

which shall be reinstated according to their terms including claims and demands for the cash surrender value of policies issued prior to the effective date hereof and claims for extended insurance of policies issued prior to the effective date hereof, and covenants and agrees to and with BANNER MUTUAL and the holders of said policies and contracts, their beneficiaries, legal representatives and assigns, to assume, carry out and perform said policies and contracts, in the same manner and to the same extent as the same should have been performed by BANNER MUTUAL had this contract not been executed, all subject, however, to any and all defenses against claims and actions upon said policies or contracts which would have been available to BANNER MUTUAL had this contract not been made.

ARTICLE III

CAROLINA GENERAL further assumes and agrees to pay each and every valid claim which shall occur after the effective date of this contract together with all unpaid claims which have accrued prior to said date but which are unpaid on all of said policies and contracts of insurance, subject, however, to the right hereby reserved by CAROLINA GENERAL and to make any defense to any action on any of said policies, which might have been made by BANNER MUTUAL had this contract not been executed. CAROLINA GENERAL hereby assumes and agrees to pay any and all commissions on collected premiums which BANNER MUTUAL would have owed to its agents on the business hereby reinsured, had this contract not been executed, subject, however, to the right of CAROLINA GENERAL to make any defense, set-off or recoupment which BANNER MUTUAL could have made against any claim for commissions had this contract not been executed. CAROLINA GENERAL agrees to pay to the policy holders in BANNER MUTUAL, as required by law, their pro rata equity of surplus,

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