

JAN 2 3 2017



OFFICE OF
INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:	Case No.: 195071-16-CO
SOUTHLAND NATIONAL INSURANCE CORPORATION	

CONSENT ORDER

THIS CAUSE came on for consideration upon the request by SOUTHLAND NATIONAL INSURANCE CORPORATION (hereinafter referred to as "SOUTHLAND") to the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") to voluntarily surrender its Certificate of Authority to operate as a foreign life and health insurance company in the state of Florida. The OFFICE has considered said request and, being otherwise advised in the premises, finds as follows:

- 1. The OFFICE has jurisdiction over the parties and subject matter herein.
- 2. SOUTHLAND is a life and health insurance company domiciled in the state of North Carolina, authorized to transact insurance in the state of Florida as a foreign insurer under Chapter 624, Florida Statutes, and subject to regulation as a foreign insurer by the OFFICE, pursuant to the Florida Insurance Code.
- 3. BANKERS LIFE INSURANCE COMPANY (hereinafter referred to as "BANKERS") is a life and health insurance company domiciled in the state of North Carolina,

authorized to transact insurance in the state of Florida as a foreign insurer under Chapter 624, Florida Statutes, and subject to regulation by the OFFICE as a foreign insurer, pursuant to the Florida Insurance Code.

- 4. On April 1, 2016, the OFFICE issued an Initial Order of Suspension to SOUTHLAND, finding that SOUTHLAND is financially impaired and in violation of Section 624.408, Florida Statutes.
- 5. On April 20, 2016, SOUTHLAND timely filed a Request for Formal Administrative Proceedings (hereinafter referred to as "Petition") concerning the Initial Order of Suspension. The OFFICE referred the Petition to the Division of Administrative Hearings (hereinafter referred to as "DOAH") on May 5, 2016, and a final hearing in the matter was scheduled for August 17-18, 2016, in case number 16-2489 (hereinafter referred to as "Administrative Litigation").
- 6. On May 20, 2016, SOUTHLAND submitted a plan to withdraw from the state of Florida as contemplated by Section 624.402 (5), Florida Statutes and requested to voluntarily surrender its Florida Certificate of Authority (hereinafter referred to as "Plan of Surrender) pursuant to Section 624.416, Florida Statutes. On December 13, 2016, SOUTHLAND revised its Plan of Surrender.
- 7. Based on the Plan of Surrender as originally submitted, on July 29, 2016, SOUTHLAND and the OFFICE filed with DOAH a joint motion requesting that DOAH relinquish jurisdiction of the Administrative Litigation to the OFFICE to resolve the matter without a final hearing. An Order was entered on August 2, 2016, closing the file and relinquishing jurisdiction of the Administrative Litigation to the OFFICE.

- 8. In the Plan of Surrender as originally submitted, SOUTHLAND represented that its only in-force policies in the state of Florida are approximately nine hundred twenty-six (926) life insurance policies, some of which have riders ("policies").
- 9. Further, in connection with the Plan of Surrender as revised, SOUTHLAND and BANKERS represent that within thirty-one (31) days after execution of this Consent Order, the following shall occur:
- i. SOUTHLAND will enter into a one hundred percent (100%) co- insurance indemnity reinsurance agreement ("Indemnity Reinsurance Agreement") with BANKERS covering all of SOUTHLAND's "Florida Policies," as that term is defined in the Indemnity Reinsurance Agreement;
- ii. Pursuant to the Indemnity Reinsurance Agreement, BANKERS will administer all of SOUTHLAND's in-force business in Florida;
- iii. BANKERS will establish a trust, pursuant to the terms of the Indemnity Reinsurance Agreement and the "Trust Agreement," and SOUTHLAND shall deposit within said trust assets equal to one hundred two percent (102%) of the "Reserve Policy Liabilities," as that term is defined in the Indemnity Reinsurance Agreement; and
- iv. SOUTHLAND and BANKERS will execute an "Assignment and Assumption Agreement" whereby BANKERS is assigned the liability of SOUTHLAND under the terms of the reinsurance agreement between SOUTHLAND and Southern Financial Life Insurance Company.
- 10. In conjunction with its Plan of Surrender as originally submitted and then revised, SOUTHLAND provided the OFFICE with copies of the Indemnity Reinsurance Agreement,

Trust Agreement, and Assignment and Assumption Agreement, which SOUTHLAND and BANKERS acknowledge are material to the issuance of this Consent Order.

