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June 19, 2009

TO ALL GUARANTY ASSOCIATIONS SUBJECT TO
THE RECEIVER'S THIRD RECOMMENDATION REPORT
AND PETITION SEEKING APPROVAL OF STIPULATION
AND SETTLEMENT AGREEMENT CONCERNING GUARANTY
ASSOCIATION CLAIMS, AND POTENTIAL CLAIMANTS

By U.S. Certified Mail
Return Receipt Requested

Re: National Heritage Life Insurance Company in Liquidation
June 15, 2009, Order to Show Cause Setting Hearing Date
Hearing Date and Time: Monday, July 27, 2009, 10:00 a.m.
Hearing Location: Court of Chancery of the State of Delaware
500 North King Street, Wilmington, DE 19801

Dear Guaranty Association Claimants and Potential General Creditors:

ENCLOSED PLEASE FIND IMPORTANT DOCUMENTS THAT MAY AFFECT YOUR CLAIM, IF ANY, AGAINST THE NATIONAL HERITAGE LIFE INSURANCE COMPANY IN LIQUIDATION AND WHICH AFFECT YOUR RIGHTS. PLEASE READ ALL OF THE DOCUMENTS CAREFULLY.

PLEASE ALSO NOTE THE ABOVE HEARING DATE, TIME AND LOCATION AT WHICH THE RECEIVER'S RECOMMENDATION CONCERNING THE GUARANTY ASSOCIATION CLAIMS WILL BE HEARD. **THE ENCLOSED ORDER TO SHOW CAUSE REQUIRES YOU TO NOTIFY THE COURT IF YOU OBJECT TO THE RECEIVER'S PETITION AND INTEND TO APPEAR AT THE HEARING NO LATER THAN FRIDAY, JULY 17, 2009**. IF YOU INTEND TO BE REPRESENTED BY A DELAWARE ATTORNEY AT THE HEARING, YOU MUST NOTIFY THE COURT OF THE ATTORNEY'S NAME NO LATER THAN **FRIDAY, JULY 17, 2009**. (PLEASE NOTE THAT ENTITIES MUST BE REPRESENTED BY DELAWARE COUNSEL.) YOU MUST COPY THE RECEIVER'S COUNSEL ON SUCH NOTICES. IF YOU DO NOT TIMELY OBJECT, NOTIFY THE COURT, AND ATTEND THE HEARING, ANY SUCH OBJECTION WILL BE OVERRULED.

Please note that the enclosed Order to Show Cause was signed electronically and is a binding Order despite the lack of a traditional signature. The Vice Chancellor's electronic signature and the hearing date and time are found on the page following the signature line.

PLEASE READ THE ORDER CAREFULLY AS IT AFFECTS YOUR RIGHTS.

Very truly yours,



Diane J. Bartels
Attorney for the Receiver



GRANTED WITH MODIFICATIONS

EFiled: Jun 15 2009 10:47AM EDT
Transaction ID 25645691
Case No. 13530-VCL



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE)
LIQUIDATION OF NATIONAL) C.A. No. 13530 - VCL
HERITAGE LIFE INSURANCE COMPANY)

**ORDER TO SHOW CAUSE CONCERNING
RECEIVER'S THIRD CLAIM RECOMMENDATION REPORT AND
PETITION SEEKING HEARING ON GUARANTY ASSOCIATION
CLAIMS AND CLAIM SETTLEMENT AGREEMENT WITH RECEIVER**

WHEREAS, pursuant to 18 DEL. C. § 5917(c), the Receiver of National Heritage Life Insurance Company ("NHL") filed the "Receiver's Third Claim Recommendation Report and Petition Seeking Approval of Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits Among the Receiver, the National Organization of Life and Health Insurance Guaranty Associations, and the State Life and Health Insurance Guaranty Associations" (the "Petition") pertaining to certain administrative expense and NHL policyholder coverage obligations incurred by the state life and health insurance guaranty associations affected by the NHL liquidation, and which the Receiver believes should be allowed as set forth in the settlement agreement (the "Claims Agreement") among the parties thereto;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

HEARING

A hearing on the Guaranty Association Claims and the Claims Agreement has been scheduled before this Court for the day and time set forth on the attachment to this Order to Show Cause, such hearing to be held in the Court of Chancery, 500 North King Street, Wilmington, Delaware.

PLEASE NOTE THAT each claim will be allowed at the amount recommended by the Receiver and any amounts in excess of such agreed claim amount, except for new administrative expense submissions as set forth in the agreement, shall be disallowed unless the objecting party complies with the following procedural requirements set forth in this Order to Show Cause and shows cause why the Receiver's recommendation should not be adopted by the Court.

HEARING PROCEDURE

IT IS HEREBY FURTHER ORDERED that the following procedure shall apply to the hearing on the Guaranty Association Claims and the Claims Agreement which are the subject of the Receiver's Third Claim Recommendation Report and Petition:

1. Within five (5) business days of receipt of this Order to Show Cause, the Receiver shall serve, by United States certified mail, postage prepaid, copies of this Order to Show Cause, the Petition and exhibits, and the proposed final Order upon each Guaranty Association claimant whose claim is subject to the Petition, on all creditors which filed a proof of claim in the NHL estate and whose claim has not already been disallowed in a Final Order, and any other potential creditor which the Receiver deems should be given notice of this Petition.

2. THE CLAIMANT OR OTHER OBJECTING PARTY IS HEREBY REQUIRED TO NOTIFY THE COURT OF CHANCERY IN WRITING OF HIS OR HER INTENT TO APPEAR AT THE HEARING AT LEAST TEN (10) CALENDAR DAYS BEFORE THE SCHEDULED HEARING DATE. IF THE CLAIMANT OR OTHER OBJECTING PARTY FAILS TO TIMELY NOTIFY THE COURT OF HIS OR HER INTENT TO APPEAR AT THE HEARING, SUCH PARTY'S OBJECTIONS SHALL BE CONSIDERED ABANDONED AND THE RECEIVER'S RECOMMENDATION SHALL BE ADOPTED BY THE COURT. The notice of intent to appear shall include the following information:

a. The caption of these proceedings:

"IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE)
THE LIQUIDATION OF NATIONAL) C.A. No. 13530
HERITAGE LIFE INSURANCE COMPANY)"

b. the nature of the document being filed (i.e., Notice of Intent to Appear at Hearing) and the name of the party on whose behalf such document is being filed;

c. the name, address and telephone number of the person filing the document; and

d. the date the document is being filed.

and shall be sent to:

Register in Chancery
Court of Chancery of the State
of Delaware
500 North King Street
Wilmington, Delaware 19801

4. ALL EXHIBITS THE CLAIMANT OR OTHER OBJECTING PARTY INTENDS TO SUBMIT IN SUPPORT OF HIS OR HER POSITION AT THE HEARING MUST BE PROVIDED TO THE RECEIVER, COUNSEL FOR NOLHGA, AND THE COURT AT LEAST TEN (10) CALENDAR DAYS BEFORE THE SCHEDULED HEARING DATE. THE EXHIBITS MUST INCLUDE A COVER PAGE WHICH INCLUDES THE INFORMATION REQUIRED IN SUBPARAGRAPHS 3(a) THROUGH 3(d) ABOVE.

5. If the Claimant or other objecting party intends to be represented by an attorney at the hearing, the

objecting party must provide the Court of Chancery with the name of the attorney admitted to practice law in Delaware who is representing the Claimant, at least ten (10) calendar days before the scheduled hearing date;

6. The Claimant, any objecting party and the Receiver, or his representative, shall be required to appear in person at the hearing;

7. The Delaware Uniform Rules of Evidence shall govern the presentation of evidence at the hearing;

8. As the Claimant has the burden of proving the validity of the claim and the objecting party bears the burden of proving their objection, the objecting party shall have the burden of going forward first on an objection to the Receiver's recommendation or the Claims Agreement;

9. Without further leave of Court, the Claimant and the Receiver, or his representatives, shall each have thirty (30) minutes to present their positions with respect to the claim. Any objecting party which timely notifies the Court of their intent to appear shall also have thirty (30) minutes to present their objection;

10. The Claimant, any objecting party, and the Receiver, or his representatives, shall be entitled to testify and to present testimony of witnesses concerning the Guaranty Association claims and/or the Claims Agreement. Affidavits or declarations of witnesses shall not be permitted in lieu of live testimony unless the opposing parties stipulate to the use of such affidavits or declarations;

11. All parties shall be entitled to cross examine witnesses of opposing parties;

12. Parties with common interests shall be expected to coordinate their presentation to avoid duplication and to be completed within thirty (30) minutes unless the Court grants leave for additional time upon good cause shown; and

IT IS SO ORDERED.

Vice-Chancellor

Dated:

This document constitutes a ruling of the court and should be treated as such.

Court: DE Court of Chancery Civil Action

Judge: Stephen P Lamb

**File & Serve
Transaction ID:** 25625594

Current Date: Jun 15, 2009

Case Number: 13530-VCL

Case Name: CONF ORDER IMO: Liquidation of National Heritage Life Insurance Co

**Court Authorizer
Comments:**

MODIFICATION:

The hearing is scheduled for July 27, 2009 at 10 a.m.

