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INSURANCE REGULATION
Docketed by: *[signature]*

OFFICE OF INSURANCE REGULATION

MICHAEL YAWORSKY
COMMISSIONER

IN THE MATTER OF:
ATLANTIC COAST LIFE INSURANCE COMPANY

Index. OIR 2026-77
CASE NO.: 403552-26

IMMEDIATE FINAL ORDER TO SUSPEND CERTIFICATE OF AUTHORITY

TO: ATLANTIC COAST LIFE INSURANCE COMPANY
c/o Mr. Charles Sanders
1565 Sam Rittenberg Boulevard
Charleston, SC 29407

The State of Florida authorized and directed the Office of Insurance Regulation (“Office”) to administer and enforce the Florida Insurance Code (“Code”). Pursuant to its lawful authority, “the office may, at its discretion, without prior notice and the opportunity for hearing immediately suspend the certificate of authority of an insurer upon a determination that: (a) The insurer is impaired or insolvent; or (b) Receivership, conservatorship, rehabilitation, or other delinquency proceedings have been initiated against the insurer by the public insurance supervisory official of any state.” § 624.418(3), Fla. Stat.¹ The Office hereby enters this Immediate Final Order to Suspend Atlantic Coast Life Insurance Company’s (“Atlantic Coast”) Certificate of Authority (“COA”).

¹ All statutory citations contained herein refer to Florida Statutes (2025), unless otherwise noted.

In making the decision to suspend Atlantic Coast's COA, the Office determined that Atlantic Coast is impaired *and* that another insurance supervisory official, namely the South Carolina Department of Insurance, initiated rehabilitation proceedings against Atlantic Coast. Accordingly, the Office issues this Immediate Final Order, suspending Atlantic Coast's COA as of the date that this Immediate Final Order issued. On September 15, 2026, the South Carolina Department of Insurance filed a Petition for Order Commencing Rehabilitation Proceedings against Atlantic Coast attached herein as Exhibit 1.

An administrative complaint is forthcoming. The Office has enclosed detailed notices of rights to Atlantic Coast to ensure that it is afforded procedural fairness under the circumstances. Atlantic Coast shall be afforded the ability to contest any findings of fact contained herein as well as any new findings of fact alleged by the Office in its forthcoming administrative complaint.

INTRODUCTION

Atlantic Coast operated as a family-owned and managed business from its inception in 1925 until 2015 when it became part of a conglomerate operating under the trade name "Advantage Capital" or "A-CAP." On November 28, 2006, the Office licensed Atlantic Coast to operate in Florida as a life and health insurer with authority to write the following lines of business: life (including annuities), credit life, and accident and health. In Florida, Atlantic Coast primarily writes annuities and life policies, meaning that its insurance products are intended to last long-term, spanning years, decades, or even a life-time. As of August 31, 2026, Atlantic Coast's reported total year-to-date premium, the total amount of premium collected in a year, in Florida is \$12,852,378, made up of an in-force policy count consisting of 6,001 annuity policies, 986 life policies, and 19 accident and health policies.

Florida requires that all insurers operating in Florida “must at all times maintain surplus” at certain thresholds to maintain the COA. § 624.408, Fla. Stat. Florida uses minimum surplus to evaluate an insurer’s financial strength, including the ability to pay insureds’ claims. Failure to maintain a surplus constitutes impairment. Impairment indicates that an insurer may not be able to pay for the policies it sold, resulting in immediate serious danger to the public health, safety, or welfare of Floridians. Consequently, when an insurer is impaired, Florida statutes protect current and prospective consumers by authorizing the Office to “immediately suspend the certificate of authority” “without prior notice and the opportunity for hearing.” § 624.418(3), Fla. Stat.

As a licensed insurer in Florida, Atlantic Coast is required to “at all times” maintain the minimum surplus required pursuant to section 624.408 in order to retain its COA. Atlantic Coast reports its surplus to the Office via the quarterly and annual financial reports required to be submitted pursuant to section 624.424. Atlantic Coast is domesticated in South Carolina, however, Atlantic Coast’s licensing consent order with Florida, attached herein as Exhibit 2, authorizes the Office to apply all statutory limitations to Atlantic Coast’s investments as if it is a Florida domestic insurer. The Office monitors Atlantic Coast’s compliance with this requirement by reviewing the quarterly and annual financial reports submitted by Atlantic Coast. Based on these financial reports, Atlantic Coast is impaired.

Moreover, the South Carolina Department of Insurance, Atlantic Coast’s domestic regulator, petitioned a court to issue an order placing Atlantic Coast and its subsidiary into receivership for purposes of rehabilitation. Because Atlantic Coast is impaired and South Carolina Department of Insurance initiated receivership proceedings for the purpose of rehabilitation, the Office issues this Immediate Final Order suspending Atlantic Coast’s COA to protect current and prospective policyholders.

JURISDICTION

1. The Florida Insurance Code grants the Office jurisdiction over the subject matter and the party herein.
2. Florida statutes confer authority on the Office to issue, suspend, revoke, or terminate certificates of authority. §§ 624.413; 624. 408; 624.416, Fla. Stat.
3. A certificate of authority “is at all times the property of this state.” § 624.415, Fla. Stat.
4. In section 624.418(3), the Florida Legislature finds that “[t]he insolvency or impairment of an insurer constitutes an immediate serious danger to the public health, safety, or welfare.”
5. Sections 624.418(3)(a) and (3)(b) grant the Office authority to immediately suspend the COA of an insurer, without advance notice or hearing, if the Office finds that (a) “[t]he insurer is impaired or insolvent” or (b) “[r]eceivership, conservatorship, rehabilitation, or other delinquency proceedings have been initiated against the insurer by the public insurance supervisory official of any state.”

FINDINGS OF FACT

6. The Office licensed Atlantic Coast as an Insurer in Florida by issuing Consent Order No. 88111-06-CO on November 28, 2006 (the “Licensing Consent Order”). *See* Exhibit 2.
7. Atlantic Coast maintains its main administrative office at 1565 Sam Rittenberg Boulevard, Charleston, SC 29407.
8. Atlantic Coast is a wholly-owned subsidiary of Advantage South, LLC. Advantage South, LLC is a wholly-owned subsidiary of Advantage Capital Holdings, LLC. Advantage

Capital Holdings, LLC is a wholly-owned subsidiary of Advantage Capital Partners, LLC, which is ultimately wholly-owned by Kenneth King.

9. As of June 30, 2026, Atlantic Coast's Officers consists of Daniel Cathcart, Chief Executive Officer; Charles Sanders, President; John Lomasney, Jr., Treasurer; and, Jill Gettman, Secretary.

10. As of June 30, 2026, Atlantic Coast's Board of Directors consists of Kenneth King, Yancey Scarborough III, Daniel Cathcart, and Robert Saliba.

11. Kenneth King serves as the Chairman of the Board.

12. In Florida, Atlantic Coast is authorized to transact life, credit life, and accident and health lines of business.

13. As of August 31, 2026, in Florida, Atlantic Coast's reported total year-to-date premium is \$12,852,378, and in-force policy counts consists of 6,001 annuity policies, 986 life policies, and 19 accident and health policies.

14. On September 15, 2026, Michael Wise, as the Director of the South Carolina Department of Insurance ("Director Wise"), filed the Petition for Order Commencing Rehabilitation Proceedings ("Petition") against Atlantic Coast and its subsidiary, Southern Atlantic Re Inc. ("together, the "Companies"), in the Court of Common Pleas, Fifth Judicial Circuit, in Richland County, South Carolina. *See* Exhibit 1.

15. Director Wise alleges in the Petition that allowing the Companies to continue to transact business would be financially hazardous to their policyholders, creditors, and the public.

16. In addition, to the State of South Carolina's rehabilitation proceedings, based on Atlantic Coast's quarterly filings, the company is impaired.

17. The Code requires Atlantic Coast to file annual financial statements with the Office on or before March 1 covering the preceding calendar year. The Code also requires Atlantic Coast to file quarterly financial statements covering the periods of March 31, June 30, and September 30 within 45 days after each such date. §624.424(1)(a), Fla. Stat.

18. In Paragraph 8 of the Licensing Consent Order, Atlantic Coast agreed that it is subject to the requirements of Parts I and II of chapter 625, in the same manner as Florida domestic insurers. Atlantic Coast further agreed that the Office would non-admit any non-qualifying assets or investments exceeding the limitations in Parts I and II of chapter 625 and that its surplus as to policyholders is adjusted accordingly.

19. Atlantic Coast filed its September 30, 2025, quarterly financial statement (“September Quarterly”) on November 18, 2025. §624.424(1)(a), Fla. Stat.

20. Based on its September Quarterly, Atlantic Coast had a minimum statutory surplus requirement of \$57,143,102 and a reported surplus of \$85,950,992, resulting in excess surplus of \$28,807,890. However, Atlantic Coast incorrectly reported \$85,950,992, because it failed to account for the limitation under section 625.151(3)(a), which values certain investments differently from other investments.

21. Applying the section 625.151(3)(a) statutory investment limitations, Atlantic Coast had an impaired surplus of \$139,590,561, as of September 30, 2025.

22. Atlantic Coast filed its December 31, 2025, annual financial statement (“Annual Statement”) on March 4, 2026.

23. Based on its December 31, 2025, Annual Statement, Atlantic Coast had a minimum statutory surplus requirement of \$57,500,213 and a reported surplus of \$81,739,290, resulting in excess surplus of \$24,239,077. Yet, Atlantic Coast did not account for the statutory investment

limitations meaning that Atlantic Coast did not have excess surplus but was instead impaired by \$98,657,667.

24. Atlantic Coast filed its March 31, 2026, quarterly financial statement (“March Quarterly”) late on August 28, 2026. The March Quarterly was due May 15, 2026.

25. Based on its March Quarterly, Atlantic Coast had a minimum statutory surplus requirement of \$56,153,385 and a reported surplus of \$70,360,970, resulting in excess surplus of \$14,207,585. Applying the statutory investment limitations, Atlantic Coast should have reported an impairment surplus of \$144,855,647.

26. Atlantic Coast filed its June 30, 2026, quarterly financial statement (“June Quarterly”) on August 18, 2026.

27. According to its June Quarterly, Atlantic Coast had a minimum statutory surplus requirement of \$55,409,049 and a reported surplus of \$47,407,190, resulting in an impairment of \$8,001,859. However, Atlantic Coast incorrectly reported \$47,407,190, because it failed to account for the limitation under section 625.151(3)(a).

28. Applying the section 625.151(3)(a) statutory investment limitations, Atlantic Coast had an impaired surplus of \$170,019,077, as of June 30, 2026.

29. Thus, looking at the March and June Quarterlies, both filed in August, Atlantic Coast has an ongoing and sustained state of impairment with signs of further degradation.

30. The facts and findings set forth above are derived from the Office’s review of documentation prepared by and submitted by Atlantic Coast, and the documents filed by Director Wise in the Court of Common Pleas, Fifth Judicial Circuit.

CONCLUSIONS OF LAW

Section 624.418(3)(a) authorizes the Office to immediately suspend Atlantic Coast's COA

31. Section 624.418(3)(a) grants the Office discretionary authority to issue an Immediate Final Order suspending Atlantic Coast's COA if it finds that Atlantic Coast is impaired.

32. To maintain a COA in Florida, Atlantic Coast must always maintain a surplus as to its policyholders of at least the greater of \$1.5 million or 4 percent of its total liabilities plus 6 percent of its liabilities relative to health insurance. §§ 624.408(1)(a), (c), Fla. Stat.

33. The Office finds that as of at least September 30, 2025, Atlantic Coast has been impaired, and remains impaired:

- a. Atlantic Coast's September Quarterly demonstrated an impaired surplus of \$139,590,561, as of September 30, 2025.
- b. Atlantic Coast's Annual Statement demonstrated an impaired surplus of \$98,657,667, as of December 31, 2025.
- c. Atlantic Coast's March Quarterly demonstrated an impaired surplus of \$144,855,647, as of March 31, 2026.
- d. Atlantic Coast's June Quarterly demonstrated an impaired surplus of \$170,019,077, as of June 30, 2026.
- e. As of the filing of this Immediate Final Order, Atlantic Coast has not demonstrated to the Office that it cured the impairment.

34. For these reasons, the Office finds that Atlantic Coast is impaired. The Florida statutes state that the "[t]he insolvency or impairment of an insurer constitutes an immediate serious danger to the public health, safety, or welfare; and the office may, at its discretion, without

prior notice and the opportunity for hearing immediately suspend the certificate of authority of an insurer upon a determination that [t]he insurer is impaired or insolvent.” §624.418(3), Fla. Stat.

35. Based on the immediate serious danger to the public health, safety, or welfare that Atlantic Coast’s impairment causes to Floridians, the Office hereby immediately suspends Atlantic Coast’s COA. §624.418(3), Fla. Stat.

**Section 624.418(3)(b) authorizes the Office to immediately
suspend Atlantic Coast’s COA**

36. Section 624.418(3)(b) grants the Office the discretionary authority to issue an Immediate Final Order suspending Atlantic Coast’s COA if it finds that receivership, conservatorship, rehabilitation, or other delinquency proceedings have been initiated against the insurer by the public insurance supervisory official of any state.