- 11. The OFFICE hereby approves SOUTHLAND's Plan of Surrender, as revised, and SOUTHLAND's request to voluntarily surrender its Certificate of Authority subject to the following conditions:
- a. Thirty-one (31) days after the execution of this Consent Order, SOUTHLAND's Certificate of Authority as a life and health insurer in Florida shall be surrendered and stand terminated without further action by the OFFICE;
- b. SOUTHLAND shall surrender its Certificate of Authority to the OFFICE within five (5) days after the termination of its Certificate of Authority;
- c. SOUTHLAND and BANKERS shall continue to renew and service all of SOUTHLAND's in-force policies after SOUTHLAND's withdrawal from the state of Florida until all policies have been terminated either by the insured or by operation of the policy language, subject to Florida law. SOUTHLAND shall otherwise not transact insurance in the state of Florida;
- d. Within five (5) business days after all such deposits have been made pursuant to Paragraph 9.iii. above, SOUTHLAND or BANKERS shall provide evidence to the OFFICE's Life and Health Financial Oversight business unit documenting the total assets deposited pursuant to the Trust Agreement referenced in Paragraph 9.iii. above.
- e. SOUTHLAND and BANKERS shall honor their liability for losses and unearned premiums on the "Florida Policies," as that term is defined in the Indemnity Reinsurance Agreement, as long as they continue to exist;

- f. SOUTHLAND shall timely comply with the requirements in Section 624.430(8), Florida Statutes; and
- g. Until SOUTHLAND has certified that all of its claims, liabilities, and obligations that have arisen in the state of Florida have been paid or settled, the following conditions shall apply:
- i. SOUTHLAND shall timely file with the OFFICE the financial reports required by Section 624.424, Florida Statutes;
- with each required quarterly and annual financial statement filing submitted on the filing dates specified in Section 624.424, Florida Statutes, SOUTHLAND shall submit to the OFFICE a separate document signed and dated by two executive officers of SOUTHLAND that reports (1) the balance of the funds held in the trust account supporting reserves for the Reserve Policy Liabilities and (2) the amount of reserves, as determined by an actuary, for the Reserve Policy Liabilities existing on SOUTHLAND's balance sheet at the end of the reporting period which the quarterly or annual filing covers. The annual filing covering the year-end period shall contain an actuarial certification attesting to the Florida specific reserve amount reported at year-end;
- iii. SOUTHLAND shall continue to maintain a deposit with the Florida Bureau of Collateral Management of securities eligible under Section 625.52, Florida Statutes, with a market value no less than one hundred twenty-five thousand U.S. Dollars (\$125,000), pursuant to Section 624.411, Florida Statutes;
- iv. Upon advance notice from the OFFICE, SOUTHLAND shall make immediately available for examination by the OFFICE all records on risks located in the state of Florida;

- v. SOUTHLAND and its successors shall notify the OFFICE of any changes to the name or address of the individual designated by SOUTHLAND as the person to whom process served against it shall be forwarded;
- vi. SOUTHLAND and BANKERS agree that the Indemnity Reinsurance Agreement, Trust Agreement, and Assignment and Assumption Agreement, discussed in Paragraph 10 above, shall remain in full force and effect and that any modifications to said agreements shall require the OFFICE's prior written approval; and
- vii. SOUTHLAND will continue to have an annual audit performed by an independent certified public accountant and will file an audited financial report with the OFFICE on or before June 1 for the preceding year ending December 31.
- 12. SOUTHLAND agrees that it and its successors shall honor all valid past, current, and future claims, liabilities, and obligations of SOUTHLAND that have arisen or may arise in the state of Florida. SOUTHLAND also agrees that it and its successors shall honor all of SOUTHLAND's obligations to residual markets, if any, in the state of Florida.
- 13. SOUTHLAND specifically agrees that the OFFICE shall retain continuing jurisdiction over SOUTHLAND and its successors to enforce this Consent Order and the provisions of the Florida Insurance Code applicable to the satisfaction of valid past, current, and future claims, liabilities, and other obligations of SOUTHLAND that have arisen or may arise in the state of Florida.
- 14. SOUTHLAND and BANKERS affirm that all information, explanations, representations, and documents provided to the OFFICE in connection with this matter, including all attachments and supplements thereto, are true and correct and material to the

issuance of this Consent Order. SOUTHLAND and BANKERS further affirm that all requirements set forth herein are material to the issuance of this Consent Order.