/s/ Judge Stephen P Lamb



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE)
LIQUIDATION OF NATIONAL) C.A. No. 13530 - VCL
HERITAGE LIFE INSURANCE COMPANY)

**RECEIVER'S THIRD CLAIM RECOMMENDATION REPORT
AND PETITION SEEKING APPROVAL OF STIPULATION AND
SETTLEMENT AGREEMENT REGARDING CLAIMS,
DISTRIBUTIONS AND DEPOSITS AMONG THE RECEIVER,
THE NATIONAL ORGANIZATION OF LIFE AND
HEALTH INSURANCE GUARANTY ASSOCIATIONS, AND THE
STATE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS**

COMES NOW, the Honorable Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, in her capacity as Receiver (hereinafter "Receiver") of the National Heritage Life Insurance Company in Liquidation (herein "NHL"), and presents this Receiver's Third Claim Recommendation Report and Petition Seeking Approval of Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits among the Receiver, the National Organization of Life and Health Insurance Guaranty Associations (hereinafter "NOLHGA"), and the State Life and Health Insurance Guaranty Associations (hereinafter the "Guaranty Associations"), as follows:

Relief Requested

In this application, the Receiver seeks:

1. entry of an Order to Show Cause to the Guaranty Association claimants referenced on Exhibit 1, to all known claimants in classes below Class III which filed a pending proof of claim in the NHL estate, and to all other potential claimants whom the Receiver deems should receive notice of this Recommendation Report and Petition, in the form filed contemporaneously with this Report and Petition, scheduling a hearing and establishing the procedure for such hearing. The Receiver further requests that the hearing on the Guaranty Association claims and the Claims Agreement be scheduled approximately forty five (45) days or more after entry of the Order to Show Cause relating to this Report and Petition;

2. adjudication of the Guaranty Association Class II and Class III claims set forth on Exhibit 1 hereto at the scheduled hearing; and

3. after affording the Guaranty Association claimants and other creditors or potential creditors an opportunity for a hearing on this Recommendation Report and Petition, a determination and entry of an Order by this Court pursuant to 18 DEL. C. §5917(d) approving the Claims Agreement among the Receiver, NOLHGA and the Guaranty Associations, allowing the Guaranty Association Class II and Class III

Claims in the amounts recommended by the Receiver, as set forth in Exhibit 1 hereto, and disallowing any amounts in excess of the Receiver's recommendation, except as set forth in the Claims Agreement with respect to additional submissions of administrative expense claims.

I. BACKGROUND OF THE LIQUIDATION PROCEEDINGS

National Heritage Life Insurance Company ("NHL"), a Delaware domiciled insurance company, was licensed to issue life insurance and annuity policies in twenty three (23) states. This Court determined that NHL was in hazardous financial condition and placed NHL in rehabilitation proceedings by Rehabilitation and Injunction Order dated May 25, 1994 ("Rehabilitation Order"; Dkt. No. 1).¹ The Court appointed the Delaware Insurance Commissioner as the statutory receiver of NHL. On November 21, 1995, a Liquidation Order (Dkt. No. 43) was entered declaring National Heritage Life Insurance Company ("NHL") insolvent and placing NHL into liquidation under the Delaware Insurance Rehabilitation and Liquidation Act, 18 Del. Code § 5901, et seq. (the "Liquidation Act").

¹Docketed items filed prior to the institution of electronic filing for this case are cited using their conventional docket number as "Dkt. No. ____."

The entry of the Liquidation Order terminated insurance coverage from NHL and, at the same time, triggered certain coverage for many of NHL's policyholders from life and health insurance guaranty associations in the states in which NHL had been licensed. Each such state has enacted a statute establishing a life and health insurance guaranty association to provide continuing coverage to resident policyholders of insolvent insurers, such as NHL, subject to certain statutory limitations (the "Covered Obligations").

Approximately 1,300 of the NHL policyholders had claims which exceeded the Covered Obligations of the Guaranty Associations. Those excess claims, which remained claims directly against the NHL estate, are referred to herein as the "Uncovered Claims."

II. LIQUIDATION ACT'S PRIORITY CLASSES

Section 5918 of the Liquidation Act provides that the distribution of claims from NHL's general assets shall be in accordance with statutorily specified classes of claims such that every claim in each class be paid in full before the members of the next class receive any payment. 18 DEL. C. §5918(e).

For purposes of this Petition, the four relevant classes of claims under Section 5918 of the Liquidation Act are:

Class I - costs and expenses of administration expressly approved by the Receiver;

Class II - reasonable and necessary administrative expenses of the Guaranty Associations;

Class III - policyholder and Guaranty Association claims for policy benefits; and

Class VI - general creditor claims.

III. UNCOVERED CLAIMS AND THE NHL TRUST

At the time the Liquidation Order was entered, National Heritage had approximately 25,000 active contracts creating liabilities to policyholders estimated to be in excess of \$417,000,000.00. Most of the NHL assets at the time were non-liquid mortgages. In order to address an orderly liquidation of the mortgages and as a means of resolving certain issues among the Receiver and the Guaranty Associations, in 1996 the Receiver and NOLHGA entered into the Trust Agreement (the "Trust Agreement"), which established the NHL Trust. The parties petitioned this Court for approval of the Trust Agreement, which

approval was granted on December 17, 1996. (Petition at Dkt. No. 117; Order at Dkt. No. 164.)

Pursuant to the Trust Agreement, once an agreed amount had been distributed from the NHL Trust, enhanced distributions were made to the Uncovered Claims until they were satisfied in full. After the first seven distributions from the NHL Trust, the Receiver determined that the Uncovered Claims were satisfied in full. After the NHL Trust was closed on March 31, 2001, the Receiver issued determination notices to the approximately 1,300 claimants with Uncovered Claims advising them that their claims had been fully satisfied. Most of the claimants did not object. Most of the objections raised were resolved without a hearing. Only nine of the objections could not be resolved without a hearing. The Receiver filed the Receiver's Second Claim Recommendation Report and Verified Petition Seeking Hearing on Disputed Claims on August 26, 2008 (EFile Transaction ID No. 21239798). After notice and a hearing, the Court approved the Receiver's Second Recommendation Report and Petition on November 7, 2008 (EFile Transaction ID No. 22384023). As a result, all of the Uncovered Claims have been resolved and the Guaranty Associations are the only remaining persons with Class II

claims and with Class III claims. There are no other creditors with pending Class II or Class III claims.

The current shortfall in the assets available to pay Class III claims totals approximately \$181 million. The Receiver does not anticipate making distributions to pay that shortfall in full. Thus, the Guaranty Associations are the only persons that will receive future distributions whether for their Class II claims or their Class III claims.

IV. THE GUARANTY ASSOCIATION CLAIMS

During the course of the NHL liquidation, the Receiver collected premiums on behalf of Guaranty Associations, the Guaranty Associations submitted claims against NHL including Class II claims and Class III claims, the Receiver and the Trust made distributions to the Guaranty Associations, and certain Guaranty Associations were the beneficiaries of deposits held by state insurance departments (the "Deposits").

On November 3, 2008, the Receiver, NOLHGA and the Guaranty Associations entered into a Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits ("Claims Agreement"). A copy of the Claims Agreement is attached as Exhibit 1. The purpose of the

Claims Agreement is to establish agreed-upon final amounts for the Guaranty Associations' Class II Claims and Class III Claims, to reallocate prior distributions made by the Receiver to the Guaranty Associations to achieve a consistent pro rata allocation, and to address the retention of Deposits by certain Affected Associations. Pursuant to Section 8.2, the Claims Agreement is subject to Court approval.

A. Operation of the Claims Agreement

1. **Deposits.**

State insurance laws, such as those in New Mexico and South Carolina, often provide for the posting of a statutory deposit to protect creditors of the insurer in the event of insolvency. "General deposits" are sometimes required for the protection of all creditors of the insurer. "Special deposits" are sometimes required for the protection of policyholders (or sometimes all creditors) in a particular state.

Section 5918, paragraph (c) of the Liquidation Act addresses the claims of owners of special deposit claims as follows:

(c) The owners of special deposit claims against an insurer for which a receiver is appointed in this or any

other state shall be given priority against their several special deposits in accordance with the provisions of the statutes governing the creation and maintenance of such deposits. If there is a deficiency in any such deposit so that the claims secured thereby are not fully discharged therefrom, the claimants may share in the general assets, but such sharing shall be deferred until general creditors and also claimants against other special deposits who have received smaller percentages from their respective special deposits have been paid percentages of their claims equal to the percentage paid from the special deposit.

It has been the Receiver's position that partial satisfaction of the claims of the New Mexico and the South Carolina Guaranty Associations, which claims were partially satisfied by deposits in their states, invokes the provisions of 18 DEL. C. §5918(c) and that the deficiency claims of those states would qualify as general creditor claims. Those two associations disagree with the Receiver's contention.

As all of the Uncovered Claims are fully satisfied, it is highly unlikely that assets will be available for distribution to classes below Class III, and all of the Guaranty Association claimants have agreed to a basis for resolving the dispute between the Receiver and the New

Mexico and South Carolina Guaranty Associations solely for the purposes of this estate and its unique circumstances, the Receiver has determined that such a settlement rather than litigation of the issues between the Receiver and the two Guaranty Associations would be in the best interests of the estate.

Section 3 of the Claims Agreement recognizes that Deposits were received and are being retained by the Guaranty Associations in New Mexico and South Carolina in the following amounts (\$78,689 - New Mexico Deposit) and (\$233,400 - South Carolina Deposit). Retaining the Deposits results in a greater percentage of recovery for those specific Guaranty Associations. However, as part of the settlement, each Guaranty Association agrees to pay to NOLHGA to be reallocated to the other Guaranty Associations the following amounts: New Mexico - \$8,142 and South Carolina - \$106,000. The Guaranty Associations from New Mexico and South Carolina will not share in any future distributions from the Receiver unless and until the other Guaranty Associations receive a percentage recovery of NHL assets equal to the recovery realized by the Guaranty Associations from New Mexico and South Carolina. Finally, the Claims Agreement includes an express recognition and

acknowledgement by the other Guaranty Associations that the Guaranty Associations from New Mexico and South Carolina "may receive distributions that result in a higher percentage recovery of Class III Claims and waives any claims related to such distribution." While this settlement would arguably impact the other general creditor claims if funds were available for classes below Class III, it is highly unlikely that there will be any actual impact due to very remote possibility of availability of funds to pay any claims below Class III.

2. ***Class II and Class III Claim Amounts.***

Under Sections 4 and 5 of the Claims Agreement, the Receiver agreed to recommend that the amounts for Class II and Class III claims be the same as those set forth in Exhibits B and C of the Claims Agreement. Accordingly, as part of the approval being sought from this Court for the Claims Agreement, the Receiver recommends that the claim amounts for each Guaranty Association be approved as those amounts are set forth in Exhibit B (Class II) and Exhibit C (Class III) of the Claims Agreement. The agreed aggregate amount of the Class II claims of the Guaranty Associations is \$6,619,047.37, which shall be deemed fully satisfied, subject to recall pursuant to the Early Access Agreement.