37. The South Carolina Department of Insurance initiated receivership proceedings against Atlantic Coast:

- a. On September 15, 2026, the Director of the South Carolina Department of Insurance filed a Petition for an Order Commencing Rehabilitation Proceedings against the Companies, in the Court of Common Pleas, Fifth Judicial Circuit, in Richland County, South Carolina.
- b. In the Petition, the Director of the South Carolina Department of Insurance alleged that the Companies are in a financially hazardous condition and requests that the Court issue an order placing them into receivership for rehabilitation purposes.

38. Under Florida statute, “[t]he insolvency or impairment of an insurer constitutes an immediate serious danger to the public health, safety, or welfare; and the office may, at its discretion, without prior notice and the opportunity for hearing immediately suspend the certificate

of authority of an insurer upon a determination that [r]eceivership, conservatorship, rehabilitation, or other delinquency proceedings have been initiated against the insurer by the public insurance supervisory official of any state.” §624.418(3)(b), Fla. Stat.

39. As such, the Officer hereby suspends Atlantic Coast’s COA based on the proceeding for rehabilitation initiated by the South Carolina Department of Insurance.

ORDER

36. Based on the foregoing Findings of Fact and Conclusions of Law, the Office hereby issues the following **IMMEDIATE FINAL ORDER** suspending Atlantic Coast’s COA, effective immediately after the execution of this Order.

- i. The suspension shall remain in effect until the Office determines that Atlantic Coast is no longer impaired.
- ii. Atlantic Coast shall immediately cease to act or hold itself out to be an insurer in Florida;
- iii. Atlantic Coast shall cease soliciting or accepting new or renewal business in Florida;
- iv. Atlantic Coast shall continue to service all Florida in-force policies and shall honor its liability for losses and unearned premiums if they continue to exist;
- v. Atlantic Coast shall immediately notify its agents and brokers that it has ceased soliciting and accepting new or renewal business in Florida;
- vi. Atlantic Coast shall continue file with the Office all statutory filings required by section 624.424 until such time that Atlantic Coast has certified that all its claims, liabilities, and obligations that have arisen in Florida have been paid or settled and the Office has confirmed the same;

- vii. Atlantic Coast shall continue to file with the Office monthly financial statements by no later than the 25th of each month following the period ending date;
- viii. Atlantic Coast shall continue to file with the Office, monthly policies in-force and premium reports by no later than the 15th of the month following the period ending date;
- ix. Atlantic Coast shall pay all fees and taxes required under chapter 624, Part III of the Code as if Atlantic Coast 's COA was still in full force;
- x. Atlantic Coast shall continue to maintain a deposit with Florida Department of Financial Services, Bureau of Collateral Management of no less than \$2,000,000 U.S. Dollars market value, pursuant to section 624.411(3); and,
- xi. Upon request by the Office, Atlantic Coast shall continue to make immediately available for examination by the Office all records on risks resident or located in Florida.

DONE and ORDERED this 30 day of September, 2026.



A handwritten signature in blue ink, appearing to read "Mip Yaworsky", written over a horizontal line.

MICHAEL YAWORSKY
Commissioner
Office of Insurance Regulation

NOTICE OF RIGHTS

Any party to these proceedings adversely affected by this Order is entitled to seek immediate appellate review of this Order pursuant to section 120.569(2)(n), Florida Statutes (2025), Rule 28-106.501, *Florida Administrative Code*, and Rule 9.110, Florida Rules of Appellate Procedure. Review proceedings must be instituted by filing a Petition or Notice of Appeal with the Agency Clerk at 200 East Gaines Street, Tallahassee, Florida 32399-4206, and a copy of the same and filing fee with the appropriate District Court of Appeal within thirty (30) days of the rendition of this Order. Mediation under section 120.573 is not available for this agency action.

Pursuant to sections 120.569 and 120.57, Florida Statutes, and chapter 28-106, Florida Administrative Code, you have the right to request a proceeding to contest this action by the Office of Insurance Regulation (Office) by filing a petition. You have the right to be represented by counsel or another qualified representative. Your petition must be in writing and directed to:

Agency Clerk
Office of Insurance Regulation
647 Larson Building
200 East Gaines Street
Tallahassee, Florida 32399-0300

The petition must be transmitted by U.S. Mail or hand-delivered. Petitions transmitted by facsimile transmission or electronic mail will not be accepted for filing. Your petition challenging this action must be received by the Office at the above address not later than twenty-one (21) days from the date on which you receive this notice. Any document received by the Office before 5:00 p.m. shall be filed as of that day but any document received after 5:00 p.m. shall be filed as of 8:00 a.m. on the next regular business day. If you do not timely file a petition, your right to a proceeding shall be deemed waived and the Office's agency action will be final.

If you desire to challenge this agency action and do not dispute the material facts as found by the Office, you may request a proceeding pursuant to sections 120.569 and 120.57(2), Florida Statutes. A petition for an administrative proceeding not involving disputed issues of material fact must comply with the content requirements of section 120.569(1), Florida Statutes, and Rule 28-106.301, Florida Administrative Code.

If you desire to challenge this agency action and dispute the material facts as found by the Office, you may request a proceeding pursuant to sections 120.569 and 120.57(1), Florida Statutes. A petition for an administrative proceeding involving disputed issues of material fact must comply with the content requirements of section 120.569(1), Florida Statutes, and Rule 28-106.2015, Florida Administrative Code.

A petition that is not in substantial compliance with the applicable rules and statutes will be dismissed.

Any request for an administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Immediate Final Order to Suspend Atlantic Coast Life Insurance Company's Certificate of Authority has been sent by U.S. Certified Mail this 30 day of September, 2026, to:

ATLANTIC COAST LIFE INSURANCE COMPANY
c/o Mr. Charles Sanders
1565 Sam Rittenberg Boulevard
Charleston, SC 29407



Stephanie Roman Caban
Florida Bar No.: 1030977
Assistant General Counsel
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-4206
Email: Stephanie.RomanCaban@floiir.com

**STATE OF SOUTH CAROLINA
RICHLAND COUNTY**

**IN THE COURT OF COMMON PLEAS
FIFTH JUDICIAL CIRCUIT**

Michael Wise, as Director of the South Carolina
Department of Insurance,
Petitioner,

Civil Action No. 2026-CP-40-_____

vs.

**PETITION FOR ORDER COMMENCING
REHABILITATION PROCEEDINGS**

Atlantic Coast Life Insurance Company and
Southern Atlantic Re Inc.,
Respondents.

Petitioner Michael Wise (“Petitioner” or “Director”), Director of the South Carolina Department of Insurance (“Department” or “South Carolina Department”), by and through counsel, hereby petitions the Court pursuant to the South Carolina Insurers Rehabilitation and Liquidation Act, S.C. Code Ann. § 38-27-10, *et seq.*, for an Order appointing him and his successors as receiver (“Receiver”) of Respondents Atlantic Coast Life Insurance Company (“Atlantic Coast Life”) and Southern Atlantic Re Inc. (“Southern Atlantic Re”) (together, “Respondents”) for the purposes of rehabilitation; directing the Petitioner, as Receiver, to take possession, control, and title to all assets of the Respondents and to administer those assets of Respondents pursuant to the laws of the State of South Carolina as directed by the Court; and staying all actions and proceedings related to the Respondents. Petitioner is serving Respondents with a copy of this petition pursuant to S.C. Code Ann. § 38-27-60.

In support of this petition, Petitioner respectfully shows the Court the following:

INTRODUCTION

1. Respondents Atlantic Coast Life and Southern Atlantic Re are South Carolina-domiciled insurers. Atlantic Coast Life was founded in 1925 and was family-owned and -managed for most of its existence until 2015. It has policyholders in South Carolina and across the country. Southern Atlantic Re is Atlantic Coast Life's wholly owned subsidiary that reinsures certain of Atlantic Coast Life's obligations.

2. The Respondent insurers, along with many other companies, are directly and indirectly owned in a family of companies that operate under the trade name "Advantage Capital" or "A-CAP." The ultimate controlling person for the A-CAP family of companies is Kenneth King ("Mr. King"). Mr. King and A-CAP acquired Respondent Atlantic Coast Life in 2015 and formed Respondent Southern Atlantic Re in 2019.

3. Under Mr. King and A-CAP's management, the Respondent insurers' financial soundness has been grievously undermined. Respondents have placed policyholder funds into high-risk and inappropriate investments in violation of South Carolina law and their agreements with the Department. The risky investments appear to be worth substantially less than what Respondents forecast, and they cannot be turned into cash in time to pay policyholder obligations without taking substantial losses on the investments. These improper investments threaten Respondents' ability to pay back the thousands of mostly elderly policyholders who bought annuities and other insurance products from Atlantic Coast Life.

4. As discussed in more detail below, one of the largest counterparties to Respondents' investments, 777 Partners LLC ("777 Partners"), was recently forced to file for bankruptcy protection. Although Mr. King and A-CAP told the Department that they had virtually eliminated Respondents' exposure to 777 Partners and related companies, sworn filings in the bankruptcy proceeding indicate

that A-CAP and its affiliates hold almost \$1.3 billion of loans to the 777 family of companies. Additionally, Respondents themselves have continuing exposure to 777 Partners and related companies. Based on the bankruptcy filings, it is unclear what revenue streams or assets could be used to repay these loans.

5. For these and other reasons set forth below, Respondents are in a financially hazardous position. There is substantial evidence that Respondents' cash flows will be insufficient to meet their upcoming obligations. Respondents have enterprise and liquidity risk from their unlawfully high levels of investments into entities that Mr. King and A-CAP control. Numerous financial ratios, used to monitor insurers' financial health, reveal issues within the companies. Respondents' net operating losses over the past almost two years exceed statutory thresholds. They have substantial investments that are in default or not paying cash. Their relationships with reinsurers—which backstop policyholder obligations—compound these problems of investment quality and liquidity. And Respondents' risk-based capital ratios—a measurement of how well capitalized an insurer is for its risk level—have fallen significantly below their required level for licensure and remain at a perilously low level.

6. For the protection of policyholders and the public, Petitioner respectfully requests this Court issue an order placing Respondents into rehabilitation. Through the rehabilitation process, Petitioner, as Receiver, will determine whether there is a path towards reestablishing Respondents' going concern status or if an orderly liquidation is appropriate. Respondents' continued operation without this enhanced oversight risks creating additional financial peril for their existing and prospective policyholders, their sister companies, and taxpayers.

THE PARTIES

7. Petitioner is the duly-appointed Director of the South Carolina Department of Insurance with such powers, duties, and responsibilities as are prescribed under the insurance laws of this State to develop standards of service and regulate the conduct of insurers transacting business in this State, including licensure and the institution of delinquency and receivership proceedings when necessary. *See* S.C. Code Ann. § 38-1-10, *et seq.* The Director is charged with supervising and regulating the rates and service of every insurer transacting business in the State of South Carolina and to see that all laws of this State governing insurers or relating to the business of insurance are faithfully executed. *See* S.C. Code Ann. § 38-3-110.

8. Respondent Atlantic Coast Life (NAIC Code #61115) is a South Carolina domestic life, accident, and health insurance company that holds a certificate of authority under the provisions of S.C. Code Ann. § 38-5-30. The Department granted Atlantic Coast Life a license to transact business as an insurance company on or about February 1, 1925. In 2015, Atlantic Coast Life was acquired by Advantage South, LLC, a Delaware limited liability company that is wholly owned and controlled by Advantage Capital Holdings LLC (“A-CAP Holdings”). As a licensed insurer, Atlantic Coast Life must comply with the insurance laws of the State of South Carolina. *See* S.C. Code Ann. § 38-1-10, *et seq.*

9. According to its 2025 annual financial statement, Atlantic Coast Life is licensed to write policies in forty states: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wyoming.

10. Respondent Southern Atlantic Re (NAIC Code #16732) is a South Carolina domestic captive reinsurance company that has provided reinsurance exclusively to Atlantic Coast Life since 2020. Southern Atlantic Re is a wholly owned subsidiary of Respondent Atlantic Coast Life. As a licensed reinsurer, Southern Atlantic Re must comply with the insurance laws of the State of South Carolina, including Chapters 9 and 90 of Title 38 of the Code of Laws of South Carolina.

11. Non-party A-CAP Holdings is majority-owned by a Delaware limited liability company called Advantage Capital Partners, LLC (“A-CAP Partners”). Non-party Mr. King is the majority member of A-CAP Partners.

12. Since Atlantic Coast Life and Southern Atlantic Re are indirect subsidiaries of A-CAP Partners, Mr. King is their “ultimate controlling person,” as Respondents aver in their filings to the Department *See* S.C. Code Ann. Regs. § 69-14.

13. On or about August 3, 2026, Atlantic Coast Life’s CEO of over a decade, Dan Cathcart, resigned. It appears that Respondents now are controlled primarily or exclusively by personnel from A-CAP.

JURISDICTION AND VENUE

14. This Court has exclusive jurisdiction over the subject matter and is the proper venue for this proceeding pursuant to S.C. Code Ann. §§ 38-27-60(f) and -310 to -330.

SOUTH CAROLINA’S INSURANCE REGULATORY REGIME

15. South Carolina law provides for extensive regulation of insurers for the protection of policyholders and the public.

16. These laws are based on model laws promulgated by the National Association of Insurance Commissioners (“NAIC”), a national organization that assists its member states and territories in effectively regulating insurers.

