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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

IN THE MATTER OF)
THE LIQUIDATION OF) C.A. No. 12789
CONSUMERS UNITED INSURANCE COMPANY)

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ORDER CONCERNING
RECEIVER'S SECOND CLAIM RECOMMENDATION REPORT
AND PETITION SEEKING HEARING ON DISPUTED CLAIMS

WHEREAS, pursuant to 18 Del. C. § 5917(c), the Receiver of Consumers United Insurance Company in Liquidation (herein "Receiver") filed her Second Claim Recommendation Report pertaining to certain health, life and annuity claims that either were paid by an applicable state guaranty association, are not covered by any applicable state guaranty association or have been denied in whole or in part by a state guaranty association, and which the Receiver believes should be allowed, disallowed in their entirety or only allowed in part ("Disputed Claims");

WHEREAS, this Court entered an Order to Show Cause dated July 2, 2003, which set September 4, 2003 at 9:30 a.m. as the date and time for the hearing on the fifteen (15) Disputed Claims which are the subject of the Petition. The Order to Show Cause further required each claimant to notify the Court in writing of their intent to appear at the hearing by August 25, 2003 or their

claim would be considered abandoned and the Receiver's recommendation would be adopted by the Court;

WHEREAS, the Receiver has filed proof that each of the fifteen (15) claimants received due notice at their last known address of the hearing date and the requirement to notify the Court of their intent to appear by the August 25, 2003 deadline; and

WHEREAS, none of the fifteen (15) claimants notified the Court in writing of their intent to appear at the hearing, and none of the claimants appeared at the hearing, although one claimant, Ms. Josephine Thomas, did correspond with the Court and the Receiver's counsel concerning her claim. However, her policy benefits were fully assumed by the Unity Mutual Life Insurance Company and, therefore, she was unable to provide any basis for a claim against the estate of Consumers United. Ms. Thomas did not appear at the hearing;

NOW, THEREFORE, the Court finds that Mr. Wade E. Bilbrey (proof of claim number 178), Ms. Amy Jackson (proof of claim number 1166), Ms. Barbara E. Wolf (proof of claim number 848), Mr. Zebelon Bishop (proof of claim number 1406), Jack Brightwell, LCSW (proof of claim number 1443), Mr. Robert Fleck and Ms. Jane Fleck (proof of claim number 1203), Lucinda Gray, PhD (proof of claim number

1527), Ms. Linda Lancianese (proof of claim number 1199), Mr. Victor Logan (proof of claim number 702), Ms. Susan Jean McCrone (proof of claim number 1035), Ms. Lucy McLauchlan (proof of claim number 1553), Maud H. Purcell, MSW (proof of claim number 1468), Ms. Susan Stith (proof of claim number 113), Ms. Josephine Thomas (proof of claim number 369), and Ms. Brenda Underhill (proof of claim number 1183) have all abandoned their appeals from the Receiver's recommendation that their claims be denied in full or in part, except in the case of the Bilbrey claim (proof of claim number 178) which is recommended in the full amount claimed of \$18.80. Ms. Josephine Thomas' written response to the Court does not provide any legal or factual basis for a claim against the estate of Consumers United as her policy benefits were fully assumed by the Unity Mutual Life Insurance Company;

IT IS HEREBY ORDERED THAT:

1. The Receiver's recommendation that the claim of MR WADE E. BILBREY (proof of claim number 178) be assigned to the policyholder priority class (class 3) and valued at \$18.80 is hereby adopted by the Court, and Mr. Bilbrey's claim is HEREBY ALLOWED at the value of \$18.80 pursuant to 18 Del. C. § 5917(d). This allowance shall not affect any amounts already paid to Mr. Bilbrey by the

applicable state life and health insurance guaranty association or any other benefits received by him from the guaranty association directly or through an assuming insurer. Further, the allowance of Mr. Bilbrey's claim at the value of \$18.80 does not mean that the claim will be paid in full. The claim will share, pro rata, with the other policyholder level priority class (class 3) claims in any assets available for distribution to that class, after all higher priority classes have been satisfied in full.

2. The Receiver's recommendation that the claim of MS. AMY JACKSON (proof of claim number 1166) be assigned to the policyholder priority class (class 3) and valued at \$24.43 is hereby adopted by the Court, and Ms. Jackson's claim is HEREBY ALLOWED IN PART at the value of \$24.43 pursuant to 18 Del. C. § 5917(d). This allowance shall not affect any amounts already paid to Ms. Jackson by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer. Further, the allowance of Ms. Jackson's claim at the value of \$24.43 does not mean that the claim will be paid in full. The claim will share, pro rata, with the other policyholder level priority class (class 3) claims in any assets available for

distribution to that class, after all higher priority classes have been satisfied in full.