However, the agreement also provides that the Guaranty Associations may submit additional administrative expenses with supporting reasonable and appropriate documentation but such claims shall not be paid until after all Class III Claims have been paid in full. The agreed aggregate amount of the Class III claims of the Guaranty Associations is \$418,887,195.00. By agreeing to their claim amounts, the Guaranty Associations, as the only remaining Class II and Class III creditors, have eliminated any potential for disputes regarding those claim amounts in those classes.

3. Reallocation of Prior Distributions.

All prior distributions except the thirteenth early access distribution are identified in Exhibit A of the Claims Agreement under the heading "Total Distributions." Under the Claims Agreement, those prior distributions have been reallocated among the agreed upon Class II and Class III claims so that all Class II claims are paid in full and all Class III claims are paid through the date of the Claims Agreement at the percentage levels set forth in Exhibit C. In the thirteenth early access distribution, which was made after the Claims Agreement was signed, the parties to the Claims Agreement agreed to adjust the allocation of the Class III early access distributions so

that all of the Guaranty Associations, except the New Mexico and South Carolina Guaranty Associations, have now received early access of approximately 100 percent of their Class II claims and 57.08 percent of their Class III claims. The New Mexico and South Carolina Guaranty Associations did not participate in that distribution as their recovery on their Class III claims would still have exceeded the percentage recovered by the other Guaranty Associations.

For future distributions, the Guaranty Associations agreed that distributions may be allocated using the pro rata allocation set forth under the heading "GA's Policyholder Level Claim (Class III)" in Exhibit C. As part of the approval of the Claims Agreement, the Receiver is requesting the Court's approval of the reallocation of prior distributions as adjusted by the thirteenth distribution and the making of future distributions in accordance with the percentages agreed upon by the Guaranty Associations.

Section 6.1.1 of the Claims Agreement expressly provides that the "Receiver and the NHL estate shall incur no expense related to any such dispute [regarding the reallocation] and NOLHGA and the Participating Associations

jointly and severally agree to indemnify the Receiver and NHL estate for any reasonable and necessary expenses incurred by the Receiver or the NHL estate concerning any such dispute between or among NOLHGA and any or all of the Participating Associations."

VI. EARLY ACCESS

To date, all distributions from the NHL Trust and the NHL estate to the Guaranty Associations have been made as early access distributions. Therefore, all such distributions are subject to recall to the extent necessary to pay higher priority claims.

CONCLUSION

WHEREFORE, the Receiver of National Heritage Life Insurance Company in Liquidation respectfully requests that this Honorable Court enter:

1. an Order to Show Cause setting a hearing date and time and establishing the procedure for the hearing on the Receiver's Recommendation Report and Petition;

2. enter a Final Order:

a. approving the Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits attached hereto as Exhibit 1;

b. recognizing that the Guaranty Associations from New Mexico and South Carolina may retain the Deposits subject to the conditions set forth in the Claims Agreement;

c. establishing the Class II and Class III claim amounts of the Guaranty Associations as those amounts are set forth in Exhibits B and C of the attached Claims Agreement;

d. approving of the reallocation of prior early access distributions through the twelfth distribution, the adjustment of the early access distributions for the

thirteenth early access distribution, and the allocation of future distributions to Guaranty Associations in accordance with the Claims Agreement; and

e. granting such other and further relief as the Court finds reasonable and appropriate under the circumstances.

Respectfully Submitted,



Diane J. Bartels
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(302) 656-7207

Attorney for Karen Weldin
Stewart, Insurance
Commissioner of the State of
Delaware, in her capacity as
Receiver of National Heritage
Life Insurance Company in
Liquidation

Dated: June 12, 2009



EXHIBIT 1

STIPULATION AND SETTLEMENT AGREEMENT
REGARDING CLAIMS, DISTRIBUTIONS AND DEPOSITS

by and among

the Receiver of National Heritage Life Insurance Company, in Liquidation
the National Organization of Life and Health Insurance Guaranty Associations
and its Affected Participating Associations

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Exhibit 7.1 – Participating Associations	

This Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits is entered into as of the 3rd day of November, 2008, by and among the Receiver of National Heritage Life Insurance Company, in Liquidation and the National Organization of Life and Health Insurance Guaranty Associations on behalf of its member Affected Associations which are or may become Participating Associations under this Agreement.

1. RECITALS.

1.1. NHL was placed in rehabilitation under the Act on May 25, 1994, by order of the Court. The Rehabilitation Order directed the Receiver to conduct the business of NHL, and to take such actions as the interest of the policyholders, creditors and stockholders required in accordance with the Act. Pursuant to the Rehabilitation Order, the Receiver appointed George J. Piccoli, as Deputy Receiver, to supervise the management of NHL.

1.2. On November 21, 1995, a Liquidation Order was entered declaring NHL insolvent and placing NHL into liquidation pursuant to the provisions of the Act.

1.3. NOLHGA is a voluntary association organized as a corporation and made up of state life and health insurance guaranty associations.

1.4. Under the terms of the Trust established by the Trust Agreement among NOLHGA, the Receiver and the Affected Associations, all policyholders with uncovered policyholder level claims against NHL have been paid in full and, as a result, the Affected Associations are the only remaining claimants with unpaid Class III claims. The Receiver does not currently anticipate that there will be sufficient assets for NHL to make distributions to creditors below the Class III priority level since the shortfall in Class III is slightly more than \$191 million.

1.5. During the course of the NHL liquidation, the Receiver collected premiums on behalf of the Affected Associations, the Affected Associations submitted claims against NHL including Class II Claims and Class III Claims, the Receiver and the Trust made distributions to the Affected Associations, and certain Affected Associations were the beneficiaries of deposits held by state insurance departments (the "Deposits").

1.6. The purpose of this Agreement is to establish agreed-upon final amounts for the Participating Associations' Class II Claims and Class III Claims, to reallocate prior distributions, and to address the retention of the Deposits by certain Affected Associations.

NOW THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the Receiver, NOLHGA and the Participating Associations agree as follows:

2. DEFINITIONS.

The following terms as used in this Agreement (including the Recitals above) shall have the following meanings:

2.1. Act. Act means the Delaware Insurance Rehabilitation and Liquidation Act, 18 *Del. Code* § 5901, *et seq.*

2.2. Affected Associations. Affected Associations means those state life and health insurance guaranty associations which, in accordance with their respective state governing laws, and as a result of the Liquidation Order entered pursuant to the Act, have obligations to residents of their states who are holders of policies or contracts issued by NHL.

2.3. Agreement. Agreement means this Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits.

2.4. Class II Claims. Class II Claims means the reasonable and necessary administrative expenses of the Affected Associations in accordance with 18 *Del. Code* § 5918(e)(2). Class II Claims are addressed in Exhibit B.

2.5. Class III Claims. Class III Claims means the claims of the Affected Associations for coverage of policy benefits as required by statute in accordance with 18 *Del. Code* § 5918(e)(3). Class III Claims are addressed in Exhibit C.

2.6. Court. Court means the Court of Chancery of the State of Delaware with jurisdiction over NHL in liquidation.

2.7. Early Access Distributions. Early Access Distributions means distributions of NHL assets made by the Receiver or pursuant to the Trust to the Affected Associations in accordance with 18 *Del. Code* § 5911(c). The total amount of Early Access Distributions made as of the date of this Agreement, net of a prior \$2 million recall of Early Access Distributions is identified in Exhibit A, in the column headed, "Total Distributions net of Premium Payment."

2.8. Liquidation Order. Liquidation Order means the November 21, 1995, Liquidation and Injunction Order issued by the Court declaring NHL insolvent and placing NHL into liquidation pursuant to the provisions of the Act.

2.9. New Mexico Association. New Mexico Association means the New Mexico Life Insurance Guaranty Association.

2.10. New Mexico Deposit. New Mexico Deposit means the NHL deposit in the approximate amount of \$78,689 received by the New Mexico Association as a result of NHL's insolvency and liquidation.

2.11. NHL. NHL means National Heritage Life Insurance Company, in Liquidation.

2.12. NOLHGA. NOLHGA means the National Organization of Life and Health Insurance Guaranty Associations.

2.13. Omnibus Proof of Claim. Omnibus Proof of Claim means the Omnibus Proof of Claim submitted to the Receiver by NOLHGA on behalf of the Affected Associations and setting

forth claims of the Affected Associations against NHL. Omnibus Proof of Claim includes periodic updates to the first Omnibus Proof of Claim.

2.14. **Participating Associations.** Participating Associations means those Affected Associations that agree to participate in this Agreement in accordance with the By-Laws and procedures of NOLHGA.

2.15. **Receiver.** Receiver means the Receiver of NHL and includes George J. Piccoli, Deputy Receiver.

2.16. **South Carolina Association.** South Carolina Association means the South Carolina Life and Health Insurance Guaranty Association.

2.17. **South Carolina Deposit.** South Carolina Deposit means the NHL deposit in the approximate amount of \$233,400.39 received by the South Carolina Association as a result of NHL's insolvency and liquidation.

2.18. **Trust.** Trust means the NHL Liquidation Trust established by the Trust Agreement among the Receiver, NOLHGA and the Affected Associations.

3. DEPOSITS.

3.1. New Mexico Deposit.

3.1.1. It is the Receiver's position that by virtue of the fact that the New Mexico Association was the owner of a special deposit claim against the New Mexico Deposit and received funds from that deposit, any deficiency claim of the New Mexico Association is not entitled to share in the assets of the NHL estate unless and until general creditors and holders of other special deposit claims have received at least the pro rata distribution share which the New Mexico Association has received on their claim from the New Mexico Deposit. As a result, it is the Receiver's position that the New Mexico Association's claim for any amounts not satisfied by the New Mexico Deposit would be categorized as a general creditor claim (Delaware priority Class VI) and would not share in any distributions to higher priority classes, including Class II (guaranty association administrative expenses) or Class III (policy level claims). It is also the Receiver's position that the New Mexico Association is required to return to the estate any and all Trust Distributions, other early access distributions or other funds received to date from the NHL estate or the Trust. However, due to the fact that the Affected Associations' earlier agreements with the Receiver resulted in satisfaction in full of the Uncovered Policy claims, the only creditors remaining in Class III are other Affected Associations, and it is unlikely that distributions will be made beyond Class III, the Receiver is willing for the NHL estate only to compromise this position as set forth herein provided that all of the Affected Associations participate in this Agreement and the Court approves this Agreement after appropriate notice and opportunity to interested persons to be heard concerning this Agreement. The New Mexico Association disputes the Receiver's position and is entering into this Agreement as a compromise

of a disputed claim. Each Party's compromised position herein is limited to the special circumstances of the NHL estate and all parties hereto expressly agree and understand that this Agreement is not intended to create any precedent for any other insurance receivership proceeding in the State of Delaware, whether such proceeding is presently existing or filed in the future. Further, all parties hereto expressly agree and understand that this Agreement is not admissible as evidence submitted by any guaranty association or NOLHGA in any other insurance receivership proceeding in the State of Delaware.