17. Respondents, their affiliates, and other members of their holding company group are subject to regulation to protect their solvency and financial soundness. Those rules include, but are not limited to:

- a. Restrictions on investment types and concentration level—meaning, the share of the portfolio in a single investment or a single issuer of investments, *see* S.C. Code Ann. § 38-12-10, *et seq.*;
- b. Risk-based capital and reserving requirements—which ensure that insurers are adequately capitalized against their risks and have set aside enough funds to meet their obligations to policyholders, *see* S.C. Code Ann. § 38-9-10, *et seq.*;
- c. Financial reporting and statutory accounting standards—which allow the Department to monitor insurers’ financial well-being, *see* S.C. Code Ann. § 38-13-10, *et seq.*; and
- d. Financial analysis and examinations—which allow the Department to more thoroughly test and analyze insurers’ disclosures, *see* S.C. Code Ann. § 38-13-10, *et seq.*

18. South Carolina law requires insurers, including Respondents, to maintain sufficient capital and assets to fulfill their obligations to policyholders and other creditors.

19. The Director also determines the adequacy of an insurer’s surplus, meaning its assets minus its liabilities. *See* S.C. Code Ann. § 38-21-260.

20. Certain assets of an insurer are considered to be “non-admitted” because they are not readily sellable assets available to pay claims. Non-admitted assets are not allowed to be included in the determination of an insurer’s surplus or for assessing compliance with risk-based capital requirements. *See, e.g.,* S.C. Code Ann. §§ 38-12-40, 38-12-220, and 38-12-430.

21. Respondents' capital and surplus also are subject to Department review to determine whether they are reasonable and adequate. This analysis takes into account factors like:

- a. Respondents' size;
- b. The diversification of their business, or policies sold, along different lines of insurance;
- c. The nature and extent of Respondents' use of reinsurance, which can help manage risk under appropriate circumstances;
- d. The quality, diversification, and liquidity of Respondents' investment portfolio; and
- e. The quality and liquidity of Respondents' investments in affiliated companies.

See S.C. Code Ann. § 38-21-260.

22. Pursuant to South Carolina law, an insurer's board of directors must adopt a written plan for acquiring and holding investments and for engaging in investment practices. The plan must specify guidelines as to the quality, maturity, and diversification of investments and as to investment strategies. The required investment plan is intended to assure that the investments and investment practices are appropriate for the business conducted by the insurer, its liquidity needs, and its capital and surplus. S.C. Code Ann. § 38-12-50(A). The insurer's board is required to review compliance with the plan at least quarterly, and to issue a formal resolution on compliance with the delegations, standards, limitations, and investment objectives at least annually. S.C. Code Ann. § 38-12-50(B)-(C).

23. South Carolina law also provides regulators with substantial tools empowering them to monitor insurers' solvency and financial soundness.

24. To monitor insurers' financial condition, the Director or his designee may analyze financial statements and examine companies whenever necessary, but he must perform a formal

examination of all domestic insurers no less frequently than every five years to determine their compliance with statutory financial requirements. *See* S.C. Code Ann. § 38-13-10, *et seq.*

25. South Carolina law also requires insurers to complete and file annual financial reports containing extensive amounts of financial information. This financial information, among other things, must detail material intercompany contract terms and relationships, including cost sharing agreements, material management agreements, major reinsurance agreements, and other material transactions or requests. *See* S.C. Code Ann. § 38-21-10, *et seq.*

26. The annual financial reports serve as a key basis for the Department's monitoring of an insurer's financial condition and, ultimately, its solvency. The annual financial reports generally are completed on templates from NAIC, which require, among other things, specific identification of all affiliated investments.

27. An insurer must hold capital in proportion to its risk. Another annual filing that insurers must submit to the Department evaluates their risk-based capital level, which is calculated pursuant to instructions promulgated by NAIC. *See* S.C. Code Ann. §§ 38-9-310, -320. Risk-based capital is a statutory minimum level of capital that an insurer must hold based on the insurer's size and the riskiness of its financial assets and operations.

28. Finally, South Carolina law provides a process for when insurers' solvency or financial soundness is undermined or at risk.

29. The South Carolina General Assembly enacted the South Carolina Insurers Rehabilitation and Liquidation Act to protect "the interests of insureds, claimants, creditors, and the public generally" through, among other things, "[e]arly detection of any potentially dangerous condition in an insurer and prompt application of appropriate corrective measures." S.C. Code Ann. § 38-27-30.

30. Pursuant to the McCarran-Ferguson Act, 15 U.S.C. §§ 1011-1015, the business of insurance is exempt from most federal regulation.

31. Accordingly, insurers, like banks, are not eligible for federal bankruptcy protection. *See* 11 U.S.C. § 109. Instead, insurers in financial distress are subject to the insolvency scheme of the states in which they are domiciled. One aspect of the insolvency scheme in South Carolina is the rehabilitation process, which is similar in some ways to a Chapter 11 bankruptcy.

32. The Director may petition the Court to place an insurer into rehabilitation under statutorily-enumerated grounds, including (among others) when “[t]he insurer is in a condition in which the further transaction of business would be hazardous, financially, to its policyholders, creditors, or the public.” S.C. Code Ann. § 38-27-310(1).

33. When the Court orders an insurer into rehabilitation, it shall direct the Director, his successor(s), or his designee(s) to take immediate possession of the assets of the insurer to be administered under the Court’s general supervision. S.C. Code Ann. § 38-27-320.

34. Afterward, the Director, as rehabilitator, or his designee takes on the powers of the insurer’s directors, officers, and managers, and he “may take any action he considers necessary or appropriate to reform and revitalize the insurer.” S.C. Code Ann. § 38-27-330(b).

35. The rehabilitator, his designee, or an insurer’s directors can petition the Court to terminate rehabilitation. If the Court finds—either upon a party’s petition or on its own motion—that rehabilitation has been accomplished and that grounds for rehabilitation no longer exist, it shall order that the insurer be restored to possession of its property and the control of its business. S.C. Code Ann. § 38-27-350(b).

36. If instead the rehabilitator “believes further attempts to rehabilitate an insurer would substantially increase the risk of loss to creditors, policyholders, or the public or would be futile, [he]

may petition the circuit court for an order of liquidation.” S.C. Code Ann. § 38-27-350(a). The insurer’s directors may take actions reasonably necessary to defend against such a petition for an order of liquidation. *Id.*

37. In other words, rehabilitation is a process by which the Director, as rehabilitator, acts as an insurer’s receiver to try to fix the insurer’s financial or other statutorily-enumerated problems and takes steps to protect policyholders and the public through enhanced oversight and management of the insurer.

38. South Carolina law *requires* the Director to begin delinquency proceedings if an insurer’s capital—meaning, its surplus as to policyholders—is impaired. *See* S.C. Code Ann. §§ 38-1-20(58), 38-9-10(B).

RESPONDENTS’ BUSINESS HISTORY

Respondents’ Historical Operations

39. For almost a century, Atlantic Coast Life wrote primarily small face-amount life insurance policies and preneed funeral policies.

40. In 2014, prior to being acquired by A-CAP Holdings, Atlantic Coast Life had approximately 90,000 life insurance policies or certificates in force with total reserves of approximately \$110 million. Its net premium income in 2014 was approximately \$25 million.

41. On June 5, 2015, A-CAP Holdings, led by Mr. King, closed its acquisition of Atlantic Coast Life.

42. The A-CAP companies are a private equity firm. Private equity firms make investments in assets that are not listed on public exchanges. These investments can obtain higher rates of return for the private equity firm—but the higher return also involves a higher level of risk.

43. Since the 2008 global financial crisis, private equity has played an increasing role in the insurance industry, especially for companies in the life and annuity sector. These insurers and their blocks of business are attractive to private equity firms because they offer large pools of capital with predictable liabilities. Private equity firms can also earn fees from the insurers for managing their investments.

44. Private equity investments may allow insurers access to additional capital sources and to achieve higher rates of return. However, these benefits must be balanced with the management of risks. Such risks include the ability to timely turn investments into cash to pay policyholders, the possibility of changes in market conditions, and the quality of the selection of the investment.

45. Under A-CAP's management, Atlantic Coast Life changed its focus from selling life insurance and preneed funeral policies to selling annuities.

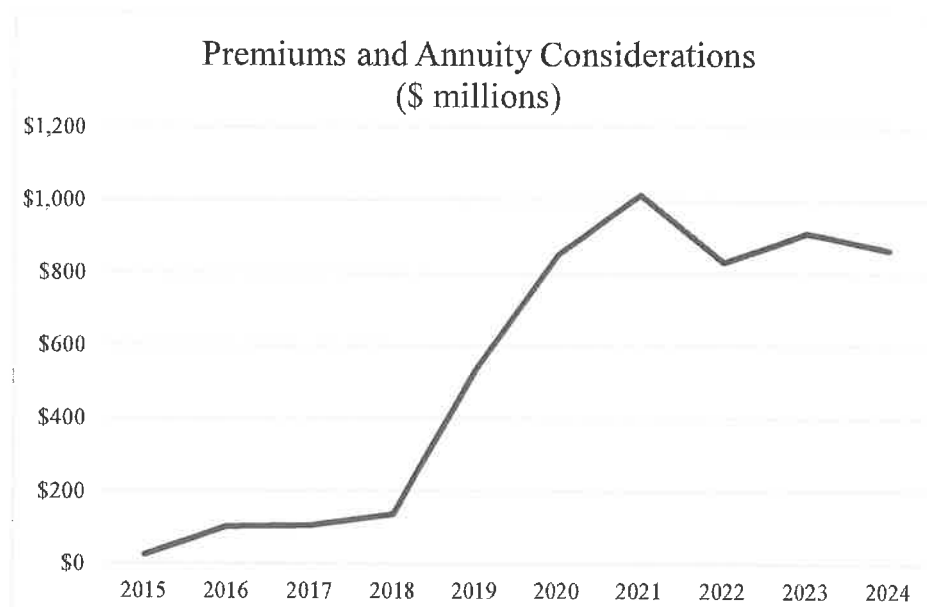
46. This was a major change in Atlantic Coast Life's business model and included significant changes to its investment strategy for policyholder funds, resulting in a vastly different risk profile for the company.

47. A-CAP's management also caused Atlantic Coast Life to quickly grow by orders of magnitude.

48. In 2015, Atlantic Coast Life disclosed in its annual statement that its total direct premiums and annuity considerations that it received from policyholders were approximately \$25 million.

49. In 2016, after A-CAP Holdings caused Atlantic Coast Life to focus on selling annuities, its direct premium income jumped to approximately \$102 million.

50. Afterward, Atlantic Coast Life's premium volume continued to grow rapidly, largely from the sale of annuities:



51. An annuity is a contract through which an insurance company takes payment from a policyholder in exchange for a promise to repay the policyholder, plus a return on his or her investment.

52. Annuities can take a variety of forms, which are set forth by their contractual terms. Sometimes the return on investment is fixed, or sometimes it is indexed to an external factor. Sometimes the investor pays the full amount of the investment up front, or sometimes he or she pays amounts over time. Likewise, sometimes the investment return is paid in a lump sum, or sometimes it is paid over time. Different insurers offer a variety of annuity products with different benefits and obligations.

53. Generally, the policyholder's investment is held by the insurer for a period of time during which the policyholder cannot access his or her investment without paying a penalty, called a

“surrender charge.” After a certain amount of time set by the annuity contract, the annuity exits the “surrender charge period,” and the policyholder has access to his or her full investment.

54. Annuities typically provide tax-deferred income, so they often are used as tools for retirement planning by those approaching retirement age.

55. In addition to providing tax benefits, the structure of annuities facilitates financial planning. Policyholders can plan for their annuities to exit the surrender charge period when the policyholders plan to have a substantial expense, like paying off a mortgage or financing a grandchild’s college tuition, or to pay out at various pre-planned intervals to provide for general living expenses.

56. For the insurer that sold the annuity, the policyholder’s premium should be used to make proper investments that allow the insurer to timely pay its obligations to policyholders and others. The insurer should anticipate when it will need to pay these policyholder obligations through analysis of, among other things, the annuities’ surrender charge periods and market factors.

57. Like a bank investing depositors’ funds, an insurance company is obligated to ensure that its investments of policyholder funds are appropriate and comply with applicable laws and regulations, such as those set forth above.

58. The stated legislative intent of these laws and regulations is to “protect the interests of the insured in this State by promoting insurer solvency and financial strength” through ensuring that insurers hold a mix of investments “in a manner consistent with principles of prudent investment management to achieve a return adequate to meeting obligations to insureds and financial strength sufficient to cover reasonably foreseeable contingencies.” S.C. Code Ann. § 38-12-10. The return on the insurer’s investments, less the payments to policyholders and other debts and overhead obligations, is the insurer’s profit.

Respondents' Investment Management

59. Since 2015, many of Atlantic Coast Life's investments have been managed by Advantage Capital Management, LLC ("Advantage Capital Management"), an investment adviser in the A-CAP family that is also indirectly owned by Mr. King.

60. In 2019, shortly after its formation as a captive reinsurer and wholly owned subsidiary of Atlantic Coast Life, Southern Atlantic Re likewise engaged Advantage Capital Management as an investment manager.

61. In the insurance industry, it is not uncommon for the investment of policyholder funds to be guided by an investment adviser. The investment adviser charges fees for providing this service.

62. Often, this investment adviser is an independent third party, such as an investment bank. Sometimes the investment adviser is an entity under common ownership or control with the insurer. In either case, the investment adviser must ensure that the insurer's investments are placed into appropriate vehicles.

