Global Growth, LLC Says DNB's Appointment of Conservatrix Receiver Does Nothing to Address its Long-Term Structural Problems

Continuing the years-long pattern of poor decision making associated with the governance and regulation of Conservatrix, the DNB gave notice of their financially irresponsible decision to appoint a receiver for the long-troubled Dutch insurance company. While this is disappointing news, it is consistent with the DNB's, Conservatrix management's and Conservatrix supervisory board's repeated mismanagement of this complex situation.

Global Growth, LLC ("Global Growth", fka Eli Global, LLC), via its Netherlands affiliate holding company Trier Holding B.V. ("Trier"), was originally brought in as an investor to Conservatrix in 2017 to help clean up the dysfunction and insolvency issues that the DNB allowed to build under the prior ownership by the Henny family. Given the outsized long-term liabilities at Conservatrix in relation to its assets, it was difficult to find a viable business plan for the company moving forward at such time. Without the investment and recapitalization of Conservatrix by Global Growth in 2017, Conservatrix was all but certainly headed on a path towards an ultimate bankruptcy which would have led policyholder obligations to being cancelled. Global Growth essentially "bailed out" Conservatrix in 2017 at a time in which the company was already in a long-term insolvency position.

As a condition of its 2017 investment and recapitalization of Conservatrix, Global Growth put forward, and the DNB agreed to, a plan that would allow Conservatrix to invest in higher yielding private loans in order to return Conservatrix to a path of long-term solvency and therefore fulfill 100% of its long term policy obligations over time. Investment in such private loans as an alternative asset class is standard practice around the world for insurance companies to improve investment yields and made particular sense in this situation given the mismatch of long-term assets and liabilities in a low interest rate environment (versus shorter-term liquidity issues, which Conservatrix does not actually exhibit). Without the DNB consenting to permit such long-term investment flexibility as an essential component of its recapitalization of Conservatrix, Global Growth did not see a viable business case for an investment in Conservatrix outside the only primary alternative, which would be initiating a DNB-authorized "en bloc" or curtailment of all or a substantial portion of Conservatrix life insurance contract guarantees to policyholders.

Unfortunately, after two years of good faith efforts by Global Growth to recapitalize the company, enhance risk management processes, and invest in technology and operations, the DNB broke their promise to allow Conservatrix to execute upon this higher yielding private loan strategy. Further to this end, Conservatrix's management and supervisory boards' have failed to exhaust all avenues to enforce this DNB covenant which has harmed the interests of all stakeholders. The DNB, as aided by management inaction on this issue, has elected to maintain a status quo position that results in Conservatrix continuing to generate insufficient yields on its invested assets to satisfy 100% of policyholder obligations, therefore perpetuating a long-term structural insolvency position that Global Growth was originally brought into address. To make matters worse, Global Growth would later discover, that the pre-investment financial statements it had been prepared by management and signed off by the DNB understated Conservatrix's costs by approximately €17,000,000. The net effect of these facts is that 100% of Global Growth's investment in Conservatrix has been wiped out as the result of ongoing mismanagement and fraudulent representations of management under the auspices of the DNB. Neither the DNB nor Conservatrix's management have offered a viable alternative business plan that would fix such solvency issues other than to ask for more money—a “second bailout”—from Global Growth, which has been misled and defrauded on this investment from the start.

Increasing the frustration from Global Growth’s perspective is the fact that we have had no operational control of the actual Conservatrix business since 2017, given unique Dutch corporate law, and have had no internal representation on its supervisory board since October 2019. For example, Conservatrix management ran a (failed) sale process for the business in 2020 without the consent or participation of the ownership group. Additionally, management, with the expressed support of the DNB, unilaterally terminated a reinsurance contract with a highly liquid and solvent US insurance company that ultimately was used as the basis for placing the firm in receivership. All of this was done without the consent or perspective of Global Growth. Furthermore, we have not received a full accounting of the unwinding of this reinsurance arrangement and believe amounts legally due Global Growth have been misappropriated.

Despite our strong belief that we were defrauded on our initial investment in Conservatrix from multiple perspectives, in May 2020 Global Growth submitted a new investment proposal to Conservatrix and the DNB which encompassed a strategy of investing company assets in higher yielding private loans, the only viable method to fix Conservatrix’s long-term solvency gap. Even though the DNB agreed to a similar action plan in 2017, management, as supported by the DNB, summarily dismissed this proposal in less than 24 hours indicating a lack of serious consideration in evaluating a good faith proposal to recapitalize Conservatrix. Considering these recent events and the continued active plan by the DNB to put policyholders at risk of payment discounts, Global Growth and its affiliates are reserving all legal options and plan to continue its fight to protect its shareholder rights and those of Conservatrix’s policyholders.