3.1.2. For the purposes of the NHL estate only, based on the current calculations from NOLHGA and/or the New Mexico Association and the most recent Omnibus Proof of Claim, a comparison of claims to distributions and deposits with respect to the New Mexico Association results in the following:

Policyholder Level Claim:	\$ 85,153
Administrative Expenses:	\$ <u>58,660</u>
Total Claims:	\$ 143,813
State Deposit:	\$ 78,689
Trust Distributions:	\$ 38,280
Estate Direct Distributions:	\$ <u>16,633</u>
Total Distributions:	\$ 133,602

3.1.3. The New Mexico Association, as part of a settlement and compromise of disputed claims, agrees to pay eight thousand one hundred forty two dollars (\$8,142) to NOLHGA subject to the following: (1) approximately \$409.14 may be paid by NOLHGA to the Receiver related to the recent early access recall; (2) all other funds will be allocated and paid in future distributions coordinated with future distributions from the Receiver to other life and health insurance guaranty associations, excluding the South Carolina Association, on a pro rata basis in accordance with their NHL claims.

3.1.4. The New Mexico Association will not share in future distributions of NHL assets unless and until the other Participating Associations have received a recovery of NHL assets equal to the percentage recovery of assets realized by the New Mexico Association. In the event there are any future early access recalls in the NHL insolvency, the New Mexico Association will not participate in such recalls, and their share of any such recalls shall be borne by the other life and health insurance guaranty associations, excluding the South Carolina Association.

3.1.5. Each other Participating Association recognizes and acknowledges that the New Mexico Association may receive distributions that result in a higher percentage recovery of Class III Claims and such other Participating Associations waive any claims related to such distributions.

3.2. South Carolina Deposit.

3.2.1. It is the Receiver's position that by virtue of the fact that the South Carolina Association was the owner of a special deposit claim against the South Carolina Deposit and received funds from that deposit, any deficiency claim of the South Carolina Association is not entitled to share in the assets of the NHL estate unless and until general creditors and holders of other special deposit claims have received at least the pro rata distribution share which the South Carolina Association has received on their claim from the South Carolina Deposit. As a result, it is the Receiver's position that the South Carolina Association's claim for any amounts not satisfied by the South Carolina Deposit would be categorized as a general creditor claim (Delaware priority Class VI) and would not share in any distributions to higher priority classes, including Class II (guaranty association administrative expenses) or Class III (policy level claims). It is also the Receiver's position that the South Carolina Association is required to return to the estate any and all Trust Distributions, other early access distributions or other funds received to date from the NHL estate or the Trust. However, due to the fact that the Affected Associations' earlier agreements with the Receiver resulted in satisfaction in full of the Uncovered Policy claims, the only creditors remaining in Class III are other Affected Associations, and it is unlikely that distributions will be made beyond Class III, the Receiver is willing for the NHL estate only to compromise this position as set forth herein provided that all of the Affected Associations participate in this Agreement and the Court approves this Agreement after appropriate notice and opportunity to interested persons to be heard concerning this Agreement. The South Carolina Association disputes the Receiver's position and is entering into this Agreement as a compromise of a disputed claim. Each Party's compromised position herein is limited to the special circumstances of the NHL estate and all parties hereto expressly agree and understand that this Agreement is not intended to create any precedent for any other insurance receivership proceeding in the State of Delaware, whether such proceeding is presently existing or filed in the future. Further, all parties hereto expressly agree and understand that this Agreement is not admissible as evidence submitted by any guaranty association or NOLHGA in any other insurance receivership proceeding in the State of Delaware.

3.2.2. For the purposes of the NHL estate only, based on the current calculations from NOLHGA and/or the South Carolina Association and the most recent Omnibus Proof of Claim, a comparison of claims to distributions and deposits with respect to the South Carolina Association results in the following:

[The remainder of this page intentionally left blank.]

Policyholder Level Claim:	\$ 387,052
Administrative Expenses:	\$ <u>42,951</u> ¹
Total Claims:	\$ 430,003
State Deposit:	\$ 233,400
Trust Distributions:	\$ 110,458
Estate Direct Distributions:	\$ <u>109,298</u>
Total Distributions:	\$ 453,156

3.2.3. The South Carolina Association agrees, as part of a settlement and compromise of disputed claims, to pay one hundred six thousand dollars (\$106,000) to NOLHGA subject to the following: (1) approximately \$1,805.20 may be paid by NOLHGA to the Receiver related to the recent early access recall; (2) all other funds will be allocated and paid in future distributions coordinated with future distributions from the Receiver to other life and health insurance guaranty associations, excluding the New Mexico Association, on a pro rata basis in accordance with their NHL claims.

3.2.4. The South Carolina Association will not share in future distributions of NHL assets unless and until the other Participating Associations have received a percentage recovery of NHL assets equal to the recovery of assets realized by the South Carolina Association. In the event there are any future early access recalls in the NHL insolvency, the South Carolina Association will not participate in such recalls, and their share of any such recalls shall be borne by the other life and health insurance guaranty associations, excluding the New Mexico Association.

3.2.5. Each other Participating Association recognizes and acknowledges that the South Carolina Association may receive distributions that result in a higher percentage recovery of Class III Claims and waives any claims related to such distributions.

4. CLASS II CLAIM AMOUNTS – ADMINISTRATIVE EXPENSES OF THE GUARANTY ASSOCIATIONS.

4.1. Due to the special circumstances referenced herein, the Receiver is agreeing to recommend that the Affected Associations' Class II claims be determined at the amounts set forth in Exhibit B, which amounts were calculated assuming certain positions concerning legal or factual issues with which the parties might otherwise not agree. All parties hereto expressly agree and understand that the methodology for calculating the Class II claims or the allowance of a particular category or amount of expenses shall have no precedential value and shall not be admissible as evidence submitted by NOLHGA or any guaranty association in any other

¹ The South Carolina Association has agreed not to include interest in the amount of \$106,000 as part of its administrative expenses claim for purposes of this Agreement. In addition, like the New Mexico Association, the South Carolina Association has incurred administrative expenses that are not reflected in the \$42,951 figure.

Delaware insurance receivership proceeding. The parties' compromises in this Agreement are intended to be unique to the NHL estate.

4.2. Upon approval by the Court of this Agreement, the Class II Claims of each Participating Association shall be in the same amount as set forth in Exhibit B under the heading "Total Admin Expenses." Those claim amounts do not include claims for interest incurred by Participating Association related to the NHL insolvency.

4.3. NOLHGA and the Participating Associations may make subsequent submissions of Class II Claims after the date of this Agreement. However, such subsequent claim amounts shall not be paid until after all Class III Claims have been paid in full. Further, any subsequent submissions of Class II Claims must include reasonable and appropriate documentation supporting such claims in accordance with the Liquidation Act.

5. CLASS III CLAIM AMOUNTS – POLICYHOLDER LEVEL CLAIMS OF THE GUARANTY ASSOCIATIONS.

5.1. Due to the special circumstances referenced herein, the Receiver is agreeing to recommend that the Affected Associations' Class III claims be determined at the amounts set forth in Exhibit C, which amounts were calculated assuming certain positions concerning legal or factual issues with which the parties might otherwise not agree. All parties hereto expressly agree and understand that the methodology for calculating the Class III claims of the Participating Associations shall have no precedential value and shall not be admissible as evidence submitted by NOLHGA or any guaranty association in any other Delaware insurance receivership proceeding. The parties' compromises in this Agreement are intended to be unique to the NHL estate.

5.2. Upon approval by the Court of this Agreement, the Class III Claims of each Participating Association shall be in the same amount as set forth in Exhibit C under the heading "GA's Policyholder Level Claim."

6. DISTRIBUTIONS

6.1. Prior Distributions

6.1.1. Early Access Distributions from the Receiver and the Trust were made to the Affected Associations as set forth in Exhibit A under the heading "Total Distributions." Those prior Early Access Distributions are reallocated as among Class II Claims and Class III Claims for each respective Participating Association so that Class II Claims are paid in full as set forth in Exhibit B and Class III Claims are paid as set forth in Exhibit C. NOLHGA and the Participating Associations shall ensure that the funds attributable to such distributions are delivered to the appropriate Participating Association. The Receiver shall have no responsibility for reallocating such distributions, and NOLHGA and the Participating Associations agree to hold the Receiver harmless for any errors in or disagreements between or among NOLHGA and any or all of the Participating Associations concerning such reallocation of funds among the Participating Associations. The Receiver and the NHL estate shall incur no expense related to

any such dispute and NOLHGA and the Participating Associations jointly and severally agree to indemnify the Receiver and the NHL estate for any reasonable and necessary expenses incurred by the Receiver or the NHL estate concerning any such dispute between or among NOLHGA and any or all of the Participating Associations regarding the allocation of funds provided for in this Section 6.1.1.

6.2. Future Distributions The Participating Associations recognize and agree that their pro rata share of distributions allocated among Class III Claims differs as reflected on Exhibit C in the column headed "Current Percentage recovery of policyholder claims (Class III)." Future distributions from NHL will be allocated as among the Participating Associations using the pro rata allocation set forth under the heading "GA's Policyholder Level Claim." In the event that Class III Claims are ultimately paid in full, future distributions will be made to pay Class II Claims incurred by the Participating Associations after the execution of this Agreement until such Class II Claims are paid in full.

