0	0	0
15. Surrender benefits and withdrawals for life contracts	531,196	396,908	458,985
16. Group conversions	4,869	1,892	5,312
17. Interest and adjustments on contract or deposit-type contract funds	53,298	54,628	59,601
18. Payments on supplementary contracts with life contingencies	333	333	363
19. Increase in aggregate reserves for life and accident and health contracts	331,407	541,820	1,139,970
20. TOTALS (Lines 10 to 19)	13,874,721	12,238,042	15,756,393
21. Commissions on premiums, annuity considerations, and deposit type contract funds (direct business only)	114,269	160,997	170,252
22. Commissions and expense allowances on reinsurance assumed	2,277,781	2,155,090	2,321,206
23. General insurance expenses	7,626,958	7,150,854	7,899,510
24. Insurance taxes, licenses and fees, excluding federal income taxes	302,388	385,652	399,355
25. Increase in loading on deferred and uncollected premiums	(10,490)	(3,484)	(6,629)
26. Net transfers to or (from) Separate Accounts, net of reinsurance	0	0	0
27. Aggregate write-ins for deductions	234,863	219,997	247,783
28. Totals (Lines 20 to 27)	24,420,490	22,307,148	26,787,870
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(2,749,658)	(1,259,869)	(1,838,532)
30. Dividends to policyholders	0	24,169	28,583
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(2,749,658)	(1,284,038)	(1,867,115)
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	0	0	0
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(2,749,658)	(1,284,038)	(1,867,115)
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)	(5,033)	(22,976)	(42,612)
35. Net income (Line 33 plus Line 34)	(2,754,691)	(1,307,014)	(1,909,727)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	(25,246,386)	6,864,195	6,864,197
37. Net Income (Line 35)	(2,754,691)	(1,307,014)	(1,909,727)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(156,095)	72,043	38,980
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	74,270	(788,795)	(851,425)
42. Change in liability for reinsurance in unauthorized and certified companies	700,202	(24,635,614)	(28,523,067)
43. Change in reserve on account of change in valuation basis, (increase) or decrease	0	0	0
44. Change in asset valuation reserve	(162,399)	46,445	53,476
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	(921,113)	(1,133,525)	(1,237,173)
52. Dividends to stockholders	0	0	0
53. Aggregate write-ins for gains and losses in surplus	(766,863)	(65,118)	24,196
54. Net change in capital and surplus (Lines 37 through 53)	(3,986,690)	(27,811,579)	(32,110,583)
55. Capital and surplus as of statement date (Lines 36 + 54)	(29,233,076)	(20,947,384)	(25,246,386)
<b>DETAILS OF WRITE-INS</b>			
08.301. DEPOSIT ACCOUNTING INCOME	91,365	205,068	205,068
08.302. MISCELLANEOUS INCOME	754,440	931,992	1,035,622
08.303. CHANGE IN CSV	(246,931)	(72,261)	(68,653)
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	(400,000)	0	163,989
08.399. TOTALS (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	198,874	1,064,798	1,336,026
2701. DEFERRED COMP	261,489	240,160	267,946
2702. INC (DEC) IN GRP FUNDS ON DEPOSIT	(26,626)	(20,163)	(20,163)
2703.	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)	234,863	219,997	247,783
5301. SURPLUS INC / DEC - OTHER PRIOR PERIOD ADJUSTMENTS	206,189	0	(76,535)
5302. SURPLUS INC / DEC - OTHER SURPLUS ADJUSTMENTS	0	(65,118)	100,731
5303. SURPLUS INC / DEC - PRIOR PERIOD AUDIT ADJUSTMENTS	(873,052)	0	0
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)	(766,863)	(65,118)	24,196

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	15,904,394	13,728,367	17,200,955
2. Net investment income .....	834,743	844,561	1,081,628
3. Miscellaneous income .....	5,014,554	5,637,972	559,704
4. TOTAL (Lines 1 to 3) .....	21,753,691	20,210,900	18,842,287
5. Benefit and loss related payments .....	13,325,102	11,872,268	1,417,395
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 .....	11,858,047	10,299,301	10,914,974
8. Dividends paid to policyholders .....	0	0	30,803
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	0	0	0
10. TOTAL (Lines 5 through 9) .....	25,183,148	22,171,569	12,363,172
11. Net cash from operations (Line 4 minus Line 10) .....	(3,429,457)	(1,960,669)	6,479,115
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	474,551	2,090,021	2,090,021
12.2 Stocks .....	0	25	44
12.3 Mortgage loans .....	396,033	597,835	625,730
12.4 Real estate .....	0	0	0
12.5 Other invested assets .....	553,350	511,675	511,675
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0	0
12.7 Miscellaneous proceeds .....	0	0	0
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7) .....	1,423,934	3,199,556	3,227,470
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	255,910	255,910
13.4 Real estate .....	0	0	3
13.5 Other invested assets .....	0	155,000	155,000
13.6 Miscellaneous applications .....	0	0	0
13.7 TOTAL investments acquired (Lines 13.1 to 13.6) .....	0	410,910	410,913
14. Net increase (or decrease) in contract loans and premium notes .....	(145,679)	111,465	129,456
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	1,569,613	2,677,182	2,687,101
<b>Cash from Financing and Miscellaneous Sources</b>			
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 .....	(48,384)	(67,495)	(66,560)
16.5 Dividends to stockholders .....	0	0	0
16.6 Other cash provided (applied) .....	734,623	(1,155,989)	(8,758,948)
17. Net cash from financing and miscellaneous sources (Line 16.1 through 16.4 minus Line 16.5 plus Line 16.6) .....	686,239	(1,223,484)	(8,825,508)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(1,173,605)	(506,971)	340,708
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	2,650,983	2,310,275	2,310,275
19.2 End of period (Line 18 plus Line 19.1) .....	1,477,378	1,803,304	2,650,983
<b>Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:</b>			
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 .....	20,830	0	20,830	139,702
2505. LEASEHOLD IMPROVEMENTS .....	243,664	243,664	0	1
2506. OTHER ASSETS .....	142,217	142,217	0	0
2597. Summary of remaining write-ins for Line 25 (Lines 2504 through 2596) .....	406,711	385,881	20,830	139,703

## SUMMARY OF OPERATIONS

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
08.304. OI CHANGE IN CONVERSION POOL ASSETS-ASSUMED .....	(400,000)	0	163,989
08.397. Summary of remaining write-ins for Line 8.3 (Lines 08.304 through 08.396) .....	(400,000)	0	163,989
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

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 January 31, 2019, and a balance sheet, summary of operations and statement of cash flow as of November 30, 2018, 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 1<sup>st</sup> day of February, 2019.



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

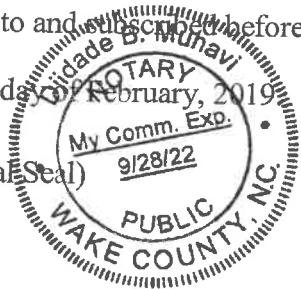
NORTH CAROLINA

WAKE COUNTY

Sworn to and subscribed before me this

the 1<sup>st</sup> day of February, 2019

(Official Seal)



Dildade B. munari  
Notary Public

My Commission Expires:

9/28/22