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NC Mutual's demise carries high stakes for history, policyholders

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Durham's North Carolina Mutual has yet to get a court date – meaning that, for the most part, policyholders still can't access their money as the oldest historically Black-owned life insurance company in the nation hovers on state-managed life support.

NC Mutual's fate is all but determined, as North Carolina Department of Insurance Commissioner Mike Causey filed for an order of liquidation – similar to a Chapter 7 bankruptcy – last year. But the case has yet to move forward, meaning the legal limbo policyholders are in keeps dragging on.

When an insurance firm fails, the state guaranty organization swoops in and protects policies up to a set amount – up to \$300,000 in primary coverage in North Carolina. But for a firm to fail, it has to liquidate – something that can't happen outside of a courtroom.



CHARLIE SARRATT - SKYSITE IMAGES
NC Mutual building in Durham

At a December court hearing, the liquidation petition was pushed to 2022. Heather Freeman, the attorney representing the North Carolina Department of Insurance, told Superior Court Judge Graham Shirley that all parties would likely be prepared to present a mutually-agreed upon consent order in early 2022. At the time Shirley said the case could be reheard after January 11. But that hasn't yet happened.

High stakes: *What happens if NC Mutual liquidates*

At a hearing for a completely separate case last month, Shirley said that the court calendar has been tighter this year than many had anticipated. But no formal explanation for the delay has been given – and, according to NCDOL, it's unclear when the case will be heard.

NC Mutual has been under court-ordered rehabilitation since December 2018. Rehabilitation is similar to a Chapter 11 bankruptcy reorganization, where a business still operates as it works to resolve its debts and become solvent. In the case of NC Mutual, it's operating in limbo under the management of the NC Department of Insurance. It's a bare bones operation as state regulators work to right the ship by selling off chunks of its assets. And – with very few exceptions – policyholders have been unable to access funds – in 2019, a moratorium was granted on policy surrenders and other relief.

Little progress

Regulators have made some progress, recently filed documents show – but the situation is in no way close to a resolution.

In 2019, NC Mutual received \$4 million from the sale of certain assets of its wholly-owned subsidiary, North Carolina Mutual Financial. Its other wholly-owned subsidiary, North Carolina Mutual Insurance Agency, was discontinued. It's received offers to sell parts of its mortgage loan portfolio – but those were deemed “not in the best interest” of the firm. The company has sold property, such as four parcels late last year for more than \$100,000. It's even sold stock, closing on the sale of more than 186,000 shares of Durham-based M&F Bancorp for more than \$617,000 in 2020.

But issues continue to mount, even when it comes to planned asset sales, according to court documents filed last month.

In 2021, regulators received an offer for the firm's Cancer and Dread Disease Medical Insurance Coverage book of business. But late last year it was "determined that the transaction could not be completed in a cost-effective manner." So cancellation notices were sent to policyholders of that business unit last October.

Regulators report they've taken several steps to save money, such as canceling "unnecessary services such as cell phones issued to staff." Just 19 employees remained after multiple reductions last year. And NC Mutual shrunk its space in its historic building in downtown Durham, saving it \$42,000 a year.

Misappropriated funds

But the biggest issue holding the firm back from solvency is litigation, in part stemming from allegations against Bradley Reifler, a New York financier accused of orchestrating a scheme that cost NC Mutual more than \$34 million.

Court records show the firm filed a complaint back in 2016 to recover the \$34 million in "improperly transferred" assets, and it's entered entries of default against six people, including Reifler, who was indicted in 2020 on four counts of wire fraud and a count of perjury in connection with a purported scheme to defraud the company. Reifler pleaded guilty earlier this year and is scheduled to be sentenced in September.

High stakes

NC Mutual isn't the only insurance firm under state management in North Carolina. Colorado Bankers Life and Southland National were put under state control after the owner of their holding company, Durham entrepreneur Greg Lindberg, was found to have invested more than 40 percent of policyholders' money into other companies under his control. Southland National had entered into a now-defunct reinsurance and administration agreement with NC Mutual that caused NC Mutual to record a \$52.9 million provision for uncollected reinsurance reserves last year.

Lindberg, currently in prison for his role in a political bribery scheme targeting NCDOL's Causey, has been fighting the rehabilitation through his lawyers. As with NC Mutual, policyholders have been unable to access their funds except in certain situations.

NC Mutual's history makes its stakes particularly high in terms of sentiment. It was the cornerstone of what was known as Black Wall Street in Durham. The company was founded by a barber and a doctor in 1898 and grew alongside M&F Bank. By 2000, it had grown to more than \$77 million in revenue.

But as of last year, its liabilities exceeded its assets by more than \$78 million.

Jacqueline Obusek, senior deputy insurance commissioner, said in a court affidavit that NC Mutual "is in such condition as to render the continuance of its business hazardous, financially or otherwise, to its policyholders, its creditors or the public."

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