7. PARTICIPATION BY AFFECTED ASSOCIATIONS

7.1. Within thirty-five (35) days after the date of execution of this Agreement, NOLHGA will notify the Liquidator of the identity of the Participating Associations in the form of Exhibit 7.1.

7.2. This Agreement will only become effective if one hundred percent (100%) of the Affected Associations elect to become Participating Associations.

8. GENERAL PROVISIONS

8.1. Entire Agreement. This Agreement constitutes the entire agreement and merges and supersedes all prior agreements, understandings, and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement.

8.2. Court Approval. This Agreement is subject to Court Approval and the parties agree to cooperate in seeking such approval as soon as reasonably practical after execution and determination of Participating Associations.

8.3. Recitals. The terms and provisions of the Recitals are hereby incorporated into and made a part of this Agreement.

8.4. Amendment. This Agreement may be amended or modified only by a writing executed by the parties or their authorized representatives and, before becoming effective, any amendment which changes the claim amount or priority level of a Participating Association or the allocation of Early Access Distributions must be approved by the Court.

8.5. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

8.6. Exhibits. All exhibits, including Exhibits A, B and C and Exhibit 7.1, are hereby incorporated by reference into this Agreement as if they were set forth at length in the text of this Agreement.

8.7. Governing Law. This Agreement shall be governed and construed in accordance with the laws of Delaware, without giving effect to the principles of conflicts of law thereunder.

8.8. Resolution of Dispute. In the event of a dispute between the Receiver, NOLHGA or any of the Participating Associations regarding this Agreement, the parties consent to in personam jurisdiction of the Court for the limited purpose of resolving the dispute. The Court shall have exclusive jurisdiction over any and all disputes among the parties hereto concerning this Agreement.

8.9. Compromise. This Agreement and all negotiations, proceedings and statements made in connection with the negotiations of this Agreement and/or in support of its approval reflect a compromise of differing views on various matters. It shall be without prejudice to any person or party hereto, shall not be deemed as or construed to be an admission by any party hereto of any act, matter, proposition or merit or lack of merit or any claim or defense, shall not be offered in evidence in any action or proceedings, except in connection with the enforcement of this Agreement, and shall not constitute a precedent for any purpose whatsoever or be of any precedential value as to any person or party hereto.

8.10. Effective Date. The effective date of this Agreement shall be the date on which the Agreement has been executed by all parties, all Participating Associations have been identified and only after the Court has entered an order approving this Agreement.

8.11. Notice. Any notice required or permitted under the terms of this Agreement to be given to the parties shall be deemed given (i) if actually received by the intended recipient by any means of delivery or (ii) if posted by prepaid first class mail, return receipt requested or (iii) if consigned to and received by a commercial delivery service and addressed as follows:

If to Receiver:

George Piccoli, President
INS Consultants Inc.
New Market, Suite 206
Box 10
Second & Lombard Streets
Philadelphia, PA 19147

Phone: (215) 625-9877
Fax: (215) 627-7104
Email: gjp@insconsultants.org

with a copy to:

Fredric Marro, Esq.
Fredric Marro and Associates
25 Chestnut Street, Suite 105
Haddonfield, New Jersey 08033

Phone: (856) 216-0110
Fax: (856) 216-0303
Email: Fred@Westmontlaw.com

and:

Diane J. Bartels, Esq.
1807 North Market Street
Wilmington, DE 19802-4810

Phone: (302) 656-7207
Fax: (302) 656-7208
Email: DBartelsDE@aol.com

If to NOLHGA:

Daniel A. Orth, III, Esq, Task Force Chair
Executive Director
Illinois Life & Health Insurance
Guaranty Association
8420 W. Bryn Mawr Avenue, Suite 550
Chicago, IL 60631-3403

Meg Melusen, Esq.
NOLHGA
13873 Park Center Rd., Suite 329
Herndon, VA 20171

Phone: (703) 787-4130
Fax: (703) 481-5209
Email: mmelusen@nolhga.com

with a copy to:

Franklin D. O'Loughlin, Esq.
Joel Glover, Esq.
Rothgerber Johnson & Lyons LLP
1200 17th Street, Suite 3000
Denver, CO 80202

Phone: (303) 623-9000
Fax: (303) 623-9222
Email: jglover@rothgerber.com

If to a Participating Association, to the contact identified in Exhibit 7.1.

IN WITNESS WHEREOF, this Agreement has been executed by the parties on the dates indicated below.

THE HONORABLE MATTHEW DENN, INSURANCE
COMMISSIONER OF THE STATE OF DELAWARE, IN
HIS CAPACITY AS THE RECEIVER OF NATIONAL
HERITAGE LIFE INSURANCE COMPANY, IN LIQUIDATION

By: *George J. Ciccioli*
Deputy Receiver

Title: _____

Date: 11/4/08

THE NATIONAL ORGANIZATION OF LIFE AND
HEALTH INSURANCE GUARANTY ASSOCIATIONS

By: *Paul [Signature]*

Title: ~~President~~ President

Date: 11/4/2008

Exhibit A
Distributions

	<u>Prior Distributions</u> <u>Allocated to Admin</u> <u>Expenses (Class II)</u>	<u>Distributions net</u> <u>of recall Allocated</u> <u>to Claims (Class</u> <u>III)</u>	<u>Total</u> <u>Distributions</u>
Alabama*	\$18,094.54	\$928,255	\$946,350.02
Colorado*	\$32,483.78	\$1,801,179	\$1,833,663.10
Delaware & Others	\$232,783.29	\$12,831,797	\$13,064,580.33
District of Columbia*	\$0.00	\$0	\$0.00
Florida	\$1,492,789.88	\$80,575,003	\$82,067,792.51
Georgia	\$42,413.19	\$1,268,003	\$1,310,416.28
Indiana	\$187,640.05	\$10,271,108	\$10,458,747.79
Iowa*	\$164,935.55	\$8,657,549	\$8,822,484.32
Kansas	\$21,600.95	\$1,201,393	\$1,222,994.36
Louisiana*	\$88,641.15	\$4,862,467	\$4,951,107.81
Michigan	\$785,088.70	\$40,190,006	\$40,975,094.47
Mississippi*	\$81,489.41	\$4,494,164	\$4,575,653.89
Missouri	\$49,247.71	\$2,649,971	\$2,699,219.09
Montana	\$110.00	\$4,607	\$4,716.92
Nebraska	\$67,533.34	\$3,499,071	\$3,566,603.87
North Dakota	\$1,553.70	\$100,023	\$101,576.27
South Dakota	\$1,596.36	\$68,836	\$70,432.32
Tennessee	\$226,694.93	\$12,280,645	\$12,507,340.13
Texas	\$1,127,047.91	\$42,599,448	\$43,726,496.18
Utah*	\$551.91	\$36,065	\$36,616.72
West Virginia*	\$49,325.17	\$2,365,807	\$2,415,132.53
 Sub Total	 \$4,671,621.52	 \$230,685,397.40	 \$235,357,018.92
 New Mexico*	 \$1,208.56	 \$53,704	 \$54,913.00
South Carolina	\$7,266.49	\$212,490	\$219,756.49
 Grand Total	 \$4,680,096.57	 \$230,951,591.84	 \$235,631,688.41

The distributions and claims of the New Mexico and South Carolina Guaranty Associations are addressed in Section 4 of the agreement. They are set forth separately on this exhibit

Exhibit B

ADMINISTRATIVE EXPENSES THROUGH 12/31/06

	1	2	4	5	6	7
	NOLHGA Expenses through 12/31/06	GA Expenses thru 12/31/06	Total Admin. Expenses	Total Distributions	Remaining Distributions after payment of total Administrative Expenses	Percentage recovery of Total Administrative expenses
Alabama*	\$19,132.85	\$116,407.85	\$135,540.70	\$946,350.02	\$810,809.32	100%
Colorado*	\$36,767.64	\$1,906.00	\$38,673.64	\$1,833,663.10	\$1,794,989.46	100%
Delaware & Others	\$263,131.16	\$544,133.67	\$807,264.83	\$13,064,580.33	\$12,257,315.50	100%
District of Columbia*	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	100%
Florida	\$1,648,746.56	\$363,999.36	\$2,012,745.92	\$82,067,792.51	\$80,055,046.59	100%
Georgia	\$24,784.64	\$22,053.83	\$46,838.47	\$1,310,416.28	\$1,263,577.81	100%
Indiana	\$211,393.48	\$15,700.03	\$227,093.51	\$10,458,747.79	\$10,231,654.29	100%
Iowa*	\$178,640.35	\$37,250.00	\$215,890.35	\$8,822,484.32	\$8,606,593.97	100%
Kansas	\$24,622.72	\$31,148.89	\$55,771.61	\$1,222,994.36	\$1,167,222.75	100%
Louisiana*	\$99,406.38	\$77,529.00	\$176,935.38	\$4,951,107.81	\$4,774,172.43	100%
Michigan	\$831,321.86	\$104,302.00	\$936,223.86	\$40,975,094.47	\$40,038,870.61	100%
Mississippi*	\$92,873.79	\$10,336.00	\$103,309.79	\$4,575,653.89	\$4,472,344.11	100%
Missouri	\$54,434.20	\$12,233.77	\$66,667.97	\$2,699,219.09	\$2,632,551.12	100%
Montana	\$95.33	\$14,434.00	\$14,529.33	\$4,716.92	-\$9,812.41	100%
Nebraska	\$72,029.64	\$38,787.00	\$110,816.64	\$3,566,603.87	\$3,455,787.23	100%
North Dakota	\$2,042.81	\$2,503.60	\$4,546.41	\$101,576.27	\$97,029.86	100%
South Dakota	\$1,414.84	\$2,483.25	\$3,898.09	\$70,432.32	\$66,534.23	100%
Tennessee	\$254,742.00	\$33,552.68	\$288,294.68	\$12,507,340.13	\$12,219,045.44	100%
Texas	\$824,392.19	\$331,052.42	\$1,155,444.61	\$43,726,496.18	\$42,571,051.57	100%
Utah	\$708.18	\$50,324.48	\$51,032.66	\$36,616.72	-\$14,415.94	100%
West Virginia	\$48,240.69	\$17,676.96	\$65,917.65	\$2,415,132.53	\$2,349,214.88	100%
Sub Total	\$4,689,621.31	\$1,827,814.79	\$6,517,436.10	\$235,357,018.92	\$228,839,582.82	100%
New Mexico*	\$965.42	\$57,694.58	\$58,660.00	\$54,913.00	-\$3,747.00	100%
South Carolina	\$4,102.27	\$38,849.00	\$42,951.27	\$219,756.00	\$176,804.73	100%
Grand Total	\$4,694,689.00	\$1,924,358.37	\$6,619,047.37	\$235,621,185.57	\$229,012,640.55	100%