- 15. SOUTHLAND agrees that if at any time it seeks licensure as a life and health insurer in the state of Florida, it shall reapply for such license in accordance with Sections 624.404 and 624.413, Florida Statutes.
- 16. BANKERS agrees to maintain compliance with Part II of Chapter 625, Florida Statutes, as applied to foreign insurers. Further, BANKERS acknowledges that pursuant to section 625.340, Florida Statutes, BANKERS' investment portfolio shall be as permitted by the laws of North Carolina if of a quality substantially as high as that required under Chapter 625, Florida Statutes, for similar funds of like Florida domestic insurers.
- 17. BANKERS agrees that it will limit its investments in subsidiaries and related corporations, as those terms are defined in Section 625.325, Florida Statutes, to the lesser of ten percent (10%) of BANKERS' admitted assets or fifty percent (50%) of BANKERS' surplus as to policyholders required to be maintained by BANKERS under the Florida Insurance Code.
- 18. BANKERS agrees that its failure to adhere to one or more of the terms and conditions contained herein may result, without further proceedings, in the OFFICE suspending, revoking, or taking other administrative action as it deems appropriate upon its Certificate of Authority in this state, in accordance with Sections 120.569(n) and 120.60(6), Florida Statutes.
- 19. Upon execution of this Consent Order, SOUTHLAND's Petition and the Initial Order of Suspension shall hereby be dismissed as moot.
- 20. SOUTHLAND and BANKERS expressly waive their rights to any hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which they may be entitled by law or rules of the OFFICE.

SOUTHLAND and BANKERS hereby knowingly and voluntarily waive all rights to challenge or to contest this Consent Order in any forum now or in the future available to them, including the right to any administrative proceeding, state or federal court action, or any appeal.

- 21. Each party to this action shall bear its own costs and attorneys' fees.
- 22. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed a copy of this Consent Order bearing the signature of SOUTHLAND or its authorized representative and BANKERS or its authorized representative, notwithstanding the fact that the copy was transmitted to the OFFICE electronically. Further, SOUTHLAND and BANKERS agree that their signatures or the signatures of their representatives as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, subject to the terms and conditions set forth above, this agreement between SOUTHLAND NATIONAL INSURANCE CORPORATION, BANKERS LIFE INSURANCE COMPANY, and the OFFICE OF INSURANCE REGULATION is hereby APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this

David Altmaier, Commissioner Office of Insurance Regulation By execution hereof, SOUTHLAND NATIONAL INSURANCE CORPORATION consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind SOUTHLAND NATIONAL INSURANCE CORPORATION to the terms and conditions of this Consent Order.

:	SOUTHLAND NATIONAL INSURANCE CORPORATION
	Ву:
[Corporate Seal]	Print Name: Lou E. Hensley
	Title: CEO
	Date: 1/19/17
STATE OF NC	
COUNTY OF <u>Durham</u>	
The foregoing instrument was ackr	nowledged before me this 19 day of Jan, 2017
by Low Hersley	as Office/ (type of authority, e.g. officer, trustee, attorney in fact)
for Southland Wahrn (company name)	_
	(Signature of the Notary)
SHANNON D GAMBER NOTARY PUBLIC WAKE COUNTY, NC My Commission Expires 12/29/19	Shamm D Gamber (Print, Type or Stamp Commissioned Name of Notary)
Personally Known OR Prod	duced Identification
Type of Identification Produced _	
My Commission Expires	29/19

By execution hereof, BANKERS LIFE INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind BANKERS LIFE INSURANCE COMPANY to the terms and conditions of this Consent Order.

[Corporate Seal]	BANKERS LIFE INSURANCE COMPANY By: Print Name: Brien Stavorz Title: C&U Date: 1/19/17	
STATE OF NC		
COUNTY OF <u>Durham</u>		
The foregoing instrument was acknowledged before me this 19 day of 3017		
by Brian Stewart as (ty	. .	
for Southfan Bankers Life Insurance (d. (company name)		
	Sharras L	
SHANNON D GAMBER NOTARY PUBLIC	(Signature of the Notary)	
WAKE COUNTY, NC by Commission Expires 12/29/19	Shannon & Gamber	
Ty Contribution Copies	(Print, Type or Stamp Commissioned Name of Notary)	
Personally Known OR Produced Ide	entification	
Type of Identification Produced		
My Commission Expires $12/29/19$		

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