63. Registered investment advisers are regulated by the United States Securities and Exchange Commission. Pursuant to federal law, they are required to adhere to a fiduciary standard of care as to their clients. *See* Investment Advisers Act, 15 U.S.C. § 80b-1, *et seq.*

64. The fiduciary duties an investment adviser owes its client under the Investment Advisers Act include a duty of loyalty. The duty of loyalty requires an investment adviser to (a) serve the best interest of its clients; (b) subrogate its own interests to that of its clients; and (c) fully disclose and eliminate or mitigate any conflicts of interest.

65. Advantage Capital Management is an investment adviser registered with the United States Securities and Exchange Commission.

66. Respondents' relationship with Advantage Capital Management is governed by a series of investment management agreements (the "Investment Management Agreements"). These Investment Management Agreements provide the terms of Advantage Capital Management's compensation, including a base compensation rate and performance-based fees. The performance-based compensation structure is earned and calculated based on "cash flows" attributable to capital gains or losses, interest proceeds, principal proceeds, and impairment charges.

67. In addition to the Investment Management Agreements that Respondents signed with Advantage Capital Management, certain of the investment management duties were subcontracted to other investment advisers, or "sub-advisers."

68. Many of those sub-advisers are affiliated with Respondents through common ownership interest held by A-CAP or Mr. King. Like Advantage Capital Management, the affiliated sub-advisers provide investment management and incentive fee revenue for A-CAP.

69. Respondents' management, along with the investment management of Advantage Capital Management and other A-CAP-affiliated sub-advisers, has caused Respondents' share of investments in privately-placed bonds to greatly exceed the average for the life insurance industry.

70. Privately-placed bonds, as opposed to those that are publicly traded, involve higher risk factors due to, among other things, lacking a public market to quickly and easily convert the investment into cash to pay policyholders and other obligations. They also lack the level of transparency that publicly-traded bonds have.

71. Respondents have paid a substantial amount to their investment advisers in connection with their investment into these private credit arrangements.

72. Respondents' reported investment expenses, including fees paid to investment advisers, grew to more than double the industry average, relative to Respondents' size, by 2025.

73. Atlantic Coast Life's investment performance has not justified these high fees. Based on its own reporting, its investment performance has been largely consistent with the overall life insurance industry.

74. Moreover, as discussed further below, there is significant reason to doubt that this reported performance accurately reflects the health of the investments.

75. The Investment Management Agreements provide guidelines for the types and amounts of investments to ensure that Respondents maintain acceptable allocations and diversification in their investment portfolios.

76. For example, the Investment Management Agreements between Advantage Capital Management and Respondents provide that no more than 10% of the portfolio may be placed in private-placement investments that are not rated 1 or 2 under the NAIC's bond rating scale.

77. Regulators use NAIC bond ratings to assist with monitoring the financial solvency of insurers' investments. The rating of an investment—or the lack of a rating—affects how that investment is treated for regulatory purposes because it indicates its relative level of risk.

78. NAIC's bond ratings are scored on a scale of 1 through 6, in which 1 indicates the highest quality bonds (with the least risk) and 6 indicates the lowest quality bonds (with the greatest risk). According to the Purposes and Procedures Manual of the NAIC Investment Analysis Office, the NAIC ratings represent "opinions of gradations of the likelihood of an insurer's timely receipt of an investment's full principal and expected interest."

79. Some loans are unrated, meaning that the issuer has not had the loan rated by a recognized rating agency. As such, these unrated loans are of particular concern to regulators.

80. Respondents' reporting to the Department acknowledges that their aggregate investments in unrated asset-based loans ("collateral loans") and non-investment grade private credit

bonds (i.e., bonds rated the equivalent of 3, 4, 5, or 6 under the NAIC bond rating scale) exceeded 10% of their total respective portfolios for 2025.

81. Specifically, a total of 23.8% of Atlantic Coast Life's reported cash and invested assets as of December 31, 2025, were held in non-investment grade private credit bonds and unrated collateral loans (5.6% and 18.2%, respectively). Southern Atlantic Re reported that as of the same date, 10.8% of its cash and invested assets were in non-investment grade private credit bonds and unrated collateral loans (1.9% and 8.9%, respectively).

82. These reported amounts understate the amount of unrated collateral loans as of December 31, 2025. Respondents reported tens of millions of dollars of assets as bonds with an NAIC 2 rating when, in fact, they should have been reported as unrated collateral loans.

83. Respondents reported many of these assets as unrated collateral loans in subsequent financial disclosures although the nature of the asset did not change.

84. When properly reported, the share of Atlantic Coast Life's reported cash and invested assets as of December 31, 2025, made of unrated collateral loans rises to 24.6%. As a result, 30.2% of its reported cash and invested assets as of December 31, 2025, were held in non-investment grade private credit bonds and unrated collateral loans. For the same date, Southern Atlantic Re should have shown 13.5% in unrated collateral loans, for a total of 15.1% of its cash and invested assets in these types of investments.

85. Accordingly, it appears that Advantage Capital Management exceeded the Investment Management Agreements' maximum allocation of Respondents' investments to non-investment grade private credit bonds and unrated collateral loans.

86. As of June 30, 2026, Respondents' reported investment allocations show that their investments in non-investment grade private credit bonds and unrated collateral loans have further increased.

87. This level of investment in high-yield—and, therefore, higher-risk—assets creates a higher level of financial risk for Respondents and their policyholders.

88. In addition to violating Respondents' internal guidelines and their agreements with Advantage Capital Management, this level of investment in non-investment grade bonds and unrated investments has resulted in a portfolio that diverges from industry norms for life insurers.

89. As of December 31, 2025, Atlantic Coast Life's share of investments in non-investment grade bonds and unrated investments greatly exceeded the life insurance industry average.

90. Even among life insurance companies owned by private equity firms, Atlantic Coast Life's share of investments in non-investment grade bonds and unrated investments was *double* the average for this industry sector.

91. Further, a number of Respondents' privately-placed investments are, directly or indirectly, in distressed or insolvent companies.

92. For instance, Respondents have direct and indirect economic exposure to companies such as a small, struggling low-cost Canadian airline; European professional soccer clubs that have never turned an operational profit; and a mid-budget film and entertainment studio recovering from a failed Bollywood merger.

93. As one example of an investment into a distressed borrower, in 2022, Southern Atlantic Re participated in extending a loan to Film Finances, Inc. ("Film Finances"), a provider of services and insurance underwriting across the film and entertainment industry.

94. In 2024, Film Finances declared bankruptcy. A newly formed entity, Film Services, Inc. (“Film Services”), which is 50% owned by A-CAP, acquired Film Finances in foreclosure.

95. Prior to its bankruptcy, Film Finances owed Southern Atlantic Re approximately \$30 million, due in 2024 and 2025. Respondents now hold investments in Film Services through a new term loan that matures in 2030, a subordinated loan that also matures in 2030, and preferred equity. Respondents increased their balance of investments in Film Services by \$2.5 million after the restructuring, in addition to capitalized interest. Now, Respondents still have more than \$30 million due from a business that experienced bankruptcy just over a year ago.

96. As another example, Southern Atlantic Re loaned \$6 million to a company called Brickell PC Insurance Holdings LLC (“Brickell PC”). This loan originally had a maturity date of May 2024.

97. As of December 31, 2025, Southern Atlantic Re’s balance of the Brickell PC loan has increased to \$34.5 million, and the maturity date was extended into 2026. There is no indication the borrower is paying interest on the loan.

98. Upon information and belief, the Brickell PC loan is collateralized by shares of Randall & Quilter Investment Holdings Ltd., a company that filed for provisional liquidation in Bermuda following a period of financial distress, and which has since sold its profitable division to a third party.

99. Brickell PC itself is subject to a \$26 million judgment entered against it and several other companies in New York.

100. In addition to Respondents having investments in a number of distressed companies, many of the investments themselves are nonperforming—meaning, not making cash principal or interest payments—or defaulted.

101. For example, as of December 31, 2024, Respondents had approximately \$25 million invested in three tranches of loans to an investment vehicle referred to as AAV 2023-1 (“AAV”).

102. During 2025, Respondents increased their investment in the AAV loans, so the total held as of December 31, 2025, was approximately \$46 million—a 44% increase. The balance includes capitalized interest, as it does not appear that any interest has been paid in cash. The maturity date for a significant portion of the debt was extended from August of 2025 to May of 2026 and then again to August 2026, and upon information and belief, portions of the loans have been further extended into 2027.

103. Moreover, most of the assets underlying the AAV loans (1) are entities to which Respondents have additional economic exposure and (2) are not paying cash interest to AAV as their lender.

104. As another example of a nonperforming investment, Atlantic Coast Life has three tranches of loans due from an entity referred to as “Claughton Island.” Claughton Island is a special purpose vehicle that holds investments in an insurance holding company.

105. As of December 31, 2024, Atlantic Coast Life’s investment in Claughton Island was a debt of approximately \$33 million in principal (with additional accrued interest) and a maturity date in mid-2025.

106. By December 31, 2025, the balance on these loans increased to close to \$50 million, and the maturity dates have been extended into 2026. It appears that the loans are not paying cash interest, but rather Atlantic Coast Life is capitalizing the interest into the growing balance of the investment.

107. Advantage Capital Management operates several private funds, including Saratoga 2021 LLC (“Saratoga”). These private funds serve as special purpose vehicles to hold portfolios of underlying investments.

108. On December 31, 2021, Atlantic Coast Life participated (with other lenders) in a loan to Saratoga.

109. One of the underlying assets of Saratoga is a \$30 million investment in 777 Partners. In 2024, Saratoga’s audited financial statements identified impairment of the 777 Partners investment by almost 50%, presumably for the reasons discussed below.

110. However, Atlantic Coast Life did not report impairment on its investment in Saratoga.

111. Offsetting the impairment of the 777 Partners investment, Saratoga reported in its financial statements an increase in the fair value, but not the cost basis, of another asset in the same fund—a subordinated loan to Claughton Island. In other words, Saratoga reported an unrealized capital gain in its Claughton Island investment.

112. However, as discussed above in paragraphs 104 to 106, the Claughton Island loan also appears to be nonperforming.

113. Respondents’ reporting of other direct investments in Claughton Island does not demonstrate a similar enhancement of those investments’ fair value above cost basis—in other words, Respondents do not show an unrealized capital gain on the Claughton Island investments in other reporting.

114. Thus, it appears that Advantage Capital Management’s fund offset its markdown of the investment in 777 Partners with a markup of the investment in Claughton Island—a markup that is not reflected in other financial reporting and despite Claughton Island not paying cash on other investments.

115. Despite the reported impairment of Saratoga's underlying investment in 777 Partners, Atlantic Coast Life added an additional \$2 million to its investment in Saratoga during 2025.

116. In sum, Advantage Capital Management and Respondents' management have failed to ensure that Respondents' funds that they received from policyholders are invested appropriately and in accordance with their investment guidelines and that they are in fact used for purposes consistent with these guidelines.

117. Instead, Advantage Capital Management and Respondents' management have caused Respondents to enter into inappropriate investments that expose Respondents and their policyholders to an improper level of risk or to non-market investment terms.

118. Advantage Capital Management and Respondents' management also have caused Respondents to agree to inappropriate amendments, extensions of maturity, capitalizations of interest rather than receipt of cash payments, and restructuring of these distressed investments, including subordinating their interests to other lenders and accepting other unfavorable terms. All of these actions have caused Respondents further financial harm.

119. Upon information and belief, despite the default and non-performance of many of Respondents' investments, their management has allowed their investment advisers to continue paying themselves compensation that should be tied to the success of these investments.

120. In fact, upon information and belief, Respondents' management has caused Respondents to pay their investment advisers fees to which the investment advisers are not entitled under their Investment Management Agreements.

121. As a result of the improper management of Respondents' investments, a substantial share of Respondents' assets appear to be placed in investments whose value may be insufficient to

meet Respondents' policyholder and other obligations, and which may be difficult to turn into cash in time to satisfy these obligations.

122. Although Respondents' management has asserted that it is making efforts to rectify Respondents' investment exposure and allocations, those efforts have not resulted in reduced exposure to high-risk, private credit investments. Instead, Respondents' management has allowed Respondents to remain in investments that are not making timely (or any) cash principal and interest payments and has agreed to extend the maturity dates of non-performing or defaulted loans.

123. In fact, the proportion of Respondents' investment portfolio that is invested in collateral loans and below-investment grade private credit *increased* during 2025 and continued to increase in 2026.

Respondents' Risk-Based Capital Levels

124. One way that the Department oversees whether insurers like Respondents have appropriate investments for their operations is by monitoring their risk-based capital ("RBC") levels.

125. NAIC created a process for state insurance departments to monitor RBC levels following a wave of insurance insolvencies in the 1980s.

126. An insurer's RBC ratio is calculated based on a formula that NAIC developed. It determines the minimum level of capitalization an insurer needs to ensure its financial security given the risks inherent in its insurance operations and investments. Based on this, the formula sets an "authorized control level RBC amount." The inputs to the formula for calculating an insurer's RBC ratio and authorized control level are based largely on information in the insurer's annual statement that it files with the Department and NAIC.

127. An insurer's RBC ratio is expressed as a percentage that relates an insurer's total surplus (adjusted for certain factors) to its risk-based capital amount. A higher percentage indicates

a higher level of capitalization relative to the riskiness of the insurer's operations. In other words, a higher percentage means that an insurer has more capital to protect against the risks of its individual business model.