* No update filed through 12/31/06

The distributions and claims of the New Mexico and South Carolina Guaranty Associations are addressed in Section 4 of the agreement. They are set forth separately on this exhibit for informational purposes only

Exhibit C

Policyholder Claims (Class III) Through 12/31/06

<u>Associations</u>	<u>1</u> <u>GA's</u> <u>Policyholder</u> <u>Level Claim</u> <u>(Class III)</u>	<u>2</u> <u>Remaining</u> <u>Distributions</u> <u>after Payment of</u> <u>Total</u> <u>Administrative</u> <u>Expenses</u>	<u>3</u> <u>Remaining</u> <u>Claims (Class</u> <u>III)</u>	<u>6</u> <u>Current</u> <u>Percentage</u> <u>recovery of</u> <u>policyholder</u> <u>claims (Class</u> <u>III)</u>
Alabama	1,683,661	\$810,809.32	872,852	48.1575%
Colorado	3,266,962	\$1,794,989.46	1,471,973	54.9437%
Delaware & Other	23,274,192	\$12,257,315.50	11,016,876	52.6648%
District of Columbia	0	\$0.00	0	100.0000%
Florida	146,146,177	\$80,055,046.59	66,091,130	54.7774%
Georgia	2,299,892	\$1,263,577.81	1,036,314	54.9407%
Indiana	18,629,638	\$10,231,654.29	8,397,984	54.9214%
Iowa	15,702,980	\$8,606,593.97	7,096,386	54.8087%
Kansas	2,179,076	\$1,167,222.75	1,011,853	53.5650%
Louisiana	8,819,496	\$4,774,172.43	4,045,324	54.1320%
Michigan	72,896,252	\$40,038,870.61	32,857,381	54.9258%
Mississippi	8,151,473	\$4,472,344.11	3,679,129	54.8655%
Missouri	4,806,493	\$2,632,551.12	2,173,942	54.7707%
Montana	8,356	-\$9,812.41	18,168	-117.4295%
Nebraska	6,346,581	\$3,455,787.23	2,890,794	54.4512%
North Dakota	181,420	\$97,029.86	84,390	53.4836%
South Dakota	124,854	\$66,534.23	58,320	53.2896%
Tennessee	22,274,518	\$12,219,045.44	10,055,473	54.8566%
Texas	77,266,476	\$42,571,051.57	34,695,424	55.0964%
Utah	65,414	-\$14,415.94	79,830	-22.0380%
West Virginia	4,291,079	\$2,349,214.88	1,941,864	54.7465%
Sub Total	418,414,990	\$228,839,582.82	189,575,407	54.6920%
New Mexico	85,153	-\$3,747.00	10,211	88.0086%
South Carolina	387,052	\$176,804.73	(23,153)	105.9818%
Grand Total	418,887,195	\$229,005,329.66	189,562,465	54.7462%

The distributions and claims of the New Mexico and South Carolina Guaranty Associations are addressed in Section 4 of the agreement. They are set forth separately on this exhibit for informational purposes only. The remaining class III claims are net of deposits of \$78,689 for NM and \$233,400 for SC. After the agreement has been executed and the NM and SC Associations have returned \$8,142 and \$ 106,000 respectively the current percentage recovery of policyholder claims would be 77.86% and 78.59% respectively.

The Montana Association had additional administrative expenses significantly exceeding the original distributions to them

EXHIBIT 7.1

NOLHGA CERTIFICATE OF PARTICIPATING ASSOCIATIONS
in the

STIPULATION AND SETTLEMENT AGREEMENT
REGARDING CLAIMS, DISTRIBUTIONS AND DEPOSITS

by and among

the Receiver of National Heritage Life Insurance Company, in Liquidation
the National Organization of Life and Health Insurance Guaranty Associations
and its Affected Participating Associations

The National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") hereby certifies that, pursuant to NOLHGA's bylaws and Members' Participation Council Rules and Procedures, the following state life and health insurance guaranty associations have elected to become Participating Associations under the above referenced Settlement Agreement. Each Participating Association has executed a certificate with the following language, agreeing to be bound by the terms and conditions of the Settlement Agreement.

The undersigned life and health insurance guaranty association ("Association") affirms that it elects to participate as a "Participating Association" in the Settlement Agreement. The Association represents that it is familiar with the terms and provisions of the Settlement Agreement and elects to be bound as a Participating Association.

In accordance with Article 7 of the Settlement Agreement, any notice required or permitted to be given under the Settlement Agreement to the Participating Associations shall be deemed to be given if delivered by hand or if by mail by certified mail, postage prepaid, or by postal or commercial express document delivery service which issues individual delivery receipts, to such Participating Associations at the following addresses:

<Insert contact information for Participating Associations>

Date: _____

NATIONAL ORGANIZATION OF LIFE
AND HEALTH INSURANCE GUARANTY
ASSOCIATIONS

By: _____

Name: _____

Title: _____

EXHIBIT 7.1

NOLHGA CERTIFICATE OF PARTICIPATING ASSOCIATIONS
in the

STIPULATION AND SETTLEMENT AGREEMENT
REGARDING CLAIMS, DISTRIBUTIONS AND DEPOSITS

by and among

the Receiver of National Heritage Life Insurance Company, in Liquidation
the National Organization of Life and Health Insurance Guaranty Associations
and its Affected Participating Associations

The National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") hereby certifies that, pursuant to NOLHGA's bylaws and Members' Participation Council Rules and Procedures, the following state life and health insurance guaranty associations have elected to become Participating Associations under the above referenced Settlement Agreement.

In accordance with Article 7 of the Settlement Agreement, any notice required or permitted to be given under the Settlement Agreement to the Participating Associations shall be deemed to be given if delivered by hand or if by mail by certified mail, postage prepaid, or by postal or commercial express document delivery service which issues individual delivery receipts, to such Participating Associations at the following addresses:

[remainder of page intentionally left blank]

Alabama Life & Disability
Insurance Guaranty Association
c/o Dotty S. Carley
Executive Director
6 Office Park Circle, Suite 200
Birmingham, AL 35223
(205) 879-2202
(205) 879-2292

Life and Health(Colorado) Life & Health
Insurance Protection Association
c/o Jamie Kelldorf, Administrator
P.O. Box 36009
Denver, CO 80227
(303) 292-5022
(303) 292-4663

Delaware Life & Health
Insurance Guaranty Association
c/o John Falkenbach, Esq.
Executive Director
220 Highland Avenue
Glen Riddle, PA 19037
(610) 358-1286
(610) 358-1286

District of Columbia Life & Health
Insurance Guaranty Association
c/o Robert M. Willis, Esq.
Executive Director
1200 – G Street, NW, Suite 800
Washington, DC 20005
(202) 434-8763
(202) 347-2990

Florida Life & Health
Insurance Guaranty Association
c/o William E. Falck, Esq.
Executive Director / General Counsel
3740 Beach Blvd., #201-A
Jacksonville, FL 32207-3877
(904) 398-3644
(904) 398-4474

Georgia Life & Health Insurance
Guaranty Association
c/o Michael C. Marchman
Executive Director
2177 Flintstone Drive, Suite R
Tucker, GA 30084
(770) 621-9835
(770) 938-3296 Fax

Indiana Life & Health Insurance
Guaranty Association
c/o Janis B. Funk, Esq.
Executive Director
251 E. Ohio St., #1070
Indianapolis, IN 46204-2143
(317) 692-0574
(317) 264-2395

Iowa Life & health
Insurance Guaranty Association
c/o Luther L. Hill, Kr., Esq.
Administrator
700 Walnut Street, #1600
Des Moines, IA 50309
(515) 248-5712
(515) 283-8018

Kansas Life & Health
Insurance Guaranty Association
c/o Linda Becker, Administrator
2909 S.W. Maupin Lane
Topeka, KS 66614-5335
(785) 271-1199
(785) 272-0242

Louisiana Life & Health
Insurance Guaranty Association
c/o Phyllis Perron, Executive Director
450 Laurel Street, #1400
Baton Rouge, LA 70801
(225) 381-0656

Michigan Life & Health
Insurance Guaranty Association
c/o John C. Colpean, Esq.
Administrator & General Counsel
1640 Haslett Road, #160
Haslett, MI 48840-8683
(517) 339-1755
(517) 339-5500

Mississippi Life & Health
Insurance Guaranty Association
c/o Gordon B. Haydel, Executive Director
P.O. Box 4562
Jackson, MS 39296
(601) 981-3471
(601) 362-9544 Fax

Missouri Life & Health
Insurance Guaranty Association
c/o Charles Renn, Executive Director
995 Diamond Ridge, Suite 102
Jefferson City, MO 65109
(573) 634-8455
(573) 634-8488 Fax

Montana Life & Health
Insurance Guaranty Association
c/o Wilson D. Perry, Esq.
Executive Director
P. O. Box 951
Oconomowoc, WI 53066-0951
(262) 965-5761
(262) 965-4561

Nebraska Life & Health
Insurance Guaranty Association
c/o Pam Olson, Administrator
Cline, Williams, Wright, Johnson &
Oldfather
1900 US Bank Building
233 South 13th Street
Lincoln, NE 685008
(402) 474-6900
(402) 474-5393

New Mexico Life Insurance
Guaranty Association
c/o Michael C. Batte, Administrator
P. O. Box 2880
Santa Fe, NM 87504-2880
(505) 820-7355
(505) 820-7356 Fax

North Dakota Life & Health
Insurance Guaranty Association
c/o Gregory D. Morris, Esq.
17550 N. Perimeter Drive, #210
Scottsdale, AZ 85255-0131
(480) 473-5553

