

SOUTHLAND NATIONAL INSURANCE CORPORATION
FREQUENTLY ASKED QUESTIONS
Updated February 13, 2023

1) What happened to my insurance company?

Southland National Insurance Corporation, (the “Company” or “SNIC”) consented to an Order of Rehabilitation entered on June 27, 2019 (“Order”), by the Superior Court of Wake County, North Carolina (“Court”) pursuant to a petition filed by the Commissioner of Insurance of the State of North Carolina, Mike Causey (“Commissioner”). The Commissioner took action after determining that the long-term liquidity of the investment portfolios of the Company had deteriorated to the point that the North Carolina Department of Insurance (“Department”) needed to act to protect the policyholders of the Company.

The Court appointed the Commissioner as Rehabilitator of the Company (“Rehabilitator”). The Rehabilitator appointed Noble Consulting Services, Inc. (“Noble”), to serve as Special Deputy Rehabilitator to oversee the rehabilitation process. Mike Dinius and John Murphy of Noble act for the Rehabilitator in the rehabilitation proceeding, under the title of Special Deputy Rehabilitators.

Please refer to one of the following websites to review important information, including the Order of Rehabilitation, regarding the Company. You may also sign up to receive email notifications related to rehabilitation updates. Please see FAQ 22 below.

- www.ncdoi.gov/insurance-industry/regulatory-actions-receiverships
- <https://southlandnational.com/>

On March 12, 2021, Mike Causey, the Commissioner of Insurance of the State of North Carolina (“Petitioner”) filed a Verified Petition for an Order of Liquidation Against Southland National Insurance Corporation and Petition Seeking Injunctive Relief (“Liquidation Petition”), as well as Motion for Approval of Temporary Moratorium on Payments of Cash Values, Policy Loans, or other Withdrawal of Funds by Southland National Insurance Corporation, in the Wake County Superior Court. On April 14, 2021, GBIG Holdings, LLC (“GBIG”) filed an objection to the Liquidation Petition. GBIG is the parent company of SNIC and is owned ultimately by Greg Lindberg. On June 8, 2021, the Petitioner and GBIG filed a Joint Motion to Stay the Proceedings. The Court granted the Joint Motion to Stay on July 7, 2021. The stay of Proceedings was subsequently lifted, and the Court set March 11, 2022 as the hearing date on the pending Liquidation Petition. Prior to the hearing date, GBIG and Petitioner agreed to continue the hearing due to GBIG having replenished a \$9 million SNIC escrow account, reaffirmed its obligation to pay SNIC’s monthly cash requirements, and agreed to consent to liquidation of SNIC if GBIG fails to replenish the escrow account.

2) What is the current financial condition of my insurance company?

The Commissioner has filed for liquidation of SNIC. The liquidation proceedings are stayed due to GBIG having replenished a \$9 million SNIC escrow account, reaffirmed its obligation to pay SNIC’s monthly cash requirements, and agreed to consent to liquidation of SNIC if GBIG fails to replenish the escrow account.

3) How long will rehabilitation last?

At this time, we do not know how long the rehabilitation will last.

4) What is the purpose of a rehabilitation order?

The primary purpose of the Order is to protect and treat all policyholders equitably. The Order was consensual, meaning that it was approved by the Board of Directors of the Company. Pursuant to the Order, the Rehabilitator acquired the powers and authority of the officers and directors of the Company to manage the Company. The Rehabilitator re delegated those powers and authority to the Special Deputy Rehabilitators. The Order is intended to safeguard the assets of the Company and to continue services in a cost-effective manner.

5) Why does restricting certain policy activities ensure policyholders are treated equitably?

It is in the best interests of the policyholders to impose a moratorium on cash surrenders, new annuitizations, and policy loans to conserve the assets of the Company. An inordinate amount of cash outflows could impact the equitable treatment of policyholders. In the absence of an exception to the moratorium, payments to some policyholders ahead of other policyholders are prohibited to ensure that some policyholders are not granted a preference over other policyholders.

6) Is the Company in receivership or liquidation? What is the difference?

The Company remains in rehabilitation, which is a form of insurance receivership. Rehabilitation is a court approved safeguard used in conjunction with the regulatory oversight of the Department to extend protections that are not available to an insurance company in the normal course of business. If the Company goes into liquidation, which is a different form of receivership, then its policy obligations will be covered by various state life and health insurance guaranty associations subject to applicable statutory limits and requirements.