128. So that the Department can monitor insurers' RBC ratio, South Carolina law requires domestic insurers to submit an annual report calculating their RBC ratio according to the NAIC formula. *See* S.C. Code Ann. § 38-9-320.

129. Under South Carolina law, the Department is either authorized or required to take certain actions for the protection of the public and the insurer's policyholders when an insurer's RBC ratio drops below certain levels. *See* S.C. Code Ann. §§ 38-9-330 to -360.

130. If an insurer's RBC ratio drops below 200% of its authorized control level RBC, it is considered a "Company Action Level Event," which requires the insurer to, among other things, explain to the Department why its RBC ratio dropped to that level, submit a plan to fix it, and to explain its business issues. *See* S.C. Code Ann. § 38-9-330. If the plan is inadequate, the situation may become a Regulatory Action Level Event as described below.

131. A Company Action Level Event also occurs when an insurer's RBC ratio is above 200% but below 300% with a negative trend. *See id.*

132. If an insurer's RBC ratio drops below 150%, it is considered a "Regulatory Action Level Event," which requires the Director to take certain actions, including ordering the insurer to submit a plan to fix the RBC ratio within 45 days and issuing an order detailing the corrective actions to be taken. *See* S.C. Code Ann. § 38-9-340.

133. If an insurer falls below its authorized control level RBC (in other words, if the RBC ratio is under 100%), the Director may, if he considers it to be in the best interests of the policyholders

and creditors of the insurer and the public, place the insurer under regulatory control. *See* S.C. Code Ann. § 38-9-350.

134. In other words, for regulatory purposes, the RBC ratio also tells insurers how much capital they must maintain to avoid their regulator's intervention. The different interventions start occurring as a matter of law when an insurer's RBC ratio is below 200% or below 300% with a negative trend.

135. At an RBC ratio below 100%, the Department is authorized to take control of the insurer, if appropriate. If an insurer falls below 70% of the authorized control level RBC, the Director must place the insurer under regulatory control. *See* S.C. Code Ann. § 38-9-360.

136. In addition to these statutory rules, insurers may agree with the Department to maintain a certain RBC ratio as a condition of licensure.

137. In a May 21, 2015, letter authorizing Atlantic Coast Life's acquisition, the Department required (among other things) that Atlantic Coast Life's RBC ratio must be maintained at 500% or greater.

138. Likewise, in its February 6, 2020, letter authorizing Southern Atlantic Re to conduct business, the Department required (among other things) that Southern Atlantic Re maintain an RBC ratio of 500% or more. It also reiterated that Atlantic Coast Life remains subject to the same requirement.

139. In its financial statements for 2024, Atlantic Coast Life disclosed that its RBC ratio as of December 31, 2024, was 278%, substantially below the required 500%.

140. On or about June 11, 2025, Respondents submitted a plan to the Department to improve Atlantic Coast Life's RBC ratio to "approximately 550%."

141. However, as discussed below, Atlantic Coast Life has not achieved this improvement in its RBC ratio.

Respondents' Use of Reinsurance

142. One of the ways that Respondents have attempted to maintain RBC ratios of 500% or higher is through their use of reinsurance.

143. Under A-CAP's management, Atlantic Coast Life has entered into a number of contracts, often called "reinsurance treaties," to reinsure a substantial share of its policies to help manage its RBC ratio. Some of those reinsurance treaties were with Respondent Southern Atlantic Re.

144. Reinsurance treaties can take many forms. At their most basic, with respect to the reinsurance of annuities, the primary insurer transfers, or "cedes," all or some portion of its policyholder obligations to a reinsurer, which "assumes" those policies. The reinsurer typically accepts the policyholder obligations along with the primary insurer's assets (the policyholder's premium payments or the investments that were purchased with the premium cash) that back up the obligations.

145. In some reinsurance transactions, the assuming reinsurer will pay the ceding insurer a "ceding commission" as part of the agreement. Through this commission, the reinsurer pays the ceding insurer for some or all of its overhead costs associated with underwriting, marketing, issuing and administering the policies.

146. Over the years, both Respondents have entered into numerous reinsurance treaties and amendments to these treaties with various reinsurers, some of which are affiliated with the A-CAP group of companies and some of which are not.

147. The use of reinsurance can significantly affect an insurer's RBC ratio.

148. Pursuant to South Carolina law, the ceding insurer can be entitled to credit for its reinsured policies under certain circumstances. The credit is taken for purposes of reporting the ceding insurer's financial condition, typically by recording the transfer of the reinsured policyholder reserves and related assets from the insurer's balance sheet to the reinsurer's balance sheet.

149. This reduction of assets and liabilities reduces the RBC "risk charges" and, accordingly, the amount of capital the insurer is required to maintain to be at a certain RBC ratio. *See* S.C. Code § 38-9-200.

150. However, the statute also includes numerous qualifications and requirements for the reinsurer in order for the ceding insurer to receive reinsurance credit. *See id.*

151. Reinsurance treaties also commonly contain guidelines about how the ceded portfolio of assets should be invested and managed.

152. As of December 31, 2025, Southern Atlantic Re had assumed \$2,369,453,079 of policyholder reserves for policies issued by Atlantic Coast Life. Southern Atlantic Re also received Atlantic Coast Life's investments supporting those policyholder obligations.

153. Southern Atlantic Re in turn ceded these Atlantic Coast Life-originated policies and investments to other reinsurers outside of the A-CAP organizational structure.

154. For instance, effective August 31, 2020, Southern Atlantic Re entered into an agreement to cede certain policies assumed from Atlantic Coast Life to a Bermudan-domiciled reinsurer known as 777 Re Ltd. Over time, Southern Atlantic Re reinsured over a half billion dollars' worth of business with 777 Re Ltd.

155. 777 Re Ltd. was part of a family of companies operating under the "777" trade name.

156. Over time, the Department has had increasing concerns about Respondents' relationship with the 777 family of companies as the mismanagement, financial distress, and even alleged criminal conduct within these companies has come to light.

157. On or about February 16, 2024, credit rating agency A.M. Best downgraded 777 Re Ltd.'s financial strength rating from B to C-, describing its balance sheet as "very weak."

158. A financial strength rating represents that credit rating agency's opinion about the insurer's ability to pay its obligations in the future.

159. A financial strength rating downgrade is a matter of serious concern for regulators. If a life insurer receives a credit downgrade, it signals an increased likelihood that it may be unable to pay its policyholders when they expect to be paid, which may cause an increase in surrendered or lapsed policies and/or a loss of future policyholder premiums. These can reduce liquidity at a time when increased liquidity is crucial to meet the current demands. It can also cause a "run on the bank" if enough worried policyholders seek immediate payment of what they are able to recoup. An insurance company, like a bank facing high withdrawal demands from depositors, may be unable to immediately liquidate enough assets to satisfy a sudden surge in unexpected demand for redemptions.

160. A financial strength rating downgrade also has implications for how an insurer and its investments are analyzed under applicable laws and regulations.

161. In the case of a reinsurer like 777 Re Ltd., a financial strength rating downgrade signals an increased likelihood that the reinsurer may be unable to fulfill its contractual obligations as the assuming party to the reinsurance treaties that it entered.

162. On or about February 23, 2024, A.M. Best issued a credit report affirming Atlantic Coast Life's financial strength rating of B++ (Good) but downgrading its long-term issuer credit rating from "bbb+" to "bbb", stating that the "ratings of the members of A-CAP Group have been

placed under review with negative implications based on A-CAP's risk-management capabilities failing to identify counterparty risk and mitigating its exposure."

163. A.M. Best also noted that management of A-CAP's risks is "primarily through a heavy reliance on reinsurance counterparties, resulting in a heavy weight of reinsurance leverage and an uncertainty of the quality of assets backing the reserves."

164. Part of A-CAP's "heavy reliance on reinsurance counterparties" included its reliance on 777 Re Ltd.

165. Following the 777 Re Ltd. credit downgrade, on April 10, 2024, the Department placed Respondents under administrative supervision.

166. The 777 Re Ltd. downgrade caused particular concern for the Department because Respondents also had significant exposure to investments affiliated with the 777 Partners family of companies, as discussed below.

167. When companies or assets are affiliated or share common control or ownership, there is an increased risk that financial distress at one company or asset might negatively impact the related companies or assets. Insurance accounting guidance states, "Vulnerability from concentrations arises because an entity is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification." Statement of Statutory Account Principles 1, at ¶ 14.

168. On or about May 24, 2024, Southern Atlantic Re executed a Recapture Agreement with an effective date of January 1, 2024. Through this agreement, Southern Atlantic Re recaptured over \$600 million of business that it had reinsured with 777 Re Ltd., ending Respondents' reinsurance relationship with 777 Re Ltd.

169. However, this recapture transaction did not terminate Respondents' economic exposure to the 777 family of companies.

170. In addition to their reinsurance relationship with the 777 family of companies, Respondents also have substantial investment links to 777-affiliated companies and assets.

Investment Relationship with 777 Companies

171. 777 Partners is a Miami-based private equity investment company. 777 Partners grew out of a business of purchasing structured settlements and lottery payouts. 777 Partners would pay counterparties a discounted lump sum for the right to receive their future payment streams. It financed these purchases through borrowing money from other lenders. It then used the funds to enter into investments in assets not traditionally found in insurance company portfolios, such as airlines and sports teams, in addition to an insurance business.

172. One 777-affiliate was an investment adviser called 777 Asset Management.

173. As part of Southern Atlantic Re's reinsurance treaty with 777 Re Ltd., the parties agreed that 777 Asset Management would perform investment management services for the ceded Southern Atlantic Re policies.

174. Through 777 Asset Management and Advantage Capital Management, a substantial share of Respondents' investments were placed into 777-affiliated companies and assets.

175. For instance, in or around February 2020, Respondents provided a loan to 777 Partners with a principal amount of about \$46 million and a maturity date of under a year (the "Holdco Facility").

176. Since its origination, this Holdco Facility loan has been amended and restated over 100 times.

177. The outstanding principal balance grew to over \$700 million, with Respondents purportedly holding a portion of the loan.

178. As of April 2024, accrued and unpaid interest on the Holdco Facility had accumulated to over \$100 million.

179. In 2025, Respondents' management claimed to have converted the outstanding balance of the Holdco Facility, including capitalized interest, into a new investment to a borrower named Caboose Holdings LLC ("Caboose"), which is a subsidiary of A-CAP Holdings.

180. Because of the financial distress within the 777 family of companies, A-CAP has taken steps to foreclose on assets previously owned by 777 Partners in satisfaction of outstanding debt.

181. A result of these foreclosures is that Respondents directly hold a number of assets formerly related to now-defunct 777-related investment structures.

182. A-CAP also used Caboose to hold 777-affiliated assets that it had acquired or on which it had foreclosed.

183. Many of the 777-affiliated investments—including several of the examples described above at paragraphs 92 to 115—are nonperforming or have defaulted.

184. In their 2025 annual filings, Respondents reported the Caboose-related loans as unaffiliated investments, even though the Caboose holding company is wholly owned by A-CAP and the underlying assets are at least partially owned by A-CAP.

185. Accordingly, the Caboose-related loans should have been reported as affiliated because they are under the ultimate control of A-CAP and Mr. King.

186. It is unclear what assets, if any, have been pledged as security for the Caboose loans and whether these assets are sufficiently valuable and able to be liquidated on a timeline to meet Respondents' policyholder and other obligations.

187. On or about October 14, 2025, 777 Partners' former CFO, Damien Alfalla, pleaded guilty to a criminal information charging him with federal fraud offenses committed through 777 Partners.

188. On or about October 16, 2025, a grand jury empaneled in the Southern District of New York returned an indictment charging 777 Partners' founder and CEO, Joshua Wander, with an alleged fraud scheme implicating more than \$500 million of investor funds.

189. These criminal charges further heightened the Department's concerns about the security of Respondents' funds that were placed in 777-affiliated or 777-controlled investment vehicles.

190. On or about June 30, 2026, a grand jury empaneled in the Southern District of New York returned a superseding indictment against 777 Partners founder and CEO Joshua Wander.

191. The basic nature of the charged scheme is that 777 Partners lied about the collateral for loans it took from third parties to finance its purchases of structured settlements and other operations. Allegedly, many of the loans were not actually collateralized or were supported by future revenue streams that had been double-pledged to support more than one loan.

192. The superseding indictment also includes allegations that, in 2022, Wander and others provided altered images of bank statements to induce A-CAP, identified in the indictment as "Lender-4," to provide a \$20 million loan to 777 Partners and then to upsize that loan by an additional \$5 million.

193. Accordingly, a grand jury has found that probable cause exists to support the allegation that A-CAP is a direct victim of alleged wire fraud, in addition to having invested in other assets that are themselves embroiled in the broader alleged fraudulent scheme inside 777.

194. Personnel from A-CAP have maintained that they were not participants in any aspect of the fraud scheme but instead are pure victim-witnesses.

195. Regardless, A-CAP's close relationship to the financial turmoil and alleged criminal activity of 777 imperils the investments in 777-related assets that are necessary for paying Respondents' policyholders.

196. Despite Respondents' representations to the Department that the Caboose transactions and other steps have removed Respondents' exposure to 777, it appears that they in fact still have substantial economic exposure to problematic 777-related assets.