South Carolina Life & Accident &
Health Insurance Guaranty Association
c/o Andrea H. Bowers, Administrator
P. O. Box 706
Orangeburg, SC 29116-0706
(803) 536-9874
(803) 536-2636

South Dakota Life & Health
Insurance Guaranty Association
c/o Charles D. Gullickson, Esq.
Executive Director / General Counsel
c/o Davenport, Evans, Hurwitz & Smith
P. O. Box 1030
Sioux Falls, SD 57101-1030
(605) 357-1270
(605) 335-3639

Tennessee Life & Health
Insurance Guaranty Association
c/o Dan H. Elrod, Esq.
Administrator
Miller & Martin LLP
1200 One Nashville Place
150 4th Avenue North
Nashville, TN 37219-2433
(615) 242-8758
(615) 256-8197

Texas Life, Accident, Health & Hospital
Service Insurance Guaranty Association
c/o Bart A. Boles, Executive Director
6504 Bridge Point Parkway, Suite 450
Austin, TX 78701
(512) 476-5101
(512) 472-1470 Fax

West Virginia Life & Health
Insurance Guaranty Association
c/o Mauna Dailey, Administrator
P. O. Box 816
Huntington, WV 25712
(304) 733-6904
(304) 733-6905

Utah Life & Health
Insurance Guaranty Association
c/o Arthur O. Dummer, FSA
Administrator
955 E. Pioneer Road
Draper, UT 84020
(801) 572-1218
(801) 572-5067



EXHIBIT 2

EXHIBIT 1

(Prepared February 15, 2009)

Guaranty Association Policyholder Level Claims (Class III)

	1	2	3	4	5	6	7	8	9
GA's Policyholder Level Claim (Class III)	Distributions (after Payment of Total Administrative Expenses) through 12/31/06	Remaining Claims (Class III) as of 12/31/06	Percentage recovery of GA policyholder claims (Class III) through 12/31/06	Proposed Expense Reimbursements	Proposed Claims Reimbursement	Proposed Total Reimbursement	Proposed Percentage recovery of policyholder claims (Class III)		
Guaranty Assn.									
Alabama	1,683,661	810,809	872,852	48.1575%	150,255	150,255	57.08%		
Colorado	3,266,962	1,794,989	1,471,973	54.9437%	69,855	69,855	57.08%		
Delaware & Other	23,274,192	12,257,316	11,016,876	52.6648%	1,028,056	1,028,056	57.08%		
District of Columbia	0	0	0	100.0000%	0	0			
Florida	146,146,177	80,055,047	66,091,130	54.7774%	3,368,111	3,368,111	57.08%		
Georgia	2,299,892	1,263,578	1,036,314	54.9407%	49,244	49,244	57.08%		
Indiana	18,629,638	10,231,654	8,397,984	54.9214%	402,513	402,513	57.08%		
Iowa	15,702,980	8,606,594	7,096,386	54.8087%	356,978	356,978	57.08%		
Kansas	2,179,076	1,167,223	1,011,853	53.5650%	76,634	76,634	57.08%		
Louisiana	8,819,496	4,774,172	4,045,324	54.1320%	260,169	260,169	57.08%		
Michigan	72,896,252	40,038,871	32,857,381	54.9258%	1,571,762	1,571,762	57.08%		
Mississippi	8,151,473	4,472,344	3,679,129	54.8655%	180,677	180,677	57.08%		
Missouri	4,806,493	2,632,551	2,173,942	54.7707%	111,088	111,088	57.08%		
Montana	8,356	0	8,356	0.0000%	\$9,812	14,582	57.08%		
Nebraska	6,346,581	3,455,787	2,890,794	54.4512%	166,965	166,965	57.08%		
North Dakota	181,420	97,030	84,390	53.4836%	6,525	6,525	57.08%		
South Dakota	124,854	66,534	58,320	53.2896%	4,732	4,732	57.08%		
Tennessee	22,274,518	12,219,045	10,055,473	54.8566%	495,692	495,692	57.08%		
Texas	77,266,476	42,571,052	34,695,424	55.0964%	1,534,193	1,534,193	57.08%		
Utah	65,414	0	65,414	0.0000%	37,337	51,753	57.08%		
West Virginia	4,291,079	2,349,215	1,941,864	54.7465%	100,216	100,216	57.08%		
Sub Total	418,414,990	228,839,583	189,551,179	54.6978%	9,975,773	\$10,000,000			
New Mexico	85,690	-6,149	14,615	82.9445%					
South Carolina	387,052	176,805	23,153	94.0182%					
Grand Total	418,887,732	229,005,330	189,588,946	54.7399%					



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE)
LIQUIDATION OF NATIONAL) C.A. No. 13530 - VCL
HERITAGE LIFE INSURANCE COMPANY)

**ORDER CONCERNING RECEIVER’S THIRD CLAIM
RECOMMENDATION REPORT AND PETITION SEEKING
APPROVAL OF STIPULATION AND SETTLEMENT AGREEMENT
REGARDING CLAIMS, DISTRIBUTIONS AND DEPOSITS
AMONG THE RECEIVER, THE NATIONAL ORGANIZATION OF
LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS, AND
THE STATE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATIONS**

WHEREAS, pursuant to 18 DEL. C. § 5917(c), the Receiver (herein “Receiver”) of National Heritage Life Insurance Company in Liquidation (herein “NHL”) filed the Receiver’s Third Claim Recommendation Report and Petition Seeking Approval of Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits Among the Receiver, the National Organization of Life and Health Insurance Guaranty Associations, and the State Life and Health Insurance Guaranty Associations (the “Petition”), pertaining to the claims of the twenty three state life and health guaranty associations affected by the NHL insolvency (the “Guaranty Associations”), which claims’ priority classifications and values have been proposed to be resolved pursuant to a Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits among the Receiver, the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) and the Guaranty Associations (the “Claims Agreement”) which is the subject of the Petition;

WHEREAS, this Court entered an Order to Show Cause dated June ____, 2009, which set _____, 2009, at _____ a.m./p.m., as the date and time for the hearing on the Receiver's recommendation as to the Guaranty Association Claims and the Claims Agreement. The Order to Show Cause further required each Claimant or other objecting party to notify the Court in writing of his or her intent to appear at the hearing by _____, 2009, or the relief sought in the Recommendation Report and Petition would be granted;

WHEREAS, the Receiver has filed proof that each Guaranty Association Claimant and each claimant with a pending claim in the estate received due notice at his or her last known address of the hearing date and the requirement to notify the Court of his or her intent to appear; and

WHEREAS, the Claimants either notified the Court in writing of his or her intent to appear at the hearing and appeared at the hearing and, after having heard from the Claimant, this Court overruled the basis for their objection to the Receiver's recommendation, or the Claimants failed to appear at the hearing and are deemed to have abandoned his or her objection to the Receiver's recommendation.

NOW, THEREFORE, the Court finds that the Claimants and other potentially affected parties have either abandoned their objections by failing to appear at the hearing or have not provided a sufficient basis for the Court to reject the Receiver's recommendation as to the classification and/or value to be assigned to the Guaranty Association Claims and that the granting of the relief sought in the Petition is in the best interests of the NHL estate, its creditors and the public;

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

PROVISIONS APPLICABLE TO INDIVIDUAL GUARANTY ASSOCIATION CLAIMS

1. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **ALABAMA LIFE AND DISABILITY INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$135,540.70, on which \$135,540.70 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver or if other administrative expenses are submitted and approved pursuant to the terms of the Claims Agreement.

(b) The Receiver's recommendation that the policy benefits claim of the **ALABAMA LIFE AND DISABILITY INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$1,683,661.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

2. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **COLORADO LIFE AND HEALTH INSURANCE PROTECTION ASSOCIATION** be assigned to the guaranty administrative expense priority

class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$38,673.64, on which \$38,673.64 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **COLORADO LIFE AND HEALTH INSURANCE PROTECTION ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$3,266,962.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

3. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **DELAWARE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$807,264.83, on which \$807,264.83 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **DELAWARE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$23,274,192.00 on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

4. (a) The Court hereby adopts the Receiver's recommendation that the Court find that the value of administrative expense claim, policy benefits claim, or any other claim of the **DISTRICT OF COLUMBIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** is \$0 as there were no NHL policy obligations in the District of Columbia and that association did not incur any expenses or make any payments of policy obligations. Therefore, this Guaranty Association shall not share in the assets of the estate.

(b) These claims, if any, are subject to the other provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

5. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **FLORIDA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority

class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$2,012,745.92, on which \$2,012,745.92 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **FLORIDA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$146,146,177.00 on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

6. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **GEORGIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$46,838.47, on which \$46,838.47 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **GEORGIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$2,299,892.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

7. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **INDIANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$227,093.51, on which \$227,093.51 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **INDIANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$18,629,638.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

8. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **IOWA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$215,890.35, on which \$215,890.35 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver’s recommendation that the policy benefits claim of the **IOWA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$15,702,980.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

9. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **KANSAS LIFE AND HEALTH INSURANCE GUARANTY**

ASSOCIATION be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$55,771.61, on which \$55,771.61 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **KANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$2,179,076, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

10. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **LOUISIANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$176,935.38, on which \$176,935.38 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **LOUISIANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$8,819,496.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

11. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **MICHIGAN LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$936,223.86, on which \$936,223.86 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **MICHIGAN LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$72,896,252.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

12. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **MISSISSIPPI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$103,309.79, on which \$103,309.79 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver’s recommendation that the policy benefits claim of the **MISSISSIPPI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$8,151,473.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

13. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **MISSOURI LIFE AND HEALTH INSURANCE**

GUARANTY ASSOCIATION be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$66,667.97, on which \$66,667.97 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **MISSOURI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$4,806,493.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

14. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **MONTANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$14,529.00, on which \$14,529.00 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **MONTANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$8,356.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

15. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **NEBRASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$110,816.64, on which \$110,816.64 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **NEBRASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$6,346,581.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

16. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **NEW MEXICO LIFE INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(c) and valued at \$58,660.00 as a claim against CUIC’s funds on deposit in New Mexico, on which \$54,913.00 was paid out of the funds on deposit, leaving a balance to be paid pursuant to the terms of the Claims Agreement. The payments made out of the funds on deposit are not subject to recall pursuant to the Early Access Agreement, except as provided in the Claims Agreement.