3. The Receiver's recommendation that the claim of MS. BARBARA E. WOLF (proof of claim number 848) be assigned to the policyholder priority class (class 3) and valued at \$30.00 is hereby adopted by the Court, and Ms. Wolf's claim is HEREBY ALLOWED IN PART at the value of \$30.00 pursuant to 18 Del. C. § 5917(d). This allowance shall not affect any amounts already paid to Ms. Wolf by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer. Further, the allowance of Ms. Wolf's claim at the value of \$30.00 does not mean that the claim will be paid in full. The claim will share, pro rata, with the other policyholder level priority class (class 3) claims in any assets available for distribution to that class, after all higher priority classes have been satisfied in full.

4. The Receiver's recommendation that the claim of MR. ZEBELON BISHOP (proof of claim number 1406) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Mr. Bishop's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This

disallowance shall not affect any amounts already paid to Mr. Bishop by the applicable state life and health insurance guaranty association or any other benefits received by him from the guaranty association directly or through an assuming insurer.

5. The Receiver's recommendation that the claim of JACK BRIGHTWELL, LCSW (proof of claim number 1443) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Mr. Brightwell's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Mr. Brightwell by the applicable state life and health insurance guaranty association or any other benefits received by him from the guaranty association directly or through an assuming insurer.

6. The Receiver's recommendation that the claim of MR. ROBERT FLECK and MS. JANE FLECK (proof of claim number 1203) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Mr. Robert Fleck and Ms. Jane Fleck's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Mr. Robert Fleck and/or Ms. Jane Fleck by the applicable state life and health insurance guaranty association or

any other benefits received by them from the guaranty association directly or through an assuming insurer.

7. The Receiver's recommendation that the claim of LUCINDA GRAY, PHD (proof of claim number 1527) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Dr. Gray's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Dr. Gray by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

8. The Receiver's recommendation that the claim of MS. LINDA LANCIANESE (proof of claim number 1199) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. Lancianese's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. Lancianese by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

9. The Receiver's recommendation that the claim of MR. VICTOR LOGAN (proof of claim number 702) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Mr. Logan's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Mr. Logan by the applicable state life and health insurance guaranty association or any other benefits received by him from the guaranty association directly or through an assuming insurer.

10. The Receiver's recommendation that the claim of MS. SUSAN JEAN MCCRONE (proof of claim number 1035) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. McCrone's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. McCrone by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

11. The Receiver's recommendation that the claim of MS. LUCY MCLAUCHLAN (proof of claim number 1553) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby

adopted by the Court, and Ms. McLauchlan's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. McLauchlan by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

12. The Receiver's recommendation that the claim of MAUD H. PURCELL, MSW (proof of claim number 1468) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. Purcell's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. Purcell by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

13. The Receiver's recommendation that the claim of MS. SUSAN STITH (proof of claim number 113) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. Stith's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. Stith by the applicable

state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

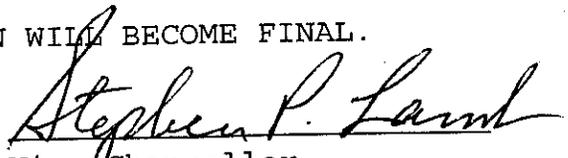
14. The Receiver's recommendation that the claim of MS. JOSEPHINE THOMAS (proof of claim number 369) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. Thomas' claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. Thomas by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

15. The Receiver's recommendation that the claim of MS. BRENDA UNDERHILL (proof of claim number 1183) be assigned to the policyholder priority class (class 3) and valued at \$0 is hereby adopted by the Court, and Ms. Underhill's claim is HEREBY DISALLOWED IN ITS ENTIRETY pursuant to 18 Del. C. § 5917(d). This disallowance shall not affect any amounts already paid to Ms. Underhill by the applicable state life and health insurance guaranty association or any other benefits received by her from the guaranty association directly or through an assuming insurer.

16. The disallowance in whole or in part of each claim subject to this Order constitutes a separate matter and this Order shall be deemed a separate Order with respect to each such claim. Any appeal from this Order and any stay of this Order pending appeal concerning one claim shall not act as an appeal of or stay of this Order as to any other claim.

17. On or before September 5, 2003, 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 to each claimant whose claim is subject to this Order.

18. There is no just reason for delay, and this Order, pursuant to Chancery Court Rule 54(b), is entered as a final judgment. EACH OF THE ABOVE CLAIMANTS WHOSE CLAIMS HAVE BEEN DISALLOWED IN THEIR ENTIRETY OR IN PART 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.


Vice Chancellor

Dated:

September 4, 2003