197. On July 16, 2026, a group of investors filed an involuntary petition in the United States Bankruptcy Court for the Southern District of Florida seeking to place 777 Partners into a Chapter 7 bankruptcy proceeding. *See In re 777 Partners LLC*, 26-19312-FDR (Bankr. S.D. Fla.).

198. On August 9, 2026, 777 Partners and a number of its affiliated companies filed voluntary petitions for bankruptcy protection under Chapter 11 of the bankruptcy code in the United States Bankruptcy Court for the Northern District of Texas. *See In re 777 Partners LLC*, 9:26-BK-90193 (Bankr. N.D. Tex.).

199. In the first-day declaration, made subject to the penalty of perjury, filed in support of these petitions, the debtors disclosed that they owe A-CAP-affiliated companies almost \$1.3 billion and that all of these loans are in default.

200. The first-day declaration states that this \$1.3 billion is owed pursuant to the Holdco Facility and includes, among other loans, the 777-600 Bridge Loan and JARM Obligations.

201. This directly contradicts A-CAP's February 20, 2026, statement to the Department that "the 'JARM Capital' and "[777-600] Bridge Loan" have been extinguished, and all legacy '777' risk removed."

202. Respondents' remaining exposure to 777 Partners and its affiliates is not limited to loans from A-CAP. For instance, with respect to Respondents' loans to AAV discussed above in paragraphs 101 to 103, approximately \$50 million of the assets underlying this investment are a preferred equity investment in 777 Partners and a related company, 600 Partners LLC.

203. In sum, it appears that Respondents still have substantial financial entanglement with the 777 companies and that these relationships have not been fully disclosed to the Department.

204. The Department has substantial concerns that the financial distress will increase and spread, further imperiling Respondents' investments.

Additional Reinsurance Issues

205. Respondents' prior reinsurance relationship with 777 Re Ltd. is not their only reinsurance-related issue.

206. First, Atlantic Coast Life has entered into various reinsurance treaties with a Puerto Rico-domiciled reinsurer called Converge Re II.

207. Beginning in 2022, Puerto Rico has amended its insurance code and regulations several times.

208. As a result of Puerto Rico's statutory and regulatory changes, reinsurers domiciled in that territory are classified as "unauthorized" insurers for purposes of calculating reinsurance credit in NAIC member states, including South Carolina.

209. Pursuant to South Carolina law, ceding insurers may take credit for ceding business to unauthorized reinsurers to the extent that the reinsurance satisfies the criteria set forth in S.C. Code Ann. § 38-9-210.

210. S.C. Code Ann. § 38-9-210 sets forth different requirements for claiming credit for ceding to an unauthorized reinsurer because such reinsurers are not subject to the more stringent oversight and regulatory pre-approvals of authorized reinsurers.

211. However, in its 2025 annual statement submitted to the Department, Atlantic Coast Life improperly attempted to claim reinsurance credit for its reinsurance relationship with Converge Re II as an *authorized* reinsurer pursuant to S.C. Code Ann. § 38-9-200.

212. The Department instructed Atlantic Coast Life to amend its annual statement to reflect Converge Re II's status as an unauthorized reinsurer.

213. Atlantic Coast Life refused to correct its annual statement.

214. Atlantic Coast Life refused to correct its annual statement even after being provided a letter from the Puerto Rican Commissioner of Insurance confirming that Converge Re II should be treated as an unauthorized reinsurer and that Atlantic Coast Life should amend its annual statement to so reflect.

215. Atlantic Coast Life indicated that it would propose a potential resolution of this issue.

216. However, it has never provided a proposal.

217. Additionally, it is not clear how any resolution would be possible absent a transformation of the assets associated with the policies being reinsured.

218. A substantial portion of the assets collateralizing the policies ceded to Converge Re II do not meet the criteria for Atlantic Coast Life to receive reinsurance credit pursuant to S.C. Code Ann. § 38-9-210 for reinsurance with an unauthorized reinsurer.

219. Second, in its most recent annual statement, Southern Atlantic Re improperly has claimed reinsurance credit for which it does not qualify under South Carolina law.

220. For instance, tens of millions of dollars of assets collateralizing reserves that Southern Atlantic Re ceded to third-party, non-affiliated, unauthorized reinsurers Aspida Life Re Ltd. (“Aspida”) and Aureum Reinsurance Company LTD (“Aureum”) have been placed into investments that do not comply with S.C. Code Ann. § 38-9-210 and do not qualify for reinsurance credit because they are mortgage loans, real estate holdings, or unrated or otherwise improper private credit placements.

221. Additionally, it appears that these reinsurance relationships may be even riskier because they are under-collateralized.

222. The under-collateralization of Southern Atlantic Re’s third party reinsurance arrangements also further imperils Atlantic Coast Life, which has ceded over \$2 billion of policyholder obligations to Southern Atlantic Re. As a result, Atlantic Coast Life is at risk of nonperformance from the counterparties in its reinsurance arrangements with both Converge Re II and Southern Atlantic Re.

223. Third, in addition to being under-collateralized, Southern Atlantic Re retains substantial economic exposure to 777-related investments.

224. Again, to the extent that these Southern Atlantic Re investments under-perform, they imperil Atlantic Coast Life’s ability to meet its obligations to its policyholders and other creditors.

225. Fourth, Atlantic Coast Life has also reinsured certain blocks of policies with another A-CAP-affiliated reinsurer, Haymarket Insurance Company (“Haymarket”), which is domiciled in Utah.

226. Under A-CAP’s control and management, Haymarket—like Respondents—has substantial entanglement with and economic exposure to current and former 777-affiliated investments and companies.

227. Accordingly, the 777 collapse, bankruptcy, and criminal prosecution also threatens further instability for Atlantic Coast Life through its reinsurance relationship with Haymarket.

GROUND FOR REHABILITATION

228. Through the exercise of its regulatory oversight over Respondents, the Department has concluded that Respondents' affiliated management, holding company, and investment adviser have not adequately protected the best interests of Respondents or their policyholders.

229. Instead, A-CAP and its principals have benefited from an investment scheme that has left Respondents in an unsound financial position.

230. A-CAP has benefited from Respondents' investments in high-risk assets by charging above-industry average expenses on an investment portfolio that is over-invested in entities owned and controlled by A-CAP and by failing to timely and properly report the impairment of the assets in the portfolio.

231. Respondents' financial exposure to current and former 777-related assets—which Respondents' management has appeared to misleadingly minimize in their communications with the Department—continues to imperil Respondents' investments.

Examination of Respondents

232. On or about August 1, 2025, the Department initiated a routine periodic full-scale examination of Respondents.

233. This examination reviews Respondents' operations and management, corporate governance, financial condition, investments, current and prospective risks, internal and system controls to mitigate risks and management's compliance with South Carolina laws, statutory accounting principles and annual statement instructions for the period of January 1, 2020 through December 31, 2024.

234. Pursuant to the NAIC Examiner's Handbook, the examination also should include events after the examination period that may be material to the insurer's operations and financial condition.

235. Although the examination is ongoing and a final examination report has not been issued yet, the examination process has resulted in the identification of multiple areas of concern as to Respondents' financial health.

236. Additionally, on or about March 3, 2026, Respondents filed with NAIC their statutorily-required annual statements for 2025. The annual statements contain substantial disclosures and representations regarding Respondents' financial positions as of the end of 2025.

237. Respondents' 2025 annual financial statements show that their position with respect to their troubled and improper assets has not improved.

238. For instance, Respondents restructured and extended the maturity of several assets to avoid default and increased the balances of investments in assets Respondents' management had represented they were attempting to reduce.

239. Based on its 2025 annual financial statement, Atlantic Coast Life reported its RBC ratio to be 239%—down from 278% the previous year, well below the 500% agreed-upon threshold required for its licensure in South Carolina, and approaching Company Action Level of 200%. Southern Atlantic Re reported its RBC ratio to be 485%, also below its licensure threshold.

240. NAIC manages an Insurance Regulatory Information System ("IRIS"), which uses information from insurers' annual financial statements to calculate certain ratios to assist regulators in determining when an insurer may be in financial peril.

241. Based on Atlantic Coast Life's 2025 annual financial statement, 7 of the 12 financial ratios fall outside the usual range.

242. By comparison, in 2024, 4 of the 12 financial ratios were outside the usual range.

243. Based on Southern Atlantic Re's 2025 annual financial statement, 4 of the 10 applicable financial ratios fall outside of the usual range.

244. These same 4 ratios were outside of the usual range in 2024.

245. As discussed further below, it appears that Respondents' stated RBC ratios and IRIS ratios as of December 31, 2025, significantly *understated* the companies' financial issues because their financial statements do not comply with South Carolina law.

246. For instance, Respondents took too large of a reserve credit by improperly reporting Converge II as an authorized reinsurer, failed to timely report investments as impaired, inaccurately reported affiliated investments as unaffiliated, and incorrectly reported certain investments as highly-rated long-term bonds instead of unrated collateral loans.

247. Additionally, Respondents still have substantial financial ties to the 777 family of companies and assets that 777 controls or controlled. The Department cannot fully assess the extent of these ties because it appears that Respondents' reporting does not fully disclose these relationships. However, it is clear that the bankruptcy of 777 Partners further imperils a substantial share of Respondents' assets.

248. On January 23, 2026, ratings agency A.M. Best further downgraded Atlantic Coast Life's financial strength rating from B++ (Good) to B (Fair) and its long-term issuer credit rating from bbb (Good) to bb+ (Fair).

249. In August 2026, Respondents submitted their financial statements for the second quarter of 2026.

250. Respondents' quarterly financial statements showed continued financial deterioration within the companies.

251. For example, Atlantic Coast Life's capital and surplus decreased from \$81,739,290 at the end of 2025 to \$47,407,190 by June 30, 2026.

252. This is a decrease of 42% in six months.

253. Accordingly, there are a number of indications that Respondents are in financial distress, that this distress is worsening, and that it will continue to do so.

254. Based on the Department's ongoing review and oversight, it is appropriate to place Respondents into rehabilitation and to institute corrective measures for the protection of insureds, claimants, creditors, and the public generally.

Financial Hazardousness

255. Respondents should be placed into rehabilitation due to their financial hazardousness.

256. Pursuant to S.C. Code Ann. § 38-27-310(1), the Director may place an insurer into rehabilitation when it "is in a condition in which the further transaction of business would be hazardous, financially, to its policyholders, creditors, and the public."

257. Chapter 27 of the insurance code does not define "financially hazardous."

258. However, Chapter 5 of that code, addressing the authority and requirements to transact in the insurance business, provides a number of standards for assessing financial hazardousness.

259. Specifically, Chapter 5 allows the Director to consider one or more of 20 enumerated standards to evaluate an insurer's financial hazardousness. S.C. Code Ann. § 38-5-120(A)(5). Any one of these standards can be sufficient to support a finding of financial hazardousness.

260. Respondents are financially hazardous for at least the following *eight* reasons identified in S.C. Code Ann. § 38-5-120(A)(5).

261. *First*, in assessing financial hazardousness the Director may consider, among other things, whether the insurer will experience in the foreseeable future cash flow or liquidity problems. *See* S.C. Code Ann. § 38-5-120(A)(5)(p).

262. It appears that the true values of Respondents' assets are substantially lower than reported and that these assets as currently constituted likely will be insufficient to satisfy Respondents' obligations to policyholders and other creditors.

263. Pursuant to S.C. Code Ann. § 38-12-80, the value of an asset held must be the value at which they are required to be reported for statutory accounting purposes as determined in accordance with procedures prescribed in published accounting and valuation standards of the NAIC.

264. Respondents' management has not appropriately reflected investments as impaired, in violation of statutory accounting principles.

265. Although Respondents purported to engage a third-party valuation specialist to conduct valuations of some (but not all) of their assets, several of these valuations were materially deficient in a number of respects.

266. If the applicable principles and standards were properly applied, the value of Respondents' assets would be substantially less than the amount of their anticipated obligations to policyholders and other creditors.

267. Accordingly, as a bare economic matter, Respondents are in a hazardous financial position due to the impaired value of their assets.

268. *Second*, in assessing financial hazardousness the Director may consider, among other things, whether affiliate transactions do not provide sufficient value, liquidity, or diversity for the insurer to meet its outstanding obligations as they mature. *See* S.C. Code Ann. § 38-5-120(A)(5)(s).

269. Respondents' financial position is hazardous based on the high concentration of investments in entities under the common control or ownership of Mr. King and A-CAP, which constitute investments in a single person and its affiliates as defined by statute.

270. A violation of these investment restrictions means that certain amounts of the assets cannot be considered admitted assets for purposes of financial evaluation of the insurer. S.C. Code Ann. § 38-12-40.

271. As described above, non-admitted assets are not allowed to be included in the determination of an insurer's surplus and when assessing compliance with risk-based capital requirements because regulators have determined them not readily available to meet policyholder obligations.

272. Before 2025, S.C. Code Ann. § 38-12-220(A) restricted to 3% of admitted assets all investments issued, assumed, accepted, insured, or guaranteed by a single person or entity.

273. In 2025, the General Assembly amended S.C. Code Ann. § 38-12-220(A) to restrict to 5% of admitted assets all investments issued, assumed, accepted, insured, or guaranteed by a single person, where a "person" refers to an individual or business entity and the *affiliates* and subsidiaries of any such individual or business entity. S.C. Code Ann. § 38-12-30.