(b) The Receiver’s recommendation that the policy benefits claim of the **NEW MEXICO LIFE INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(c) and valued at an Allowed Class III Claim of \$85,153.00, on which certain early access distributions have been paid to date which are to be addressed pursuant to the terms of the Claims Agreement, is hereby adopted by the Court. Future distributions on this claim are subject to the terms of the Claims Agreement. Any payments made out of the funds on deposit are not subject to recall pursuant to the Early Access Agreement, except as provided in the Claims Agreement.

(c) The early access distributions from the NHL Trust and/or the NHL estate on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

17. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **NORTH DAKOTA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$4,546.41, on which \$4,546.41 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver’s recommendation that the policy benefits claim of the **NORTH DAKOTA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$181,420.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

18. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **SOUTH CAROLINA LIFE, ACCIDENT AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(c) and valued at \$42,951.27, as a claim against CUIC's funds on deposit in South Carolina, on which \$42,951.27 was paid out of the funds on deposit, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied. As this claim was satisfied out of special deposit funds, those payments are not subject to recall pursuant to the Early Access Agreement, except as provided in the Claims Agreement.

(b) The Receiver's recommendation that the policy benefits claim of the **SOUTH CAROLINA LIFE, ACCIDENT AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(c) and valued at an Allowed Class III Claim of \$387,052.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court. Future distributions on this claim are subject to the terms of the Claims Agreement. Any payments made out of the funds on deposit are not subject to recall pursuant to the Early Access Agreement, except as provided in the Claims Agreement.

(c) The early access distributions from the NHL Trust and/or the NHL estate on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

19. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **SOUTH DAKOTA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$3,898.09, on which \$3,898.09 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **SOUTH DAKOTA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$124,854.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

20. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **TENNESSEE LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$288,294.68, on which \$288,294.68 has been paid to date through early access distributions, leaving a balance

due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **TENNESSEE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$22,274,518.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled "Provisions Applicable to All Guaranty Association Claims" in paragraphs 24 through 33 below.

21. (a) The Court hereby adopts the Receiver's recommendation that the administrative expense claim of the **TEXAS LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$1,155,444.61, on which \$1,155,444.61 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver's recommendation that the policy benefits claim of the **TEXAS LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to

18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$77,266,476.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

22. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **UTAH LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$51,032.66, on which \$51,032.66 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver’s recommendation that the policy benefits claim of the **UTAH LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$65,414.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

23. (a) The Court hereby adopts the Receiver’s recommendation that the administrative expense claim of the **WEST VIRGINIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the guaranty administrative expense priority class (**Class II**) pursuant to 18 DEL. C. §5918(e)(2) and valued at \$65,917.65, on which \$65,917.65 has been paid to date through early access distributions, leaving a balance due of \$0. Such administrative expense claim is hereby deemed fully satisfied unless such early access distributions are recalled by the Receiver.

(b) The Receiver’s recommendation that the policy benefits claim of the **WEST VIRGINIA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION** be assigned to the policyholder level priority class (**Class III**) pursuant to 18 DEL. C. §5918(e)(3) and valued at an Allowed Class III Claim of \$4,291,079.00, on which certain early access distributions have been paid to date, is hereby adopted by the Court.

(c) The early access distributions on these claims remain subject to recall as set forth therein and are further subject to the provisions below in the section entitled “Provisions Applicable to All Guaranty Association Claims” in paragraphs 24 through 33 below.

PROVISIONS APPLICABLE TO ALL GUARANTY ASSOCIATION CLAIMS

24. The Court hereby approves and adopts the Receiver's Third Claim Recommendation Report in its entirety relating to the individual Guaranty Association Claims, except as revised herein.

25. The Court hereby approves the Claims Agreement and authorizes and Orders the parties thereto to implement the terms of the Claims Agreement, subject to the terms of this Order.

26. The early access distributions to the individual Guaranty Associations are hereby reallocated as set forth in the Claims Agreement, as adjusted by the thirteenth early access distribution approved by this Court, subject to any revisions set forth herein. All future distributions to the Guaranty Associations for their Class III claims shall be allocated as set forth in the column entitled "GA's Policyholder Level Claim (Class III)" on Exhibit C to the Claims Agreement;

27. Except as noted above for individual guaranty association claimants, both the allowed administrative expense claims and the allowed policy benefits claim have been partially paid through early access distributions under the Early Access Agreement, and those payments remain subject to recall by the Receiver if such funds are needed to pay higher priority claims or to equalize the distribution percentages received by claimants within a specific priority class. If the Receiver recalls any payments from the claimants in order to pay higher priority claims or to assure that all claimants in a particular class receive the same pro rata share in that class, the Receiver shall

subsequently adjust the affected claimant's claim to add the recalled payments to the unpaid balance on the claim in the priority class for which the recalled payments were made.

28. Any guaranty association claims in excess of the amounts recommended by the Receiver except as such recommendations were revised herein, or except as new administrative expense submissions are permitted by the Claims Agreement, are hereby **DISALLOWED**.

29. Each claim allowed in whole or in part pursuant to 18 DEL. C. §5918(e) set forth in this Order is subject to the availability of funds for the assigned priority class pursuant to 18 DEL. C. §5918(e).

30. This Order shall have no effect on the uncovered claims of individual policyholders for whom full or partial coverage has been afforded by a Guaranty Association.

31. Within three (3) business days of receipt of this Order, the Receiver's counsel shall serve, by United States certified mail, postage prepaid, return receipt requested, to the claimant's last known address in the Receiver's file, a copy of this Order on the claimant and all parties given notice of the Petition.

32. There is no just reason for delay, and this Order, pursuant to Chancery Court Rule 54(b), is entered as a final judgment. **THE ABOVE GUARANTY ASSOCIATION CLAIMANTS WHOSE CLAIMS HAVE BEEN ALLOWED, DISALLOWED IN ITS ENTIRETY, DISALLOWED IN PART, OR CLASSIFIED MAY APPEAL THIS ORDER TO THE SUPREME COURT OF THE STATE OF DELAWARE. SUCH**

APPEAL MUST BE FILED WITH (RECEIVED BY) THE CLERK OF THE DELAWARE SUPREME COURT WITHIN THIRTY (30) DAYS OF THE DATE OF THIS ORDER. IF YOU FAIL TO FILE A TIMELY APPEAL, THIS DECISION WILL BECOME FINAL. ANY APPEAL WHICH IS FILED SHALL RELATE SOLELY TO THE CLAIM FOR WHICH SUCH APPEAL HAS BEEN FILED BY THE CLAIMANT WHICH FILED SUCH CLAIM AND SHALL NOT AFFECT THE OTHER CLAIMS SUBJECT TO THIS ORDER. Any stay of this Order pending appeal by any of the Claimants whose claims are subject to this Order shall apply only to such claim and shall not act to stay the applicability and/or finality of this Order with respect to any other Claim subject to this Order.

33. This Court shall retain jurisdiction over any matters relating to the implementation of this Order.

Vice-Chancellor



DIANE J. BARTELS, ESQUIRE
BRANDYWINE VILLAGE
1807 NORTH MARKET STREET
WILMINGTON, DELAWARE
19802-4810

TELEPHONE: 302-656-7207

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June 12, 2009

The Honorable Stephen P. Lamb
Court of Chancery of the State of Delaware
500 North King Street, Suite 11400
Wilmington, Delaware 19801

By Hand

Re: In the Matter of the Liquidation of National
Heritage Life Insurance Company
Civil Action No. 13530-VCL

Dear Vice Chancellor Lamb:

Enclosed please find courtesy copies of the following
Petition and related documents filed on LexisNexis File and
Serve on June 12, 2009, in the above-referenced matter:

Receiver's Third Claim Recommendation Report
and Petition Seeking Approval of Stipulation
and Settlement Agreement Regarding Claims,
Distributions and Deposits Among the Receiver,
The National Organization of Life and Health
Insurance Guaranty Associations, and the State
Life and Health Insurance Guaranty Associations,
with Exhibits 1 and 2, and Certificate of Service;

the proposed form of Order to Show Cause
Concerning Receiver's Third Claim Recommendation
Report and Petition Seeking Hearing on Guaranty
Association Claims and Claim Settlement
Agreement with Receiver; and

The Honorable Stephen P. Lamb
June 12, 2009
Page 2

the proposed form of Order Concerning Receiver's
Third Claim Recommendation Report and Petition
Seeking Approval of Stipulation and Settlement
Agreement Regarding Claims, Distributions and
Deposits Among the Receiver, the National
Organization of Life and Health Insurance
Guaranty Associations, and the State Life and
Health Insurance Guaranty Associations.

The notice of electronic filing is also enclosed.

If possible, the Receiver requests that a hearing be
scheduled for this matter in approximately forty-five (45)
days.

Respectfully submitted,



Diane J. Bartels
Del. Bar No. 2530

DJB/db

Enclosures

cc: Fredric Marro, Esquire
Francis X.D. Nardo, Esquire
Franklin D. O'Loughlin, Esquire
Joel A. Glover, Esquire
Mr. George J. Piccoli



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE)
LIQUIDATION OF NATIONAL) C.A. No. 13530 - VCL
HERITAGE LIFE INSURANCE COMPANY)

CERTIFICATE OF SERVICE

I, Diane J. Bartels, Esquire, hereby certify this June 12, 2009, that the foregoing "Receiver's Third Claim Recommendation Report and Petition Seeking Approval of Stipulation and Settlement Agreement Regarding Claims, Distributions and Deposits Among the Receiver, the National Organization of Life and Health Insurance Guaranty Associations, and the State Life and Health Insurance Guaranty Associations," and proposed forms of Order to Show Cause and Final Order were served this day by the manner indicated on:

By LexisNexis EFile
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19899-2092
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Denver, Colorado
(Counsel for NOLHGA)


Diane J. Bartels
DE Bar No. 2530

Dated: June 12, 2009