7) Who is running the Company?

North Carolina Insurance Commissioner Mike Causey, as Court appointed Rehabilitator, replaced the management of the Company pursuant to the Order. The Rehabilitator hired Noble to act as Special Deputy Rehabilitator to oversee daily operations. Noble utilizes third party administrators Universal Fidelity Life Insurance Company and Southland Benefit Solutions for SNIC.

8) Will my interest rate or crediting rate change?

Interest will continue to be credited at guaranteed rates.

9) How will surrenders or requests for distributions be handled during the rehabilitation?

In order to preserve assets for the benefit of all policyholders, the Court has ordered a moratorium on cash surrenders, new annuitizations, and policy loans, meaning they will not be honored so long as the Court's order is in place. This moratorium has no set expiration date and will last until lifted by the Court.

10) Will penalty-free partial withdrawals be allowed?

No, the hardship program is currently the only exception to the moratorium for withdrawals.

11) Is there a hardship program to request a withdrawal of funds?

Yes. A hardship program has been put in place. A hardship request form with instructions to request funds for an immediate economic need is available on the Company's website. Each individual application will be fully reviewed, and a response provided as to whether the hardship is approved. It will take approximately 14-21 days to review a request once all information has been received.

12) My annuity matures soon. How are matured annuities handled?

Annuities that mature will be paid. Please be aware that there is a difference between Maturity Date and end of the surrender charge period. The Maturity Date is the contract anniversary date in the year following the date that the Annuitant reaches maturity age, typically age 95. This is different from the end of the surrender charge period. The surrender charge period is the time frame during which the owner cannot withdraw funds without incurring a surrender charge. The surrender charge period is typically 3 to 7 years after you purchase the annuity. The end of the surrender charge period does not mean that the annuity has matured. Check your policy for specific contract information.

13) How will death claims on annuity contracts be handled?

Death claims will be processed without interruption.

14) Can I continue to add money to my annuity account?

No. At this time the most prudent stance is to not add additional funds that could be restricted during the rehabilitation proceeding. Therefore, new contracts or additional deposits are not being accepted or processed until further notice. All new applications and premiums in process, received after the date of rehabilitation, will be returned. Automated or bank draft contributions will be cancelled. All annuity premium reminder notices sent in the past have also been stopped.

15) How long will the moratorium on surrenders be in place (when can I have my money)?

The Court will lift the moratorium when it determines that it is appropriate to do so. There is no timeframe for how long the moratorium will last.

16) Has there been any progress made since the beginning of rehabilitation?

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17) Will I receive a notification when the rehabilitation is over?

A notice will be posted on the Company's and the Department's websites when the rehabilitation has ended.

18) What happens to my policy if rehabilitation does not work?

If the Company goes into liquidation, which is a different form of receivership, then its policy obligations will be covered by various state life and health insurance guaranty associations subject to applicable statutory limits and requirements. Those associations help protect policyholders up to state specific guaranty fund coverage limits. See also FAQ 20 and FAQ 21 below.

19) Will my agent remain appointed?

Any existing agent appointments have been terminated.

20) How do state life and health guaranty associations work?

State life and health insurance guaranty associations ("SGAs") are triggered when a state court orders an insurance company into liquidation, with a declaration of insolvency and the order becomes effective. SGAs have been established in each state, as well as the District of Columbia and Puerto Rico, to provide a measure of protection in the event of the insolvency of an insurer. SGAs were created to protect policyholders, certificate holders under group policies, annuitants, and their beneficiaries from loss due to the insolvency of an insurer licensed to do business in the state where the claimant resides, up to coverage limits in each state. Once a liquidation order becomes effective, each state's SGA provides coverage to the company's policyholders who are residents of that state up to the coverage limits specified by state laws. Any policy benefit amounts above the SGA coverage limits would become claims against the company's remaining assets, after all administrative expenses are paid.

21) How do I find the state guaranty information for my state?

<https://www.nolhga.com/policyholderinfo/main.cfm>. There is a drop-down box to find your state.

22) Where can I get more information?

For further questions contact the appropriate Company resource as follows:

Southland National Insurance Corporation Customer Service

For policies issued in Louisiana, please call 833-452-4240

For policies issued outside of Louisiana, please call 800-277-8762

Email notification sign up:

<https://www.southlandnational.com/rehabDetails.html>