274. For any investments above this 5% limit, the assets may be admitted as long as the excess investment does not exceed the lesser of 10% of admitted assets or 75% of the insurer's capital and surplus. *See* S.C. Code Ann. § 38-12-320. Additionally, the excess investment in a single person cannot exceed 3% of admitted assets. *Id.*

275. The affiliation of assets is a concern for regulators because over-concentration of investments in a company or network of related companies increases risk for the insurer. If one

company or investment becomes distressed, there is a greater risk of spillover to the related companies or cascading defaults of investments.

276. Respondents have foreclosed on collateral related to certain investments due to the financial collapse of the 777 family of companies. Some of these assets, for instance, are held by Caboose, which is in turn owned by A-CAP.

277. As a result, to the extent that they were not before, these assets are now investments in a single person and its affiliates—namely, affiliates of Mr. King and A-CAP. This also makes them affiliates of Respondents.

278. In their 2025 annual financial statements, Respondents disclosed these and other investments in entities as being under the common control or ownership of Mr. King and A-CAP.

279. However, Respondents improperly reported certain of these investments as unaffiliated.

280. Those investments in entities under the common control or ownership of Mr. King and A-CAP accumulated to more than \$400 million for Atlantic Coast Life and more than \$350 million for Southern Atlantic Re by the end of 2025.

281. Respondents' investments in a single person and its affiliates greatly exceed the current statutory limits. However, because Respondents entered into certain of these investments before the statutory amendment clarifying the limit in investments into a single person and its subsidiaries and affiliates, certain amounts of these investments held prior to the amendment could be admitted for purposes of calculating their capital and surplus as well as their RBC ratio.

282. Nonetheless, even considering only the investments acquired and the increases to existing investments after the amendment of the statute, Atlantic Coast Life's investments in a single person and its affiliates exceed the statutory limit by *more than \$150 million*.

283. Properly reporting the investments as affiliated would have further signaled that they should be reviewed in relation to statutory limits and with regard to concentration risk.

284. If these excess investments in a single person and its affiliates were properly non-admitted under South Carolina law, Atlantic Coast Life would report a negative surplus. In other words, Atlantic Coast Life's liabilities would exceed its properly-admitted assets.

285. Moreover, this analysis of related investments relies on Respondents properly disclosing that certain investments are under common control or ownership and also relies on their classification of those assets as they disclosed them in their annual financial statements. Accordingly, the foregoing may in fact understate the amount of investments in a single person and its affiliates that should be non-admitted under the law.

286. **Third**, in assessing financial hazardousness the Director may consider, among other things, the NAIC IRIS reports. *See* S.C. Code Ann. § 38-5-120(A)(5)(b).

287. As stated above, based on their 2025 annual financial statements, Atlantic Coast Life is outside of the normal range in 7 of the 12 IRIS ratios. Southern Atlantic Re is outside the normal range in 4 of the 12 IRIS ratios.

288. The number of ratios outside of the usual range has increased over the prior year for Atlantic Coast Life and has held steady for Southern Atlantic Re.

289. **Fourth**, in assessing financial hazardousness the Director may consider, among other things, whether the insurer's net operating loss in the preceding 12-month period or less is greater than twenty percent of the remaining surplus of the insurer regarding policyholders in excess of the minimum required. *See* S.C. Code Ann. § 38-5-120(A)(5)(f).

290. As reported in its annual financial statement, Atlantic Coast Life's 2025 net operating loss was greater than 20% of the remaining December 31, 2025 surplus to policyholders in excess of the minimum required.

291. To avoid exceeding the 20% threshold, Atlantic Coast Life could post a 2025 net operating loss of no more than \$16,047,859. However, it reported a net operating loss (before capital gains and losses) of \$25,216,775, exceeding the threshold by \$9,168,916.

292. Moreover, based on Atlantic Coast Life's financial reporting for the second quarter in 2026, it is continuing to run operating losses larger than 20% of remaining surplus.

293. For the most recent reporting period, Atlantic Coast Life could post a net operating loss of no more than \$9,181,438 to avoid exceeding the 20% threshold. However, it reported a year-to-date net operating loss (before capital gains and losses) of \$14,823,275.

294. In other words, it exceeded the threshold net operating loss by \$5,641,837.

295. *Fifth*, in assessing financial hazardousness the Director may consider, among other things, whether the insurer has made adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the insurer's obligations in light of investment earnings and anticipated consideration. *See* S.C. Code Ann. § 38-5-120)(A)(5)(c).

296. In addition to the inadequate value and overconcentration of Respondents' assets as well as the inadequate capitalization of the companies relative to their risk levels, Respondents' assets also have been placed into improper investments given the nature of Respondents' policyholder and other obligations.

297. For instance, Respondents' participation in the Holdco Facility loan to 777 Partners, which has been expanded and extended dozens of times without significant cash repayment, is not an appropriate investment for Respondents.

298. Respondents' other investments in (including loans to) distressed or defaulting companies likewise are improper.

299. The terms of these investments also expose Respondents to inordinate risk and fail to adequately compensate them for such risk.

300. In addition, it does not appear that the investments are structured to be easily converted to cash in time to pay out the policyholders who will expect payments.

301. Most of the annuity reserves retained by Atlantic Coast Life are for their multi-year guarantee annuity product. These annuities guarantee a certain rate of interest for a term of 3 to 20 years. This term also coincides with the surrender charge period described in paragraph 53.

302. In addition to a surrender charge applying to the contract during the surrender charge period, an adjustment to the value available to the policyholder, called a "market value adjustment," is also applied for most of these multi-year guarantee annuity contracts. The market value adjustment is a mechanism used to discourage policyholders from surrendering their contract, meaning cashing out early, when interest rates are higher than the rate guaranteed in their contract. It achieves this by further reducing the value available to the policyholder during the surrender charge period. Conversely, if interest rates have *dropped* compared to the interest rate guaranteed in their contract, it *increases* the value available to the policyholder during the surrender charge period.

303. Currently, the majority of the market value adjustments applicable to these annuities serve to reduce the surrender value available, because interest rates are higher than the guaranteed rate of the annuities.

304. However, at the end of the surrender charge period, the policyholder has a 30-day window to access his or her full investment without a surrender charge and without the market value adjustment. As a result, a high level of surrenders can be expected during this 30-day window.

305. According to Atlantic Coast Life records, the total fund value of all annuities reaching the end of their surrender charge periods, by year, is:

- a. In 2026, \$900 million gross, and nearly \$400 million net of reinsurance;
- b. In 2027, \$900 million gross, and nearly \$300 million net of reinsurance; and
- c. In 2028, \$800 million gross, and \$150 million net of reinsurance.

306. According to company records, the total amount of annuity product value that policyholders surrendered, or cashed out, in the first half of 2026 was \$463 million gross and \$165 million net of reinsurance.

307. Respondents' investments should be structured so that sufficient amounts can be turned into cash near the end of the annuities' surrender charge periods to match the large volume of expected surrenders.

308. If the assets purchased to support these annuities default, are extended, or otherwise do not perform sufficiently, the companies will experience liquidity problems because they will not have the cash to timely pay their policyholders. As discussed above in paragraphs 93 to 118, Respondents' assets have a demonstrated history of under- or non-performance.

309. Accordingly, it appears that Respondents have not made adequate provision for the anticipated cash flows that their upcoming obligations will require.

310. *Sixth*, in assessing financial hazardousness the Director may also consider, among other things, "whether the ability of an assuming reinsurer to perform and the reinsurance program of the insurer provides sufficient protection for the remaining surplus of the insurer after taking into account the cash flow of the insurer, the classes of business written, and the financial condition of the assuming reinsurer." S.C. Code Ann. § 38-5-120(A)(5)(d).

311. There is substantial uncertainty regarding whether several of Atlantic Coast Life's reinsurance counterparties provide sufficient protection for Atlantic Coast Life's surplus.

312. Certain assets collateralizing the policies ceded to Converge Re II do not meet the criteria for Atlantic Coast Life to receive reinsurance credit pursuant to S.C. Code Ann. § 38-9-210. Atlantic Coast Life claimed reserve credit of approximately \$180 million in excess of the acceptable assets.

313. Likewise, certain assets collateralizing the policies ceded to Aureum do not meet the criteria for Southern Atlantic Re to receive reinsurance credit pursuant to S.C. Code Ann. § 38-9-210. Southern Atlantic Re claimed reserve credit of approximately \$245 million in excess of the acceptable assets.

314. An adjustment to reduce the under-collateralized reinsurance reserve credit would result in Respondents reporting negative surplus.

315. *Seventh*, in assessing financial hazardousness the Director may also consider, among other things, "whether a reinsurer, obligor, or any entity within the insurance holding company system of the insurer is insolvent, threatened with insolvency, or delinquent in payment of its monetary or other obligations, and which in the opinion of the director or his designee may affect the solvency of the insurer." S.C. Code Ann. § 38-5-120(A)(5)(g).

316. The impairment of investments at Southern Atlantic Re further increases Atlantic Coast Life's financial peril because it reduces Southern Atlantic Re's surplus, which in turn reduces the value of Atlantic Coast Life's investment in the common stock of Southern Atlantic Re.

317. That effect is compounded to the extent the impairment of Southern Atlantic Re's assets affects its ability to perform as a reinsurer to Atlantic Coast Life.

318. *Eighth*, in assessing financial hazardousness the Director may also consider “any other findings that he determines to be hazardous to the insurer’s policyholders, creditors, or the general public.” S.C. Code Ann. § 38-5-120(A)(5)(t).

319. When properly calculated, Respondents’ RBC ratios warrant regulatory action.

320. As discussed above, pursuant to S.C. Code Ann. § 38-9-360(B), when an insurer files a report showing that it is at or below 70% of its authorized control level RBC ratio, there is a “Mandatory Control Level Event” and the Director is required to place the insurer under regulatory control. *See also* S.C. Code Ann. § 38-9-310. In other words, when RBC levels fall low enough, South Carolina law makes regulatory control mandatory.

321. Here, a Mandatory Control Level Event has not been shown as triggered on the face of the filings only because Respondents have filed materially incorrect financial statements and RBC reports.

322. However, even based on Respondents’ own reporting, Atlantic Coast Life’s RBC ratio as of December 31, 2025, was reported to be 239%.

323. Based on Atlantic Coast Life’s financial reporting for the second quarter of 2026, its estimated RBC ratio has dropped even lower, to below 185%.

324. Accordingly, despite submitting a plan to the Department in June 2025 of how it would restore its RBC ratio to the 500% required for its licensure, Atlantic Coast Life’s RBC ratio is deteriorating rather than improving.

325. Moreover, when properly adjusted in compliance with South Carolina law, Respondents’ RBC ratios would further decrease by a substantial amount.

326. Respondents’ RBC ratios would be affected by: (1) non-admitting the excess investment in a single person and its affiliates for the assets affiliated with Mr. King and A-CAP; (2)

reducing reinsurance credits from the relationships with Converge Re II and Aureum based on being unauthorized reinsurers with improper assets; and (3) correcting the classification of several assets from highly-rated long-term bonds to unrated collateral loans.

327. The effect of non-admitting the excess investment in a single person and its affiliates for the assets affiliated with Mr. King and A-CAP is a reduction to total adjusted capital, the numerator of the RBC ratio, for Atlantic Coast Life. As of December 31, 2025, this reduction was over \$150 million. This causes Atlantic Coast Life's December 31, 2025, RBC ratio to be *negative*—below 0—as its total adjusted capital would fall to negative \$41 million. The RBC ratio falls below negative 85%.

328. Separately, the effect of reflecting Converge Re II's status as an unauthorized reinsurer and reducing reinsurance credit from Atlantic Coast Life's relationship with Converge Re II is a reduction to total adjusted capital of approximately \$180 million as of December 31, 2025, falling to negative \$68 million. This causes Atlantic Coast Life's December 31, 2025, RBC ratio to be below negative 145%.

329. The effect of reducing reinsurance credit from Southern Atlantic Re's relationship with Aureum is a reduction to total adjusted capital of \$245 million as of December 31, 2025, causing Southern Atlantic Re's total adjusted capital to fall to negative \$162 million and their RBC ratio to be below negative 685%.

330. The effect of correcting the classification of several assets from highly-rated long-term bonds to unrated collateral loans is an increase in the authorized control level RBC amount. In other words, a higher level of capital is necessary when holding unrated collateral loans compared to holding highly-rated long-term bonds to account for the additional risk inherent in the assets.

331. Compared to the reported RBC ratio for Atlantic Coast Life as of December 31, 2025 of 239%, the adjusted RBC ratio when only correcting this item would be 225%. This would have triggered a Company Action Level event due to failing the trend test. Compared to the reported RBC ratio for Southern Atlantic Re as of December 31, 2025 of 485%, the adjusted RBC ratio when correcting only this item would be 398%.

332. Moreover, even this corrected calculation of Respondents' RBC ratios overstates Respondents' actual financial health. This is because that calculation accepts Respondents' valuations of their investments as stated, even though (as discussed above) it is apparent that a number of these investments should be written down.

333. An adjustment to properly impair certain investments would result in a further decrease to Respondents' reported RBC ratios.

334. Consequently, Respondents' extremely low RBC ratios reflect—and likely understate—the actual economic peril of the companies and, by extension, their policyholders.

335. The Director finds that the combination of all of the facts and circumstances set forth in this Petition, as well as those to be established through the evidence that Petitioner will submit to the Court, show that Respondents' financial position at this time is hazardous for purposes of S.C. Code Ann. § 38-27-310.

336. In the Director's judgment, the protection of Respondents' policyholders, creditors, and the general public is best achieved through the rehabilitation process.

PRAYER FOR RELIEF

WHEREFORE, the Petitioner prays the Court for an Order:

1. Providing that sufficient grounds exist under S.C. Code Ann. § 38-27-310, *et seq.*, to place Respondents into receivership for purposes of rehabilitation;

2. Appointing Petitioner and his successors in office as Rehabilitator of the Respondents pursuant to S.C. Code Ann. §§ 38-27-310 and 38-27-320;

3. Granting to Petitioner, his successors, and his designee all the powers and responsibilities set forth under S.C. Code Ann. § 38-27-330 to assist Petitioner or his designee as Rehabilitator;

4. Requiring the cooperation of any officer, manager, director, trustee, owner, employee, or agent of any insurer or any other person with authority over or in charge of any segment of the insurer's affairs, as cooperation is defined in S.C. Code Ann. § 38-27-80, and prohibiting any person from obstructing or interfering with Petitioner or his designee in the conduct of this proceeding;

5. Authorizing and directing Rehabilitator to take immediate possession of all of Respondents' assets and administer them under the general supervision of this Court in accordance with S.C. Code Ann. § 38-27-320. Such assets shall include, without limitation, all property, stocks, bonds, securities, bank accounts, savings accounts, monies, accounts receivable, books, papers, records, databases, printouts, computations, stored in any electronic or other means, as well as all other assets of any kind belonging to Respondents, wherever located;

6. Vesting title to all assets of the Respondents in the Rehabilitator by operation of law and providing that the filing or recording of the Order with the Clerk of Court or Register of Deeds of the county in which the Respondents' principal office or place of business is located shall impart the same notice as a deed, bill of sale, or other evidence of title duly filed or recorded with that Register of Deeds would have imparted;

7. Granting Petitioner, pursuant to S.C. Code Ann. § 38-27-330, the power to appoint a Special Deputy or Special Deputies, who shall have all the powers and responsibilities of the

Rehabilitator set forth under that Code section. A Special Deputy may be a State employee or a third-party employed at the prevailing customary rates for such counsel, clerks, or professionals. A Special Deputy may obtain such bonds, errors and omissions type insurance, or excess liability insurance as a reasonably prudent person charged with their duties would deem appropriate. The compensation of the Special Deputy and all such expenses of taking possession of Respondents and conducting these proceedings shall be paid out of the funds of Respondents pursuant to S.C. Code Ann. § 38-27-330;

8. Granting Rehabilitator the power to take any action he considers necessary or appropriate to reform and revitalize the Respondents, including without limitation all the powers of the directors, officers, and managers of Respondents whose authority is suspended and the full power to direct and manage, to hire and discharge employees subject to any contract rights they may have, and to deal with the property and business of Respondents in accordance with S.C. Code Ann. § 38-27-330;

9. Authorizing Rehabilitator to incur such expenses for himself, his agents, or attorneys as may be necessary for the proper administration and performance of his duties as Rehabilitator and providing that all expenses shall be paid out of the funds of Respondents;

10. Providing that the Rehabilitator shall file an accounting with the Court at intervals to be specified by the Court but at no less than six-month intervals, with the first such accounting to be due no less than six months from the date of entry of this Order, in accordance with S.C. Code Ann. § 38-27-320(b);

11. Imposing, pursuant to S.C. Code Ann. §§ 38-27-70 and -340, an automatic stay applicable to all persons and proceedings, other than the Rehabilitator, which shall be permanent and survive the entry of the Order and which prohibits, *inter alia*:

- a. the transaction of further business or the transfer of property;

b. interference with the Rehabilitator or with a proceeding under Chapter 27 of Title 38 of the South Carolina Code;

c. waste of Respondent's assets;

d. dissipation and transfer of bank or other financial accounts;

e. the institution or further prosecution of any actions or proceedings;

f. the obtaining of preferences, judgments, attachments, garnishments, or liens against Respondents, their assets, or their policyholders;

g. the levying of execution against Respondents, their assets, or their policyholders;

h. the making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of Respondents;

i. the withholding from the Rehabilitator of any books, accounts, documents, or other records relating to the business of Respondents; or

j. any other threatened or contemplated action that might lessen the value of Respondents' assets or prejudice the rights of policyholders, creditors, or shareholders, or the administration of any proceeding under Chapter 27 of Title 38 of the South Carolina Code;

12. Providing that, pursuant to S.C. Code Ann. § 38-27-330, Rehabilitator may pursue all appropriate legal remedies on behalf of the Respondents if it appears to the Rehabilitator that there has been criminal or tortious conduct or breach of any contractual or fiduciary obligation detrimental to the Respondents by any officer, manager, agent, broker, employee, or other person;

13. Providing that Rehabilitator has the right to recover on behalf of the Respondents (i) from any parent corporation or holding company or person or affiliate who otherwise controlled the Respondents, the amount of distributions (other than distributions of shares of the same class of stock) paid by the Respondents on its capital stock, or (ii) any payment in the form of a bonus,

termination settlement, or extraordinary lump sum salary adjustment made by the Respondents or their subsidiaries to a director, officer, or employee, where the distribution or payment pursuant to (i) or (ii) is made at any time during the one year preceding this Petition, subject to the limitations of subsections (b), (c), and (d) of S.C. Code Ann. § 38-21-360;

14. Providing that, upon petition by the Petitioner or his designee stating that further efforts to rehabilitate Respondents would substantially increase the risk of loss to creditors, policyholders, or the public or would be futile, this Court will consider entry of an Order of Liquidation of Respondents in accordance with S.C. Code Ann. § 38-27-350(a), and that such petition shall have the same effect as a petition filed under S.C. Code Ann. § 38-27-360;

15. Providing that the rehabilitation may be otherwise terminated as provided in S.C. Code Ann. § 38-27-350;

16. Providing that parties and intervenors in this rehabilitation and in any subsequent termination or liquidation proceedings are limited to those granted standing pursuant to South Carolina law, as set forth in S.C. Code Ann. §§ 38-27-60 and -350;

17. Providing that no suit, action, proceeding, or claim at law or in equity or any kind shall be brought, maintained, or further prosecuted or presented on behalf of or in the name of Respondents without proper authorization from the Rehabilitator;

18. Providing that this Court shall retain jurisdiction of this case for the purpose of granting such other and further relief as from time to time may be necessary and appropriate under the circumstances; and

19. Providing such other and further relief as the Court may deem appropriate under the circumstances.

WILLIAMS MULLEN

s/ John G. Tamasitis

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***Counsel for Petitioner South Carolina Department
of Insurance, by and through its Director***

Columbia, South Carolina
September 15, 2026



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
Commissioner



IN THE MATTER OF:
ATLANTIC COAST LIFE INSURANCE COMPANY

CASE NO.: 88111-06

CONSENT ORDER

THIS CAUSE came on for consideration upon the filing with the FLORIDA OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") by ATLANTIC COAST LIFE INSURANCE COMPANY (hereinafter referred to as "APPLICANT") of an application for a Certificate of Authority to do business as an authorized foreign insurer, pursuant to Sections 624.401, 624.404, and 624.413, Florida Statutes, to write and reinsure the following lines of insurance in Florida: Life (400), Credit Life (440), and Accident & Health (450). The OFFICE, having reviewed said application and being otherwise fully advised in the premises, finds as follows:

1. The OFFICE has jurisdiction over the subject matter and parties to this proceeding.
2. APPLICANT has, subject to the satisfaction of the terms and conditions established herein, met all of the requirements of the Florida Insurance Code for the granting of a Certificate of Authority as a foreign insurer authorized to transact business in Florida.

EXHIBIT 2

3. The majority of the outstanding common stock of APPLICANT is owned primarily by the Scarborough family with the largest individual interests of common stock held by Elizabeth M. Scarborough (18.1%) and Robert B. Scarborough (17.7%).

4. APPLICANT has made material representations that none of its stockholders holding a 10% or greater ownership interest, and none of its proposed officers or directors or certain other persons as identified by the OFFICE have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a minor traffic violation, without regard to whether a judgment or conviction was entered by the Court. If other sources, subsequently utilized by the OFFICE, in its investigation process, reveal that information provided to the OFFICE regarding the material representations stipulated in this paragraph as made by any officer or director of the APPLICANT are inaccurate regarding said individual, the individual involved shall, within thirty (30) days after receipt of notification from the OFFICE to do so, be removed and replaced with a person acceptable to the OFFICE.

5. APPLICANT has further represented that it has submitted complete information on each of the principals and that if material information has not been provided, any such individual shall be removed within thirty (30) days of receipt of notification from the OFFICE.

6. If, upon receipt of such notification from the OFFICE, pursuant to paragraphs four (4) and five (5) above, the APPLICANT does not timely take the required corrective action, APPLICANT agrees that such failure to act would constitute an immediate danger to the public and the OFFICE immediately may suspend or revoke the Certificate of Authority of APPLICANT without further proceedings pursuant to Sections 120.569(2)(a) and 120.60(6), Florida Statutes.

7. APPLICANT affirms that all information, documents, submissions, representations, and explanations provided to the OFFICE in connection with APPLICANT'S application for a

Certificate of Authority, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings regarding the operation of APPLICANT, and acknowledges that such representations are material to the issuance of this Consent Order.

8. Further, notwithstanding the provisions of Section 625.340, Florida Statutes, APPLICANT understands and agrees that it shall be subject to the requirements of Parts I and II of Chapter 625, Florida Statutes, in the same manner as Florida domestic insurers, and that non-qualifying assets and/or investments in excess of the limitations set forth in Parts I and II of Chapter 625, Florida Statutes, shall be non-admitted by the OFFICE and APPLICANT'S surplus as to policyholders adjusted accordingly.

9. APPLICANT shall maintain in full compliance with Section 626.9541(1)(s), Florida Statutes, Section 626.9541(1)(t), Florida Statutes and Florida Rule 690-148.001, Florida Administrative Code.

10. The anti-fraud plan submitted by APPLICANT complies with the currently-existing requirements pursuant to Section 626.9891, Florida Statutes. APPLICANT agrees that it shall comply with the new anti-fraud plan requirements, pursuant to Rule 69D-2, within the time frame of Section 626.9891, Florida Statutes.

11. APPLICANT must comply with its Plan of Operation as submitted originally with its application for a Florida Certificate of Authority.

12. Executive Order 13224, which was signed by President George W. Bush on September 23, 2001, blocks the assets of terrorist and terrorist support organizations identified by the Office of Foreign Assets Control of the Treasury Department. The Executive Order also prohibits any transactions by U.S. persons involving the blocked assets and interests. The list of

identified terrorists and terrorist support organizations is periodically updated at the Treasury Department's website, www.treas.gov/ofac/.

13. APPLICANT shall establish and adhere to necessary procedures to detect and prevent prohibited transactions with individuals and entities which have been identified at the Office of Foreign Assets Control website of the Treasury Department.

14. APPLICANT, expressly waives a 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. APPLICANT hereby knowingly and voluntarily waives all rights to challenge or contest this Consent Order in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

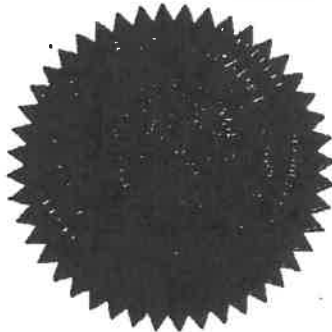
15. Each party to this action shall bear its own costs and attorneys fees.

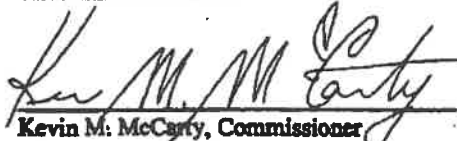
16. The parties agree that this Consent Order will be deemed to be executed when the OFFICE head or his designee has signed a copy of this order bearing the signatures of APPLICANT, notwithstanding the fact that the copy was transmitted to the OFFICE by facsimile machine or electronic mail. APPLICANT agrees that the signature of its representative as affixed to this Consent Order shall be accompanied by a corporate seal and shall be notarized.

WHEREFORE, subject to the terms and conditions set forth above, the OFFICE hereby approves the application for issuance of a Certificate of Authority in accordance with the Florida Insurance Code to ATLANTIC COAST LIFE INSURANCE COMPANY.

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

DONE and ORDERED this 28th day of November, 2006.




Kevin M. McCarty, Commissioner
Office of Insurance Regulation

By execution hereof, ATLANTIC COAST 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/she has the authority to bind ATLANTIC COAST LIFE INSURANCE COMPANY to the terms and conditions of this Consent Order and has personal knowledge of the APPLICATION and the information provided therein.

ATLANTIC COAST LIFE INSURANCE COMPANY

By: *Y. W. Scarborough III*

Corporate Seal

Print Name: Y. W. SCARBOROUGH, III

Title: PRESIDENT & CEO

Date: November 22, 2006

STATE OF South Carolina

COUNTY OF Charleston

The foregoing instrument was acknowledged before me this 22nd day of November 2005/2006
by Y W Scarborough III as President & CEO
for ATLANTIC COAST LIFE INSURANCE COMPANY

D. M. C. C. C.
(Signature of Notary Public)
October 20, 2015

(Print, Type, or Stamp Commissioned
Name of Notary Public)

Personally Known ☒ OR Produced Identification ☐

Type of Identification Produced _____

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